Bill Wilson
Chief Executive Officer

March 15, 2024

Fellow Shareholders,

Although 2023 was a challenging year, I am very pleased with how the Townsquare team navigated the obstacles of the economic landscape. Macroeconomic headwinds were fierce, as rising interest rates, inflation and wage pressures weighed on consumer mindsets and advertising budgets, causing an advertising recession. With more than 75% of Townsquare's business tied to advertising, we were not immune to these headwinds. However, despite these challenges, we outperformed our competitors and gained market share, primarily due to our local focus and our digital platform. We carefully managed the business so that our cash flow from operations increased +$18 million year-over-year, or +35%, to $68 million, and we initiated a high-yielding dividend due to our confidence, and our Board of Directors' confidence, in our strong cash flow generation. Last year, like the past several years before, demonstrated the efficacy of our Digital First Local Media strategy, validating our focus on local markets outside of the Top 50 U.S. cities, and reinvigorating my confidence in our business model and our path moving forward. In fact, our confidence in our current capitalization, the strength of our balance sheet, our free cash flow generation, and our business strategy has led us and our Board to increase our dividend by +5% year-over-year to $0.1975 per quarter, representing an ~8% yield as of close yesterday.

In many areas, our Company had performance we could be proud of. Our local revenue streams, and particularly our local Digital Advertising business, performed very well throughout the year. We set new online audience records with approximately 75 million monthly unique visitors, on average, to our portfolio of owned and operated websites, a +5% year-over-year increase to 2022 audience levels. However, we faced meaningful first-time hurdles in our Subscription Digital Marketing Solutions business, and ongoing weakness in the national and network marketplace. These drivers culminated in our 2023 net revenue (excluding political) decreasing -0.9% year-over-year, and -1.9% in total, to $454.2 million – which still ranked as the second highest revenue in Townsquare's history. Adjusted EBITDA (excluding political) decreased -9.1% year-over-year, and -12.1% in total, to $100.0 million. Impressively and worth noting, Townsquare is one of the only media companies that issued and met guidance for FY 2023, as macro conditions caused many others to either rescind guidance or not issue annual (and at times even quarterly) guidance. We are also among the only broadcasters with net revenue levels above 2019 (105%) and are close to 2019 Adjusted EBITDA levels (98%). Our digital outperformance is the driver of this, as Townsquare's total 2023 Digital net revenue remains 47% above 2019's Digital net revenue, even with the recent setbacks we have encountered in our Digital Marketing Solutions business.

Our Digital business is a true differentiator for Townsquare. In 2023, approximately 51% of our Company's total net revenue and 55% of our total Adjusted Operating Income came from our digital solutions, highlighting a point we often make: Townsquare is no longer the radio broadcast company it was when it was founded in 2010. Townsquare has evolved into a Digital First Local Media Company that is truly distinguished from our local media peers, with a world class team and a unique and differentiated strategy, assets, platforms, and solutions.

Historically, for both Townsquare and the overall advertising industry, digital advertising outperforms other forms of advertising during an economic downturn. And that was true again last year. In 2023, many agree that the advertising market was in a recession, which had a larger impact on broadcast than digital, particularly in the national marketplace. Thankfully, our national exposure is limited, with less than 10% of our total revenue coming from the broadcast national marketplace; that, combined with the fact that we enjoy strong, often long-term relationships with our local advertising clients, contributed to our Broadcast Advertising segment outperforming the industry. However, despite its outperformance, Townsquare's Broadcast Advertising net revenue (excluding political) still declined -3.6% year-over-year, in large part due to national, which declined -18% year-over-year. But while Broadcast remains significantly below 2019 levels (-18%), we have gained significant market share since 2019, and did so again in 2023.

Where we really shined, unsurprisingly, was in Digital Advertising. Our Digital Advertising platform provides precision customer targeting solutions to our clients, giving 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. In a year of macro uncertainty, Digital Advertising was once again the fastest growing segment of our Company, differentiating Townsquare from local media peers, and even national digital players at times. We owe our Digital Advertising success to our sophisticated digital products and solutions which are entirely in-house, giving us 100% control of the client relationship - starting with the client pitch, then campaign design, media buying and optimization, and ongoing reporting and insights – which we believe translates to a better customer experience and higher client retention rates. In addition, we have the unique ability to collect and analyze first-party data from our audience of 75 million monthly unique visitors to our portfolio of over400 local news and entertainment websites, 400 mobile apps, and 10 leading national music and entertainment websites. Our large first party dataset allows us to provide detailed and unique insights about consumer behaviors, audience interest and purchase intent that drive real results with strong ROI for our clients, giving us a true strategic advantage over our local competition. Another key factor that drives our strong Digital Advertising success is our focus on markets outside of the Top 50 U.S. cities., a significant differentiator for our broadcast business and most importantly for our digital businesses. Because we are not in large, Top 50 markets, we face significantly less competition from large media players, digital marketing solutions companies, and digital programmatic providers; and importantly, the competitors we do face rarely have in-house solutions and instead utilize out of house, third-party vendors. Owning our tech platforms in-house, combined with the breadth of our digital solutions, is a competitive advantage in any size market, yet in cities outside the Top 50, it is a significant difference maker, driving our Digital Advertising to be the strongest growth engine in the Company. In 2023, Townsquare's Digital Advertising net revenue increased +7.1% year-over-year to $150.3 million (and 33% of our Company's total net revenue), and Digital Advertising Adjusted Operating Income increased +7.5% year-over-year to $45.9 million (37% of our Company's total Adjusted Operating Income). S&P Global Market Intelligence's latest forecasts project that digital advertising in the United States will increase at an +8.5% CAGR through 2028, as it grows from 69% of all advertising spend in 2023 to approximately 76% of all advertising spend in 2028. We are confident that these favorable industry trends, together with our in-house suite of marketing solutions, investment in our original content strategy, and our first-party data advantage will continue to drive strong digital advertising growth during that same period.

