

March 16, 2021

Fellow Shareholders,

2020 presented a great many challenges, but also an array of opportunities. As I look back over the past year, I am extremely proud of Townsquare's performance, driven by our passionate and committed employees, our loyal audience and communities, and our resilient "Local First" operating strategy. The COVID-19 pandemic allowed us to clearly separate from our local media peers by executing our strategy and placing a spotlight on our world class team, our unique and differentiated assets, platforms and solutions and their resulting success. Our focus on underserved small and mid-sized local markets outside the top 50 markets in the U.S., our investment and commitment to "Local First," and our investment in world class personnel, technology and infrastructure that allowed us to build a strong digital platform with best of breed products, services and solutions - including a recurring digital subscription business - all contributed to our ability to mitigate revenue declines and manage expenses quite effectively through the economic downturn. Although we had planned to deliver a record breaking year to our stakeholders – and 2020 started off promising just that, with strong revenue and Adjusted EBITDA growth in the first two months – we nimbly and effectively managed our way through the COVID-19 pandemic downturn, returning to solid positive Adjusted EBITDA growth by the fourth quarter of 2020 and narrowing net revenue declines dramatically.

Not surprisingly, our 2020 financial results were negatively impacted by the pandemic, but outpaced most if not all of our traditional radio competitors. 2020 net revenue decreased -13.9% over the prior year; after hitting a low of -34.5% year over year net revenue declines in the second quarter, the third and fourth quarter net revenue declines narrowed to -15.3% and -3.2%, respectively. 2020 Adjusted EBITDA declined -39.3% in 2020, but importantly, was positive in every quarter (even at the trough in Q2) and returned to year over year growth in the fourth quarter at +8.4%. Our financial results in 2020 could have been materially worse had we not transformed our Company from a traditional radio broadcaster in 2010 to the premier media (digital and radio) and digital marketing solutions company we are today. Traditional broadcast business was and continues to be impacted more materially than our digital business due to the pandemic. Our digital platform was never more relevant to our audience and advertisers than in 2020. As local newspapers and local television stations reduced their coverage and investment in local news in small and mid-sized markets over the past five to ten years, the resulting news coverage for the 67 cities that we serve locally has been greatly diminished. Townsquare has, through our websites and mobile apps, stepped in to fill that void, which the COVID-19 pandemic magnified. As a result, in 2020 we not only experienced an all-time record number of people visiting our websites, but we also experienced an all-time record level of engagement (more visits per month, more articles read per visit, etc.). This is one of numerous reasons why our digital advertising solutions outperformed our broadcast advertising solutions as more people than ever engage with our brands online to obtain information specific to their local community. To that point, and as I have highlighted often, Google provided Townsquare a \$260,000 grant for the creation of two local news outlets, serving the great cities of Tuscaloosa, Alabama and Portsmouth, New Hampshire. We launched *The Tuscaloosa Thread* in early August and in its first month it reached over 93,000 unique visitors. Incredible. In our Portsmouth, New Hampshire market, in partnership with Google, we recently launched *The Seacoast Current*. One of the many silver linings of the pandemic has been the clear evidence that our local brands in our 67 markets are beloved by their

communities and are where the local audience turns to be informed and entertained across our broadcast and digital platforms. Townsquare Ignite, our proprietary digital programmatic advertising technology with an in-house demand and data management platform, is yet another valuable solution we are able to offer our advertisers. Through Ignite, we provide our advertisers with precision customer targeting solutions, providing them the ability to reach a high percentage of their online audience across desktop, mobile, connected TV, email, paid search and social media platforms utilizing display, video and native executions. As our fastest growing revenue solution in 2019, we already knew our advertisers valued this offering; however, during the pandemic our customers continued to acknowledge the importance of Ignite to their business, and Townsquare Ignite's 2020 net revenue increased +10.8% year over year. We believe our success with Townsquare Ignite is multi-faceted, yet one strong differentiator for us is that we have our own solution. The entire ad-tech and offering is in-house and we own and control the customer relationship from end to end - from creating the right message and creative, to the activation and optimization of client campaigns, to the detailed in-depth client reporting - which leads to a better customer experience and higher client retention rates. Townsquare Ignite is in essence a client's full-service digital agency. With over \$53 million of net revenue in 2020, we are confident that Townsquare Ignite will achieve \$100 million of annual net revenue within 2 to 3 years.

