HEMISPHERE MEDIA GROUP, INC.
Form 424B4
May 08, 2015

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Filed Pursuant to Rule 424(B)(4)
Registration No. 333-203223

PROSPECTUS

3,195,583 Shares

Hemisphere Media Group, Inc.

Class A Common Stock

The selling stockholders identified in this prospectus are offering 3,195,583 shares of Class A common stock of Hemisphere Media Group, Inc., par value $0.0001 per share. Our Class A common stock is traded on the NASDAQ Global Market ("NASDAQ") under the symbol "HMTV." On May 7, 2015, the last reported sale price of our Class A common stock as reported on NASDAQ was $12.69 per share.

We have two classes of common stock, Class A common stock and Class B common stock, par value $0.0001 per share. The rights of the holders of our Class A common stock and Class B common stock are identical, except with respect to voting and conversion rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to ten votes and is convertible at any time at the holder's sole discretion into one share of Class A common stock. The holders of our outstanding shares of Class B common stock will hold approximately 95% of the voting power of our outstanding capital stock (not including shares of Class A common stock or derivative securities (other than Class B shares) convertible into shares of our Class A common stock held by such Class B holders) following the completion of this offering.

We will not receive any proceeds from the sale of Class A common stock to be offered by the selling stockholders.

We have granted the underwriters a 30-day option to purchase up to an additional 479,337 shares of our Class A common stock from us.

	Per share	Total
Public offering price	$ 12.00	$ 38,346,996
Underwriting discounts and commissions	$ 0.72	$ 2,300,820
Proceeds to the selling stockholders before expenses(1)	$ 11.28	$ 36,046,176

(1) See "Underwriting."

Investing in our Class A common stock involves a high degree of risk. See "Risk Factors" on page 22 of this prospectus to read about factors you should consider before making any decision to invest in our Class A common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to purchasers on or about May 13, 2015.

Joint Book-Running Managers

RBC CAPITAL MARKETS GUGGENHEIM SECURITIES STIFEL

Co-Manager

MAXIM GROUP LLC

The date of this prospectus is May 7, 2015

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Neither we, the selling stockholders nor the underwriters have authorized any other person to provide you with different or additional information other than that contained in this prospectus. We, the selling stockholders and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may provide. We and the selling stockholders are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus or such other date stated in this prospectus, and our business, financial condition, results of operations and/or prospects may have changed since those dates.

The laws of certain jurisdictions may restrict the distribution of this prospectus and the offer and sale of the shares of our Class A common stock. Persons into whose possession this prospectus or any shares of Class A common stock may come must inform themselves about, and observe, any such restrictions on the distribution of this prospectus and the offering and sale of the shares of Class A common stock. In particular, there are restrictions on the distribution of this prospectus and the offer or sale of the shares of our Class A common stock in the United States, the European Economic Area and Canada. Neither we, the selling stockholders nor our respective representatives are making any representation to any offeree or any purchaser of the shares of Class A common stock regarding the legality of any investment in the shares of our Class A common stock by such offeree or purchaser under applicable legal investment or similar laws or regulations. Accordingly, no shares of Class A common stock may be offered or sold, directly or indirectly, and neither this prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Ownership of our Class A common stock is also subject to certain regulatory restrictions, including the Communications Act of 1934 or FCC rules and policies (an "FCC Regulatory Limitation"). For more information, see "Description of Capital Stock Regulatory Restrictions."

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Unless otherwise indicated, all references in this prospectus to:

"Acquired Cable Business" refers to assets of Media World, LLC and its affiliates primarily used in, or held for use in connection with, the operation or conduct of Media World, LLC's Spanish-language television network business including: (i) Pasiones, (ii) Centroamerica TV and (iii) Television Dominicana;

"Acquired Cable Networks" refers to (i) Pasiones, (ii) Centroamerica TV and (iii) Television Dominicana;

"Annual Report on Form 10-K" refers to our Annual Report on Form 10-K for the fiscal year ended December 31, 2014;

"Azteca" refers to Azteca Acquisition Corporation, a Delaware blank check corporation;

"Azteca's Sponsor" refers to Azteca Acquisition Holdings, LLC;

"Business" refers collectively to our consolidated operations;

"Cable Networks" refers to our Networks with the exception of WAPA and WAPA 2 Deportes;

