



Steven Price
Chairman and Chief Executive Officer

March 13, 2017

Fellow Shareholders,

In 2016, Townsquare experienced a year of continued momentum, with stability, growth and positive developments across our Company. We grew revenue and cash flow, achieved our year-end leverage target through debt repayment and EBITDA growth, and launched new, organically developed product lines. Our diversified strategy proved itself yet again, and the strong performance of our local products and offerings continued to distinguish Townsquare in a competitive marketplace.

2016 was a powerful reminder that “local” matters. We learned firsthand as a country that the heartland has been ignored for far too long in many areas – from politics to advertising and marketing. This newfound realization – that people in middle America matter – is not a new concept to Townsquare. In fact, as you will recall, it was our founding thesis: to employ the key strategic assets of radio stations in small to mid-sized markets across the heartland to become the dominant local media and entertainment company, the “townsquare,” in each of our communities.

Townsquare reaches approximately 25 million people in middle America, making ours an ideal platform for advertisers to reach audiences in America’s heartland. We reach heartland Americans on air, online and on site, often multiple times a week. These often ignored people shop, eat, drink, consume and enjoy, just like their coastal counterparts. We, in our humble opinion, are the best way for advertisers and marketers to seamlessly connect to these consumers in an organic and local way.

Today, traditional media constitutes approximately half of our business, with the balance being digital and entertainment businesses. Our strategy has always been to be a diversified media and entertainment company. We have not only done that in our 66 local markets, but we have broadened the portfolio and grown into a leading live event company and a growing player in the digital marketing solutions economy.

We approach our potential and existing clients with a cross platform, multi-product set of offerings. We are able to help our clients meet their particular needs and, depending on the situation, that may include leveraging some or many of our local broadcast and digital products. Importantly, we are agnostic to how our clients spend with us. Our focus is on growing local market share while simultaneously helping our clients achieve their goals.

2016 HIGHLIGHTS

In 2016, we delivered solid operating and financial results, paid down \$20 million of debt, endured some adverse conditions in our Entertainment businesses and continued to produce great local content which serves as the engine for our Company. We strengthened our local management teams and bolstered our corporate team with the addition of key individuals, including a head of sponsorship sales. We focused on free cash flow generation and operating efficiencies, taking a deliberate step back from mergers and acquisitions.

2016 net revenue grew \$75.6 million dollars, an increase of 17.1% over the prior year, and 3.0% on a pro forma basis. 2016 Adjusted EBITDA increased 9.0% over the prior year, and 4.1% on a pro forma basis. We produced approximately \$51.6 million of free cash flow, defined as Adjusted EBITDA less capital expenditures, cash interest expense and cash taxes. We reduced our net leverage from 5.5x at the end of 2015, to 4.9x at the close of 2016.

Our Local Marketing Solutions segment continued to demonstrate the efficacy of our local advertising platform, delivering pro forma net revenue growth of 5.1% over the prior year and 3.2% excluding political, once again outpacing most if not all of our traditional radio competitors. This strong performance was not the result of ideal conditions in each of our 66 local markets, but rather was generated by our Company in spite of headwinds in our oil and gas markets and softness in the national spot radio marketplace. We believe our success is due to the quality of our products and services, and the unwavering focus and execution from our talented employees. We continued to invest in our local teams, with ongoing sales education and training across our Company, and key management upgrades across some of our largest markets. We launched new digital products in 2016, including standalone mobile apps for our national and local brands, and continued to grow Townsquare Interactive, our digital marketing solutions business, which added ~2,700 customers in 2016. With approximately 10,700 subscribers, we have built a meaningful and growing base of recurring revenue within our Local Marketing Solutions segment.

Our Entertainment segment faced some adverse conditions in 2016, particularly our music festivals and certain of our third quarter fairs, leading to a slight pro forma revenue decline for the year. However, we believe that the strategic investments we made solidified our position as a leading music festival operator. Despite what we believe to be a short-term disruption in the competitive landscape, our leading festival brands and unique regional strategy allowed us to deliver a profitable, and well attended, outcome for our 2016 music festivals. 2016 was also our first full year operating North American Midway Entertainment, and despite unusually poor weather at our third quarter fairs, we were able to deliver revenue and profit growth for the year. Excitingly, we won two significant new contracts since we took ownership: we operated the Tulsa State Fair, the 11th largest fair in North America, for the first time in 2016, and we will take over the midway at the Arkansas State Fair in 2017. Overall, this year solidified our belief in the underlying rationale of the NAME acquisition and we are confident in its long term success. Our national digital platform continues to be the leading digital advertising platform focused on music and entertainment content and reaches more than 50 million unique visitors each month. Video remains a primary focus for this business, as we continue to build our content library and audience for both our local and national websites. By year end, over 1.5 million YouTube subscribers across our 385 YouTube channels consumed more than 900 million minutes of content. And in January 2017, we hired a head of video and original programming to further develop our video capabilities.

2017 THOUGHTS

2017 already has proven to be another year of rapid change and transformation in the media, digital and entertainment world. We will grow, evolve and capitalize on new opportunities while protecting our flank from those trying to grow at our expense. We have a proven track record of leveraging our traditional broadcast business to drive strong growth in other areas, and a management team with the ability and agility to navigate what lies ahead and to prosper amidst this rapid change.

People – particularly in America’s heartland – crave authentic and shared local experiences. And, they want real social interactions. That is what we do: inform, engage and entertain local communities on air, online, on site and through mobile and social platforms. With a relentless focus on the consumer,

we will continue to meet the growing and evolving needs of our audience, our customers and our clients. We remain confident in our thesis and our strategy.

In Local Marketing Solutions, we will continue to provide compelling content for our consumers and new, innovative and desired solutions for our clients. In Entertainment, our focus will be on managing our current event platforms while testing and rolling out new concepts to drive further growth in 2017 and beyond.

Regarding our balance sheet, in February 2017 we successfully repriced our term loan facility, generating approximately \$0.8 million of annualized interest expense savings. Our capital allocation priorities remain the same, as we have often articulated to many of you. That is, we will seek to de-lever, either through debt repayment or compelling and prudent acquisition or investment opportunities. To the extent that we can find acquisitions that complement and extend our businesses at attractive return thresholds, we will seek to deploy capital for those acquisitions. We also reserve a portion of excess free cash flow for internal investments that we believe will generate attractive returns. Absent those opportunities, we intend to repay debt in pursuit of our medium-term leverage goal of approximately 4x net debt to EBITDA.

THANK YOU

In closing, all of us at Townsquare would like to thank our shareholders as well as our debtholders for the continued support of our team and your confidence in our strategy. We have great, dedicated employees all over this great country and it is an honor to work with them. Their hard work is not only gratifying but critical for us to accomplish what we, and our shareholders, aim to achieve.

In 2017, we will continue to seek to drive shareholder value, to help our advertisers garner exceptional return on the dollars invested with us, to engage and please our loyal audiences, to help make our communities better places to live and to treat our employees with the respect and care that they deserve.

Sincerely,



Steven Price
Chairman and Chief Executive Officer

Forward Looking Statements and Non-GAAP Financial Measures

This letter contains forward looking statements and certain non-GAAP financial measures. For further information regarding these matters, see Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 13, 2017.