The crown jewel of our asset portfolio in 2020 was Townsquare Interactive. Townsquare Interactive was built to be a recession resistant subscription business, and it delivered revenue, profit and subscriber growth throughout the pandemic, a truly impressive accomplishment. During the pandemic, the Townsquare Interactive team became a tremendous resource for our local clients by powering their online communication strategy and by sharing relevant and timely information with them – for example, providing important information about government stimulus plans and how to apply for assistance. In addition, the team helped restaurants adapt their websites to implement an online ordering and curbside pickup platform, helped professional services and health and fitness companies adapt their websites to enable online scheduling and virtual classes, and helped retailers adapt their websites to allow for e-commerce, critical for those that did not offer it prior to the COVID-19 pandemic. As a result, Townsquare Interactive delivered strong financial results for Townsquare: in 2020, Townsquare Interactive net revenue and Adjusted Operating Income increased +14.4% and +10.1% over the prior year, respectively, with year-over-year growth in every quarter. We added approximately 3,750 net subscribers in 2020, setting an all-time record, and have now added 850 or more net subscribers per quarter for 11 consecutive quarters. Townsquare Interactive ended the year with approximately 22,750 Townsquare Interactive subscribers, which on a run-rate basis translates to nearly \$82 million of annual net revenue. We believe that Townsquare Interactive is still underpenetrated within our local market footprint – as well as within additional local markets of similar size and demographics (today, approximately 57% of our subscribers are outside of our local market footprint). To illustrate the vast runway ahead for Townsquare Interactive, I would like to take the opportunity to walk you through it. There are a little over 28 million businesses nationwide. Given that we focus on markets outside the top 50 cities, that eliminates over 16.5 million which gets us to 11.5 million businesses. We then put a few additional filters on the SMBs we target: privately, independently owned businesses with 20 or fewer employees and annual revenue of \$5 million or less, and we exclude certain business verticals that are not the ideal fit for our solutions, including real estate agents, banks, etc.. After applying these filters, we are left with more than 8.8 million target Townsquare Interactive customers. At a \$300 per month ARPU, that equates to a total estimated addressable market of \$32 billion for Townsquare Interactive. Yet, we only have 22,750 Townsquare Interactive subscribers today, and \$70 million of revenue. Therefore, we believe that this future runway for Townsquare Interactive is significant in both our local radio markets and like size markets across the United States. In fact, we are planning on adding a second location for Townsquare Interactive in the western U.S. in order to capture this opportunity – our original timeline for opening this location in 2020 was sidelined when the pandemic hit but we plan to open this location once the pandemic is fully in America's rear-view mirror. With our existing subscriber base, current sales momentum, and huge market

opportunity, I am confident in re-affirming our expectation that Townsquare Interactive will achieve \$100 million in annual net revenue within 2 to 3 years.

In total, digital revenue increased (yes, our digital revenue increased in 2020) +6.2% to \$162 million, representing 44% of our total 2020 net revenue. Our digital revenue contribution of 44% far exceeds the radio industry's, which Gordon Borrell of Borrell Associates has estimated to be approximately 15% on average in 2020. Based on our current trajectory, I strongly believe that over the next few years the majority of Townsquare's revenue (and profits) will be generated by our digital products and solutions.