"Cable Networks Acquisition" refers to the acquisition of the Acquired Cable Business;

"Centroamerica TV" refers to HMTV Centroamerica TV, LLC, a Delaware limited liability company;

"Cinelatino" refers to Cine Latino, Inc., a Delaware corporation;

the "Company" refers to Hemisphere;

"Current Sponsor Warrantholders" refers to Brener International Group, LLC, a Delaware limited liability company and an affiliate of Azteca's Sponsor, Juan Pablo Albán and Clive Fleissig;

"Distributors" refers collectively to Satellite systems, telephone companies ("telcos"), and cable multiple system operators ("MSO"s), and the MSO's affiliated regional or individual cable systems;

"Hemisphere" refers to Hemisphere Media Group, Inc., a Delaware corporation and, where applicable, its consolidated subsidiaries;

"Holdings" refers to Hemisphere Media Holdings, LLC;

"Hispanic Programming Packages" refers to 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, on which our U.S. cable networks are distributed;

"InterMedia" refers to InterMedia Partners VII, L.P., a Delaware limited partnership;

"MSOs" refers to cable multiple system operators;

"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;

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"Networks" refers collectively to WAPA, WAPA2 Deportes, WAPA America, Cinelatino, Pasiones, Centroamerica TV and Television Dominicana;

"Pasiones" refers collectively to HMTV Pasiones US, LLC, a Delaware limited liability company and HMTV Pasiones LatAm, LLC, a Delaware limited liability company;

"Seller" refers to Media World, LLC, a Florida limited liability company;

"Seller Warrants" refers to the 2,333,334 warrants that were issued by Hemisphere to InterMedia and the Cinelatino stockholders upon the consummation of the Transaction;

"Sponsor Warrants" refers to the 4,666,667 warrants issued to Azteca's Sponsor pursuant to the Warrant Agreement at the time of Azteca's initial public offering;

"telcos" refers to telephone companies;

"Television Dominicana" refers to HMTV TV Dominicana, LLC, a Delaware limited liability company;

"Transaction" collectively refers to the mergers resulting in Azteca, WAPA Holdings and Cinelatino becoming indirect wholly-owned subsidiaries of Hemisphere;

"Warrant Agreement" refers to the Warrant Agreement, dated as of June 29, 2011, between Azteca and Continental Stock Transfer & Trust Company, as warrant agent;

"WAPA" refers to Televicentro of Puerto Rico, LLC, a Delaware limited liability company;

"WAPA America" refers to WAPA America, Inc., a Delaware corporation;

"WAPA Holdings" refers to WAPA Holdings, LLC, a Delaware limited liability company and, where applicable, its consolidated subsidiaries;

"WAPA2 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; and

unless otherwise indicated or as the context requires, all references in this prospectus to "we," "us" and "our" refer to Hemisphere.

TRADEMARKS

This document contains registered and unregistered trademarks and service marks of Hemisphere and its affiliates. All brand names, trademarks and service marks appearing in this document are the property of their respective holders.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains statements that do not directly or exclusively relate to historical facts. These statements are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995.

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

Forward-looking statements are not guarantees of performance. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance, or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition to the risk factors described under "Risk Factors" in this prospectus and in our Annual Report on Form 10-K, which is incorporated by reference herein, those factors include:

- the reaction by advertisers, programming providers, strategic partners, the Federal Communications Commission (the "FCC") or other government regulators to businesses that we acquire;
- the potential for viewership of our Networks' programming to decline or unexpected reductions in the number of subscribers to our Networks;
- the risk that we may fail to secure sufficient or additional advertising and/or subscription revenue;
- our ability to successfully integrate the Acquired Cable Business and achieve the expected synergies from that integration at the expected costs;
- the ability to realize anticipated growth and growth strategies of the company since the completion of (i) the Transaction (as defined below) and (ii) the acquisition of the Acquired Cable Business;
- the ability to realize the anticipated benefits of (i) the Transaction and (ii) the acquisition of the Acquired Cable Business, in each case, which may be affected by, among other things, competition in the industry in which we operate;
- the risk that we may become responsible for certain liabilities of the Acquired Cable Business;

