Bill Wilson
Chief Executive Officer

March 12, 2019

Fellow Shareholders,

2018 was a significant and transformative year for Townsquare. We delivered strong net revenue and Adjusted EBITDA growth that exceeded our original business plan, successfully reoriented Townsquare to a "Local First" focus, divested several non-core assets and streamlined our non-local businesses, initiated a quarterly dividend, repaid $11.4 million of long-term debt, and completed and seamlessly integrated two local broadcast acquisitions. Our renewed focus on our local media and marketing solutions businesses translated into investing incremental time and resources in our local programming, sales, traffic, in-market leadership, client services and other valuable local assets. As a result, we added first class sellers across the Company, building our largest sales force ever; saw strong ratings results in both the Spring 2018 and Fall 2018 ratings periods, which allowed us to raise advertiser rates on our broadcast revenue; and we strengthened our local management teams with top level talent in many of our local markets. Because of this investment and our renewed focus on local, we experienced sequential improvement in our quarterly revenue growth rates across our local broadcast business and our digital business throughout 2018.

2018 net revenue increased 4.7% over the prior year, and 3.7% on a pro forma basis*, outpacing most if not all of our traditional radio competitors, despite our strategic decision to reduce our live events revenue, which declined by approximately 21% year over year. 2018 Adjusted EBITDA increased 7.3% over the prior year, and 5.9% on a pro forma basis, again distinguishing Townsquare as best in class among the radio industry. However, we would like to remind you that we are not your typical radio company. Our strong 2018 financial results are driven not only by our stable broadcast foundation, which is helped in part by our focus on small and mid-sized markets, but also by the unmatched success of our proprietary, in-house digital platform. In 2018, our digital business increased net revenue by more than 20% to just over $120 million, representing nearly 30% of our total net revenue. In fact, when we talk to our teams internally, we do not position ourselves as a radio company but rather as a premier local advertising and marketing solutions company focused on markets smaller than the Top 50 DMAs in the U.S.. Radio is our DNA and our foundation, for which we are proud, but it is just the starting point for Townsquare as we continue to evolve and grow as a multi-platform media and solutions company for our clients and communities.

Townsquare's digital business is fueled by the strong growth of Townsquare Interactive, our digital marketing solutions business, and Townsquare Ignite, our digital programmatic advertising platform. Since its inception in 2012, Townsquare Interactive's net revenue has increased at a 6-year pro forma CAGR of 99%, ending 2018 with $48.6 million of annual net revenue. We are only just hitting our stride at Townsquare Interactive, as we have seen an increase in quarterly net adds in 2018 driven by our larger sales force, greater productivity per seller and our focus on client retention and reduction in churn. We added roughly 2,950 subscribers in 2018 (for context we added 1,700 subscribers in 2017), ending the year with approximately 15,350 subscribers, and we anticipate growing our subscriber base by at least 3,000 subscribers in 2019. As we have previously discussed, we believe we can continue to grow and scale Townsquare Interactive into a $100 million revenue business within approximately the next three to five years, while continuing to maintain its strong margin profile. Likewise, Townsquare Ignite is also growing rapidly. In 2018 Townsquare Ignite was the fastest growing solution at the Company, with net revenue increasing more than 50% compared to the prior year. We anticipate 2019 will have similar growth rates for Townsquare Ignite, and like Townsquare Interactive, we believe we can grow Ignite into a $100 million revenue business within approximately the next three to five years. The other component of our digital revenue is digital advertising on our more than 300 owned and operated local and national websites. Our portfolio of local websites, and their corresponding social and video platforms, go hand in hand with our local broadcast brands, and continue to deliver original and influential content that drives deep, multi-platform audience engagement and creates compelling advertising and marketing solutions for our clients. In fact, we have just as many people coming to our local web platforms as listen to our radio brands over the air. We believe this is because of the strong connection our local on-air talent has with their local audiences, which drives these audiences to consume our content across all of our platforms – on-air and on our websites, social and video platforms. As we like to point out, radio disc jockeys were and are the original social influencers. Additionally, our national digital business, which includes our portfolio of national websites of market leading brands such as *XXLmag.com*, *TasteofCountry.com*, *UltimateClassicRock.com* and *Loudwire.com*, had a great year. We restructured the business in late 2017, which led us to reduce the direct sales force and focus instead on programmatic sales, and ultimately translated to net revenue growth and significant margin expansion along with greater audience engagement.