While digital is clearly the expected growth driver of our revenue and profit over the next five years, our radio broadcast business is incredibly important to our Company, which includes our local media personalities, our local account executives, all of our local teams, and all of the team members in our Company who support these local teams across the country. Our local broadcast brands go hand in hand with our portfolio of local and national websites including their corresponding social and video platforms, and deliver original and influential content that drives deep, multi-platform audience engagement and creates compelling advertising and marketing solutions for our clients. As I often highlight, our on-air talent are the original social influencers that command incredible authority and engagement with their followers and with our local communities. Our investment in top sales and management talent in our local markets, our first party data initiative which provides powerful consumer insights, our live and local on-air talent, our innovative sales tools, and our ability to provide broadcast measurement and quantitative attribution through our partnership with Analytic Owl will be key to improving our Advertising performance, and in particular, our local broadcast performance going forward.

Although the COVID-19 pandemic presented us with many challenges to overcome, it has also provided an opportunity to carefully re-evaluate our cost structure and take certain actions we may not have otherwise taken. When the pandemic first hit in March, we immediately enacted the maximum amount of expense reductions that we felt would not hurt our long-term growth opportunities. Our goal was to minimize personnel layoffs so that we have a talented, albeit slightly leaner, world class team in place that was ready to hit the ground running as states re-opened for business. Therefore, we did not cut as deeply as we could have. For example, we did not reduce either our Townsquare Interactive or Townsquare Ignite teams, and instead focused a large number of the headcount reductions on corporate roles and support functions. Although many of our local market employees have returned to the workplace, at the start of the pandemic nearly all of our workforce (except for our essential on-air employees) worked from home in a virtual setting. This scenario gave us the ability to leverage the power of certain tools like Microsoft Teams, which allowed (and continues to allow) us to have face to face meetings at any time with our colleagues across the country. Going forward we plan to utilize this format numerous times per year to host meetings that otherwise would have involved travel and lodging expenses for many employees. In addition, certain departments (including those that are not client facing, like our Townsquare Ignite operations team and national digital content teams) continue to work from home seamlessly and efficiently, leading to additional savings. For example, we elected to end the lease of our NYC office as of March 2021, and may evaluate other office locations when those leases come up for renewal. In total, 2020 direct operating expenses declined 6.0% as a result of cost savings implemented following the onset of the pandemic and a reduction in variable expenses. These expense declines were offset by the continued growth in Townsquare Interactive and Townsquare Ignite, as well as continued investment in our local business, primarily in personnel. I am confident that the steps we have taken to date were the right ones and that we are now well positioned not just to prevail through this pandemic but most importantly to be one of the best positioned local media companies on the other side of this pandemic, whenever that may be – months or quarters from now.

## **BALANCE SHEET / CAPITAL ALLOCATION**

Over the past year we have worked hard to position ourselves for success in 2021 and beyond, and that included addressing our balance sheet. In early January, we closed on \$550 million in aggregate principal

amount of 6.875% senior secured notes due 2026. This offering, which replaced our existing debt in its entirety, was significantly oversubscribed, allowing us to exceed our pricing expectations and locking in long-term capital at an attractive rate. I strongly believe that our successful refinancing was due to our differentiated marketing and advertising solutions, our “Local First” strategy, our large and growing digital platform, and our strong cash generation ability. We ended 2020 with \$83.2 million of cash on our balance sheet, only a slight decline from 2019’s cash balance of \$84.7 million, and generated \$31.9 million of cash flow from continuing operations in a year where Adjusted EBITDA declined (due to the pandemic) by \$40.3 million. In addition, we repaid \$14.6 million of debt (prior to the refinancing) and made \$4.2 million of dividend payments. Prior to those payments, our cash balance would have exceeded \$100 million.