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the costs expected to be incurred in connection with the integration of us and the Acquired Cable Business;

the risk that integrating our Business with that of the Acquired Cable Business may divert our management's attention;

future financial performance, including our ability to obtain additional financing in the future on favorable terms;

reduced access to capital markets or significant increases in borrowing costs;

our ability to successfully manage relationships with customers and distributors and other important relationships;

continued consolidation of Distributors in the marketplace;

the inability of advertisers or affiliates to remit payment to us in a timely manner or at all;

disagreements with our distributors over contract interpretation;

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;

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

uncertainties inherent in the development of new business lines and business strategies;

changes in pricing and availability of products and services;

changes in the nature of key strategic relationships with partners and Distributors;

the ability of suppliers and vendors to deliver products and services;

fluctuations in foreign currency exchange rates and political unrest and regulatory changes in the international markets in which we operate;

the deterioration of general economic conditions, either nationally or in the local markets in which we operate;

changes in, or failure or inability to comply with, government regulations including, without limitation, regulations of the FCC, and adverse outcomes from regulatory proceedings;

the ability to protect electronically stored data;

competitor responses to our products and services; and

a failure to secure affiliate agreements or renewal of such agreements on less favorable terms.

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

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subsequent written and oral forward-looking statements concerning the matters addressed in this prospectus and attributable to us or any person acting on our behalf are qualified by these cautionary statements.

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

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PROSPECTUS SUMMARY

The following summary highlights only selected information contained elsewhere in this prospectus or the documents incorporated by reference herein, but does not contain all the information that may be important to you. Accordingly, you are encouraged to read this prospectus and the incorporated documents carefully and in their entirety, especially the risks of investing in our Class A common stock discussed under "Risk Factors." See also the section entitled "Incorporation of Documents by Reference."

Overview

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 five Spanish-language cable television networks distributed in the U.S., two Spanish-language cable television networks distributed in Latin America, and the #1-rated broadcast television network in Puerto Rico. Headquartered in Miami, Florida, we own and operate the following leading Spanish language Networks and content production platform, including the leading movie and telenovela channels, two of the most popular Hispanic entertainment genres, and the leading cable television networks targeting the second, third and fourth largest U.S. Hispanic groups:

Cinelatino: the leading Spanish-language cable movie network with over 15 million subscribers across the U.S., Latin America and Canada, including 4.3 million subscribers in the U.S. and 10.8 million subscribers in Latin America. Cinelatino is programmed with a lineup featuring the best contemporary films and original television series from Mexico, Latin America, the U.S. and Spain. Driven by the strength of its programming and distribution, Cinelatino is the #1-rated Spanish-language cable movie network in the U.S. and the #2-rated Spanish-language cable television network in the U.S. overall.

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 for the last six years. WAPA is Puerto Rico's news leader and the largest local producer of entertainment programming, producing over 70 hours each week of programming that is aired on WAPA and WAPA America. Through WAPA's multicast signal, we distribute WAPA2 Deportes, a leading sports television network in Puerto Rico, featuring *Major League Baseball* and professional sporting events from Puerto Rico. Additionally, we operate *wapa.tv*, the leading broadband news and entertainment website in Puerto Rico featuring news and content produced by WAPA.

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WAPA America: a cable television network serving primarily Puerto Ricans and other Caribbean Hispanics in the United States, collectively the second largest segment of the U.S. Hispanic population. WAPA America's programming features news and entertainment programming produced by WAPA. WAPA America is distributed in the U.S. to over 5 million subscribers.

Pasiones: a cable television network dedicated to showcasing the best telenovelas and serialized dramas, licensed from the most important producers. Pasiones is distributed in the U.S. to 4.2 million subscribers and in Latin America to 8.9 million subscribers.

Centroamerica TV: a cable television network targeting Central Americans, 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 programming 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 over 3.7 million subscribers.

Television Dominicana: a cable television network targeting Dominicans living in the U.S., the fourth largest U.S. Hispanic group. Television Dominicana features the most popular news and entertainment programming from the Dominican Republic, as well as the professional winter baseball league from the Dominican Republic. Television Dominicana is distributed in the U.S. to over 2.6 million subscribers.