Due to our strategic focus and concentrated investment, our Advertising net revenue, which is primarily composed of broadcast and digital advertising (and does not include Townsquare Interactive), increased 6.9% in 2018 (5.6% on a pro forma basis), with improved year over year growth in the second half of the year. At the same time, our Townsquare Interactive business also delivered a strong 2018, and through expanding our sales team and client specialist personnel, we accelerated the growth in our net subscriber base. As a result, Townsquare Interactive's net revenue growth accelerated each quarter of 2018, culminating in fourth quarter revenue growth of 29%, and full year revenue growth of 21%.

Our local live events business remains a core part of our "Local First" strategy. Since our inception, we have sought to provide family friendly and affordable entertainment to the communities in our local markets, solidifying our position as the "Town Square" in these markets. The restructuring of our live events business in late 2017 and 2018 was focused on eliminating unprofitable or low margin events, many of which were outside of our local markets, and led to several divestitures of non-core assets. Consequently, we experienced revenue declines of approximately 21% in 2018, but were able to deliver margin expansion and reduced the required capital expenditures, risk profile and seasonality of the business. With 200 local live events across our 67 local markets today, we deliver high quality experiential and annually recurring local events to our audience, as well as provide the unique opportunity to our advertisers to connect to their consumers through these events.

With our renewed focus on our "Local First" strategy, we have met or exceeded our net revenue and Adjusted EBITDA guidance in each and every quarter of 2018. The Townsquare Team and I believe we are just scratching the surface of being the premier local advertising and marketing solutions company, and we look forward to continuing to execute our strategy and delivering industry leading revenue growth in 2019.

CAPITAL ALLOCATION / SHAREHOLDER RETURNS

At year-end 2018, we had $560.5 million of total debt and $61.4 million of cash on our balance sheet, resulting in $499.1 million of net debt, or 5.1x net leverage, based on 2018 pro forma Adjusted EBITDA of $97.5 million. In addition, we have a $50 million revolving credit facility that is currently undrawn. Our weighted average interest rate is 6.0%, and we have no maturities on either our term loan or Senior Notes until 2022. Over the course of 2018, we produced approximately $44 million of pro forma free cash flow, defined as Adjusted EBITDA less capital expenditures, cash interest expense, and cash taxes, which we used to invest in our local business, fund accretive acquisitions, repay debt and deliver shareholder returns in the form of a quarterly dividend. In our view, the free cash flow characteristics of our business can clearly support our current debt levels and dividend obligations; however, absent accretive investments like the acquisition of the Princeton, NJ properties and WOUR-FM that we completed in 2018, as well as organic, internal investments that support our local growth, our primary focus is to work towards reducing overall net leverage to our medium-term goal in the low 4.0x's.

LOOKING FORWARD

In closing, all of us at Townsquare would like to thank our shareholders and our debtholders for the continued support of our team and your confidence in our strategy. We have outstanding, dedicated employees all over this great country and it is an honor to work with them each and every day. Their hard work is not only gratifying but critical for us to accomplish what we, and our stakeholders, aim to achieve, and thus is much appreciated. Our teams across the country are transforming what began as a portfolio of strong brands of traditional radio stations into a multi-platform premier local media and marketing solutions company. Their effort, passion and commitment is directly driving our industry-leading growth. I could not be more proud of their work each and every day.

Sincerely,

Bill Wilson

Bill Wilson
Chief Executive Officer

<u>Forward Looking Statements and Non-GAAP Financial Measures</u>

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, and the Company's Annual Report on Form 10-K, each filed with the SEC on March 12, 2019.

*As used in this letter, the term "pro forma" means pro forma for the acquisition of three radio stations in Princeton, New Jersey on July 2, 2018 as if it had occurred on January 1, 2017.