Last spring, we adjusted our capital allocation strategy to eliminate our dividend as our Board of Directors and I believed that there are more attractive ways to deploy our capital. We opted for one such approach already in 2021. On March 9, 2021, Townsquare purchased all of Oaktree Capital’s shares and warrants of Townsquare at \$6.40 per security (a 19% discount to the share price at the time of the announcement). As you are well aware, Oaktree has been a long-time investor of the Company and this transaction represented a natural conclusion to their investment (the Oaktree entities that own the Townsquare shares are beyond their fund life and are winding down). We are confident that this is a great transaction for Townsquare and our investors. Based on current share counts, the buyback is accretive on a cash flow per share and adjusted earnings per share basis in excess of 70%, and this resolves the significant overhang of Oaktree’s long-dated investment, which our current and prospective investors have often told us is an impediment to investing and building a position in Townsquare. Since we announced the share buyback on January 25<sup>th</sup>, we have seen Townsquare’s stock price increase by 34% through March 12<sup>th</sup> (a 65% premium to the buyback price), evidencing the market’s support of this transaction and, more importantly, Townsquare’s future.

Going forward, our capital allocation priorities will be first and foremost to invest in our local business through organic, internal investments that support our local growth, and then to reduce our net leverage. Prior to the pandemic, we were well on the path to achieving our goal of reducing net leverage to the low 4.0x’s. Although that goal has been delayed, it is still our primary focus.

## **LOOKING FORWARD**

I am very proud of the results we delivered in 2020 in the face of unprecedented challenges and turbulent times, and am proud of the stronger foundation we have built together as a Townsquare Team. Just as important, if not more so than our 2020 financial results, was the acceleration of Townsquare’s transformation into a premier local media and digital marketing solutions company. Although we are very proud of our roots and DNA in local radio (and we are proud to call it radio not audio), we became a “Digital First” company in 2020, which was reflected in our digital revenue and digital profit growth. As we continue to execute our Local First strategy and focus on our mission throughout 2021, our “Digital First” orientation will only become more evident and pronounced to those paying attention.

Over the next couple of months, the large majority of Americans who choose to be vaccinated will be able to do so. As you are aware, over 100 million vaccines have been administered as of today. In addition, our government has passed extensive 2021 stimulus measures for working class Americans, as well as SMBs. I believe the combination of government stimulus and a readily available vaccine will propel our economy to great strength in 2021 and 2022, which will also support growth in our business. For many years my email signature has included the following quote by Peter Drucker: “The best way to predict the future is to create it.” In a rapidly changing media landscape for consumers and clients, it has never been more important for us to create Townsquare’s future, and I believe we are well prepared and well positioned to do so in 2021.



Our agenda and focus has not changed since I became the CEO in 2017, even during these unprecedented times; in fact, the turbulent times of this pandemic have only served to keep us incredibly disciplined and to double down on our existing strategy. We want to continue to be best in class in entertaining and informing our audiences and communities while super-serving local businesses with world class marketing and advertising solutions to grow their businesses. Our goal is to be the best and largest local media company serving markets outside the top 50 in the U.S. To maximize our potential, we want to continue to work and collaborate on being the easiest company to work with from an external perspective, treating clients and partners like friends, and the best to work for from an internal perspective. As we close out Q1 and move into Q2 2021, I believe our Flywheel is clearly moving forward and gaining greater momentum each month and each quarter. We will continue to execute our “Local First” strategy in 2021, and we remain confident about the future of Townsquare and our revenue and profit growth prospects. We hope that you share in our enthusiasm.

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. After ten years at Townsquare, our employees continue to impress me each and every day with their passion for what they do and their dedication to their local communities and our Company, as well as their adaptability during these challenging times. Our Team’s focus and commitment to do their job with their best effort each day, by super-serving our audience and local advertisers, despite the circumstances – whether it be the challenges of the pandemic, the hurricanes that swept through our Louisiana markets (twice) in the fall of 2020, or the winter storms that recently crippled Texas – directly drives our industry leading growth. I could not be prouder of their work each and every day and it is a privilege and an honor to lead such a talented and dedicated team.

Sincerely,

A handwritten signature in cursive script that reads "Bill Wilson".

Bill Wilson  
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 16, 2021.