We are committed to providing unique programming focused on underserved but significant segments of the U.S. Hispanic population. We have demonstrated a strong track record of growing and cultivating our current Networks and expanding our portfolio by acquiring highly complementary cable networks and strengthening those assets. We became a publicly traded company under the symbol "HMTV" on NASDAQ on April 4, 2013.

We have been an active industry consolidator since our inception on January 16, 2013. Most recently, on April 1, 2014, we closed on the acquisition of three Spanish-language cable networks from Media World, LLC, a Florida limited liability company (the "Seller"). The Acquisition included the purchase of assets of the Seller primarily used in connection with the operation of the Seller's Spanish-language television network business, including Pasiones, Centroamerica TV, and Television Dominicana (the "Acquired Cable Networks"), which we refer to as the Cable Networks Acquisition.

For the fiscal year ended December 31, 2014, we generated $112.0 million of revenue, $50.0 million of EBITDA and $10.6 million of net income, including nine months of operating results from the Acquired Cable Networks.

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Operating Strategy

Our strategy is to provide unique programming focused on underserved but significant segments of the U.S. Hispanic population, allowing us to reach a deeper and broader U.S. Hispanic demographic than our competitors. Our objective is to maintain and improve our position as a leading U.S. Spanish language media company by, among other things:

Growing retransmission fees and subscriber fees in both the U.S. and Latin America We believe our Networks are well-positioned to further grow our retransmission and subscriber fees, fueled by strong ratings, continued growth in our target demographic audiences and robust content portfolio. For example, WAPA recently renewed its expiring retransmission agreements on very favorable terms by virtue of its dominance in the Puerto Rico market, and these agreements are expected to create significant retransmission fee growth for the Company. We continually review the quality of our programming to ensure that it is maximizing our Networks' viewership and giving our Networks' subscribers a premium, high-value experience. We expect to continue to increase the distribution of our Networks in the U.S., and our two Latin American cable networks on additional systems in under penetrated markets. In November 2014, we launched Pasiones, Centroamerica TV and Television Dominicana on Cablevision's Optimum TV, which now carries all five of our U.S. Cable Networks. In addition, Centroamerica TV has secured national distribution on Cox Cable, adding key Hispanic markets such as San Diego, Las Vegas and Phoenix, and Television Dominicana has launched on DISH Network and Choice Cable in Puerto Rico. As U.S. cable television distributors become more focused on targeting the Hispanic audience as a way to grow subscribers, we believe that our networks will be well-positioned to capture the upside.

Converting Cinelatino to an ad-supported model and further driving advertising sales We continue to see a large opportunity to increase our future advertising revenues. Cinelatino, for example, is transitioning to an ad-supported model in the U.S. to monetize its strong ratings. The conversion to an ad-supported model is expected to occur in the second quarter of 2015 and create a significant new revenue stream for the network. In addition, as a result of our enhanced scale following our recent acquisition, we will create a bundled product offering that we believe will be attractive to advertisers. 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. We believe we can become a one-stop shop to advertisers, providing a truly unique and efficient buying opportunity and heighten our position in the Hispanic advertising market.

Investing in content for our Networks to build viewership We have made substantial investment in our programming and marketing efforts in order to improve the performance of our Networks by expanding our distribution reach, increasing our audience size, and increasing our attractiveness to advertisers. We will continue to invest in programming in 2015. To date, we have successfully created a highly differentiated content strategy at WAPA and in doing so, have maintained a #1 ratings ranking in the Puerto Rico market for six 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 library of licensed content. Since the completion of the Cable Networks Acquisition, we have also begun to invest in programming at each of the Acquired

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Cable Networks to continue enhancing our content and audience engagement as we have done in the past with WAPA, WAPA America and Cinelatino.

Acquisition-driven growth We continue to look for attractive opportunities to acquire assets that we consider to be undervalued or fairly valued with attractive financial or strategic characteristics. 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. We intend to seek a variety of acquisition opportunities, including businesses where we believe a catalyst for value realization is already present, or where we can realize synergies with our existing businesses. These may include Hispanic cable networks distributed in the U.S., Latin American broadcast and cable television networks, production companies and content libraries. We may also seek businesses that are in need of operational turnaround through our experienced and knowledgeable management team, which has a proven ability to develop and grow acquired assets. Consistent with this strategy, we are currently evaluating a number of acquisition opportunities.

Well-positioned to capture growth from over-the-top distribution We believe that the digital media opportunity has the potential of providing long-term growth and value, and that we are well-positioned to capture that upside. Spanish-language content remains an underserved category among over-the-top platforms in the U.S. As such, we have been intentionally reserved in our digital strategy and license our content on a limited basis to over-the-top services. However, we own digital rights for a significant percentage of our content and are well-positioned to capture viewers wherever and however they choose to consume video content. Furthermore, we own an expansive library of the best Spanish-language films and other content and are continually generating new content that can be distributed digitally or licensed to over-the-top platforms. We may also seek alternatives to capture digital audiences in the future, including development of software applications for our Networks and/or acquiring strategic digital media assets.

Revenue Sources

Our two primary sources of revenue are advertising and retransmission/subscriber fees. All of our Networks generate retransmission/subscriber fees and all of our Networks, except Cinelatino, presently generate advertising revenue. Subscriber and retransmission fees represented approximately 50% of our net revenues in 2014, up from 39% in 2013. We generate over 90% of our net revenue from the United States.

Advertising revenue is generated from the sale of advertising time. Our advertising sales success is demonstrated by our large and diversified portfolio of advertising partners, including many Fortune 500 companies across a variety of industries, which is supplemented by the direct on-air advertising and the sale of air-time.

Our advertising revenue 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 2012, we experienced higher advertising sales as a result of political advertising spending during the 2012 governmental elections. The next election in Puerto Rico will be in 2016. Cinelatino is currently commercial-free, but in an effort to further monetize Cinelatino's strong ratings and attractive audience, one of our primary objectives is to introduce advertising on Cinelatino in the second quarter of 2015. Also in

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2015, we expect to make significant investments in programming and marketing at the Acquired Cable Networks, which we expect will increase viewership and, as a result, advertising sales.

Retransmission and subscriber fees are charged to distributors of our television networks, including cable, satellite and telecommunication service providers. Our television networks are distributed pursuant to multi-year agreements that generally provide for monthly subscriber fees with annual rate increases and have terms of varying length. We recognize retransmission and subscriber fees when they are accrued pursuant to the agreements we have entered into with respect to such revenue.

All of our U.S. Cable Networks are 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 ("Hispanic Programming Packages"). WAPA America is also distributed in more highly penetrated packages in the major markets of Orlando and Tampa. Cinelatino and Pasiones have dedicated feeds distributed in Latin America primarily on basic cable packages. Hispanic pay-TV subscribers in the U.S. are expected to grow, driven by the rapid growth in Hispanic television households and by increased penetration of pay-TV among Hispanics. Similarly, pay-TV subscribers in Latin America are expected to grow, driven by rising disposable income across the region. For more information, see "   Industry."

WAPA is distributed over-the-air and by all pay-TV distributors in Puerto Rico on basic cable packages. WAPA has been the #1-rated broadcast television network in Puerto Rico for the last six years and management believes it is highly valued by its viewers and distributors. In fact, WAPA's primetime household rating in 2014 was more than three times higher than the most highly rated English language U.S. broadcast network in the U.S. As a result of its ratings success in the last six years, management believes WAPA is well positioned for future growth in retransmission fees, similar to the growth in retransmission fees that the four major U.S. networks have experienced in the U.S. (ABC, CBS, NBC and Fox).

Recent Developments

First quarter 2015 results

On May 4, 2015, we reported financial results for the three months ended March 31, 2015. Net revenues were $29.5 million for the three months ended March 31, 2015, an increase of 41% versus the prior year period result of $21.0 million. This increase was due to our inclusion of the operating results of the Acquired Cable Networks in our results, growth in advertising revenue, primarily resulting from an increase in WAPA's market share, and subscriber and retransmission fee growth across our Networks. Operating expenses were $22.4 million for the three months ended March 31, 2015, an increase of 30% from operating expenses of $17.3 million for the comparable period in 2014. This increase was primarily due to the inclusion of the operating results of the Acquired Cable Networks in our results, higher amortization expense due to intangible assets identified in connection with the Cable Networks Acquisition, and increased corporate overhead charges as we grew our infrastructure to support the expansion of our Business. Net income was $2.5 million in the three-month period, versus net income of $0.2 million in the prior year period. In addition, we reported Adjusted EBITDA of $12.8 million for the three-month period ended March 31, 2015 versus Adjusted EBITDA of $8.0 million in the

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prior year period. This increase was due to the inclusion of the operating results of the Acquired Cable Networks in our results, growth in advertising revenues and increases in subscriber and retransmission fees, which are high-margin revenue streams, representing 55% of our net revenue in the quarter. Accordingly, our Adjusted EBITDA margin expanded to 43% in the current quarter, up from 38% in the same period in 2014.

In addition to financial information presented in accordance with U.S. GAAP, Hemisphere presents non-GAAP financial measure, "Adjusted EBITDA." Management uses these measures to assess the operating results and performance of the business, perform analytical comparisons and identify strategies to improve performance. Management believes Adjusted EBITDA is relevant to investors because it allows them to analyze the operating performance of each business using the same metrics used by management. The following table presents our Adjusted EBITDA measures for the periods indicated and provides a reconciliation of net income, which we believe is the most closely comparable U.S. GAAP financial measure, to Adjusted EBITDA:

	Three Months Ended March 31,	
	2015	**2014**
	(Unaudited)	
Reconciliation of net income to Adjusted EBITDA (amounts in thousands):		
Net Income	$ 2,462	$ 248
Add (Deduct):		
Income tax expense	1,611	492
Interest expense, net	2,983	2,907
Gain on disposition of assets	(3)	(2)
Depreciation and amortization	4,381	2,578
Stock-based compensation	1,325	1,514
Transaction and other non-recurring expenses		249
Adjusted EBITDA	**$ 12,759**	**$ 7,986**

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Industry

U.S. Hispanic Market

The U.S. Census Department estimated that 54 million Hispanics resided in the United States in 2013, representing an increase of 19 million people between 2000 and 2013. Hispanics represent the largest minority group in the U.S. at 17% of the total U.S. population and accounted for half of the total U.S. population growth between 2000 and 2013. This trend is expected to continue as the U.S. Hispanic population is projected to grow to 66 million by 2020, an increase of 22% from 2013. As a result of this growth, the U.S. Hispanic market now represents the second largest Hispanic economy in the world after Mexico. In 2014, about 67% of the U.S. Hispanic population reported their origin as Mexican, followed by Puerto Rican, the second largest Hispanic national group, at 9%. In addition, the Hispanic population on average is significantly younger than the overall population. The median age of U.S. Hispanics is 27, which is nearly ten years younger than the overall U.S. median age.

Puerto Ricans are the second-largest Hispanic national community in the U.S. behind Mexican Americans. There are 5.2 million Puerto Ricans and an additional 5.1 million Hispanics from other Caribbean countries residing in the U.S., and together, Puerto Ricans and other Caribbean Hispanics represent more than 18% of the total U.S. Hispanic population. The Puerto Rican population in the U.S. grew 52% from 2000 to 2014, while the overall Caribbean Hispanic population grew 72% during the same time period, including the Dominican population, which grew 195% between 2000 and 2014.

Caribbean Hispanics (WAPA America and Television Dominicana Target Audience)

Place of Origin	Population 2014	% of U.S. Hispanics
Puerto Rico	5,159,469	9.2%
Dominican Republic	2,256,610	4.0%
Cuba	1,644,644	2.9%
Colombia	946,961	1.7%
Venezuela	277,166	0.5%
Total Caribbean Hispanics	**10,284,850**	**18.3%**

Source: 2014 Geoscape

Central Americans are the third largest U.S. Hispanic regional population group in the U.S. (behind Mexicans and Caribbeans), and represent the fastest growing segment of the U.S Hispanic population. There are 5.6 million Central Americans residing in the U.S., an increase of 253% since 2000. Central Americans comprised approximately 10% of the U.S. Hispanic population in 2014, compared to approximately 4% in 2000.

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Central Americans (Centroamerica TV Target Audience)

Place of Origin	**Population 2014**	**% of U.S. Hispanics**
El Salvador	2,435,080	4.3%
Guatemala	1,509,483	2.7%
Honduras	676,262	1.2%
Nicaragua	399,976	0.7%
Panama	340,307	0.6%
Costa Rica	226,561	0.4%
Total Central American Hispanics	**5,587,669**	**9.9%**

Source: 2014 Geoscape

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 over 31% during the period from 2006 through 2014, from 11.2 million households to 14.8 million households, approximately six times the overall U.S. television household growth of only 5%. The continuing rapid 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.

Growth in Hispanic pay-TV subscribers: Hispanic pay-TV subscribers are expected to grow significantly, driven not only by the rapid growth in Hispanic television households, but also by the increased penetration of pay-TV among Hispanics. Hispanic pay-TV subscribers increased 57% from 2006 through 2014, growing from 7.9 million to 12.3 million subscribers, approximately eight times the 7% increase in overall U.S. pay-TV subscribers during the same period. This growth also significantly over-indexes the 31% Hispanic television household growth during the same period.

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U.S. Hispanic Pay-TV Households

Source: Hispanic TV HHs and pay-TV subscribers are from Nielsen Universe Estimates for 2006 and 2014-2015; Hispanic package subscribers are based on management estimates for 2006 and 2014.

Television Viewing and Language Preferences

Hispanics Enjoy Movies: In 2013, Hispanics had the highest per capita movie attendance, visiting theaters on average 6.0 times per year compared to about 4.2 times per year for African Americans and 3.4 times per year for Caucasians. Hispanics make up 17% of the U.S. population, but account for 25% of movie ticket sales and 32% of frequent moviegoers. In fact, the President of the National Association of Theater Owners recently described Hispanics as "the most valuable component of moviegoers."

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, approximately 60% 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 about 65% of U.S. Hispanic households, and these homes exhibit a strong preference to watch television in their native language. Spanish-dominant households view 59% of television in Spanish and bilingual homes view about 35% of television in Spanish.

Hispanic Advertising Market

Hispanics represent approximately 17% of the total U.S. population and approximately 10% of the total U.S. discretionary consumption, but only 5% of the aggregate media spend targets U.S. Hispanics. As a result, advertisers have been allocating a higher proportion of marketing dollars to the Hispanic market, but U.S. Hispanic cable advertising still under-indexes relative to its consumption. U.S. Hispanic cable advertising growth has significantly outpaced overall U.S.

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cable advertising growth, as well as Hispanic broadcast advertising growth. U.S. Hispanic cable advertising revenue grew at a 13% CAGR from 2007 to 2014, more than doubling from $178 million to $407 million. Going forward, U.S. Hispanic cable advertising is expected to grow at an 11% CAGR from 2014 to 2017, outpacing forecasted growth for U.S. cable advertising, U.S Hispanic broadcast advertising and U.S. general market broadcast advertising.

Similar to the under-indexing of U.S. general market cable advertising relative to viewing share 25 years ago, U.S. Hispanic cable advertising today significantly under-indexes relative to its share of the Spanish-language television audience. In 2014, U.S. Hispanic cable networks garnered only 11% of total U.S. Hispanic television advertising, while representing a 17% share of total Spanish-language television viewing. Spanish-language cable networks viewing as a percentage of total Spanish-language TV viewing has grown dramatically from 11% in 2007 to 17% in 2014.

Note: % Hispanic buying power and media spend data as of 2013.

Source: U.S. Census (2013), The Shelby Report (2013), Kantar Media (2013), Nielsen (2014), SNL Kagan (2013)

Latin American Market (excluding Brazil)

Latin America remains an attractive region due to its large population, shared language, strong economic growth and growing discretionary spending. Pay-TV subscribers in Latin America grew 16% from 2012 to 2014, and are projected to grow from 45 million in 2014 to 56 million by 2018, representing projected growth of 24%. Pay-TV penetration of television households has expanded from 43% in 2012 to 47% in 2014, and is projected to reach 53% by 2018. This growth is expected to be driven by a sizeable and growing population, as well as a strong macroeconomic backdrop and rising disposable income across geographies. In addition, investments in network infrastructure have improved service and performance, leading to increased penetration for pay-TV operators.

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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 U.S. FCC, and the banking system is regulated under the U.S. system (FDIC). Puerto Rico has a population of approximately 3.5 million, with an additional 5.2 million Puerto Ricans living in the mainland U.S. All Puerto Ricans are U.S. citizens.

Economy

Once one of the poorest islands in the Caribbean, Puerto Rico now has the highest GDP per capita in the region. Puerto Ricans are citizens o