Conversely, 2023 was a reset year at Townsquare Interactive. Rising interest rates, inflation and wage pressures had an outsized impact for SMBs, our main source of business, consequently elevating churn rates and slowing sales velocity. In addition, we started the year with higher customer attrition driven by internal customer service turnover that was a direct result of our return-to-work mandate at our Townsquare Interactive headquarters. Today, small businesses, like the ones targeted by Townsquare Interactive, continue to face a capital crunch. According to the Goldman Sachs 10,000 Small Businesses Voices survey conducted in October 2023, small businesses continue to feel the impact of higher interest rates. The survey concluded that 78% of small business owners are concerned about their ability to access capital. The survey also included the following troubling SMB statistics: only 29% of small business owners say their business can currently afford to take out a loan given current interest rates; and 85% say if access to capital continues to tighten, it will impact their growth forecast. According to the survey, of the businesses reporting their growth forecast would be impacted if access to capital continues to tighten: 67% said they might halt expansion plans; 42% might lay off workers or stop hiring; 38% might end plans for strategic investments; and 21% might close their business. Not an easy time for SMBs.

However, despite the turbulent environment for the SMBs we target, we remain incredibly confident in Townsquare Interactive's future growth potential. 2023 represented the first real growth challenge we encountered, and it presented us with an opportunity to step back and truly examine our operations, attack ourselves and evaluate our processes and procedures. Over the course of the year, we made several important changes to optimize and improve our customer service platform. For example, we restructured the customer service team to be a pooled model vs. a 1:1 model (thereby limiting issues when we experience employee turnover), and we implemented an interactive voice response system as the initial point of contact on a customer inbound call. This led to a meaningful increase in call answer rates, enhanced visibility to customer requests and concerns, and improved response times. We believe our revamped customer service model will be very beneficial to our clients and thus client retention in the long-term, and importantly, allow us to scale more efficiently going forward. In addition, it also allowed us to capture cost efficiencies. In 2023, Townsquare Interactive's net subscription revenue declined -9.1% as compared to the prior year, however, we managed expenses such that Townsquare Interactive's Adjusted Operating Income margin only contracted 60 basis points to 28.3%.

We have been asked if we still believe in the growth strategy and addressable market of Townsquare Interactive given the challenges that arose last year. And the answer is yes, without a doubt, unquestionably so. We are already seeing early signs of improvement: customer churn peaked in Q2 2023 (although still above historical levels today), the spike in employee attrition and the related customer churn is behind us, and ARPU for new sales is increasing. The changes we made to our customer service model in response to last year's challenges allowed us to capture cost efficiencies and set us up to scale more efficiently going forward. However, given the loss of over 6,500 subscribers in 2023, we do not expect revenue growth to return until the end of 2024. In the long-term, we are confident that we have a long, sustainable runway ahead of us. With 24,000 subscribers at the end of 2023 (approximately 58% of which are outside of our local media footprint) and an addressable market of nearly 9 million target customers, we are only scratching the surface. In the coming months and years, we plan to continue to scale our sales and support teams in both Charlotte and Phoenix, the latter of which we only opened last March. With our existing subscriber base, superior product offering, and huge market opportunity, I am confident that Townsquare Interactive is geared for long-term, profitable growth and success.

Thankfully, we strategically built a diverse product and service platform, and the strength of Digital Advertising offset a difficult year in Subscription Digital Marketing Solutions. In total, our Digital revenue grew +0.8% year-over-year to $232.5 million, and importantly, generated $69.1 million of Adjusted Operating Income, representing a 30% profit margin, a margin much higher than most local media competitors. We believe Townsquare's ability to drive profitable, sustainable digital growth is a key differentiator for our Company. Digital is and will be our growth engine, and we will continue to invest in our digital business to fuel further profitable growth.

We view local radio as an extremely valuable asset with significant cash flow properties, unparalleled consumer reach, and an important local connection to our audience. In fact, we would have never achieved the success we have had in building an at-scale digital audience and the resulting digital advertising and digital marketing solutions businesses if not for our strong local radio presence and performance (our traditional AM/FM over-the-air broadcast continues to reach, on average, one out of every two adults in our markets, where we operate radio stations – very, very powerful and very important). But, as radio's share of ad spend in the United States continues to decline (albeit slower than that of other traditional media such as TV and print), as noted by S&P Global research, it highlights our need to maximize our broadcast share while simultaneously driving Digital Advertising growth. And that's exactly what we're doing. In 2023, despite Broadcast Advertising net revenue declines, our total broadcast share in our Miller

Kaplan rated markets increased by 60 basis points over the same period, driven by gains in our local broadcast share. Simultaneously, we are also experiencing market share gains in our digital business. Of course, what truly matters is gaining total market share from our local media competition including television and cable, and we are keenly focused on that. In fact, one of the largest areas of growth in the digital advertising industry today is streaming or connected TV, which also happens to be a growth driver of our digital programmatic revenue stream, embedded in our Digital Advertising business. What is perhaps most encouraging is that we still have a long way to go. According to Borrell Associates, although Townsquare is steadily increasing our digital market share each year, we are still only capturing roughly 14% of total obtainable digital revenue in our local markets, signifying meaningful upside that we are very confident we can capture. Because of the powerful combination of Townsquare's digital + radio + live events (+ local investment), I believe that our flywheel will continue to blaze forward and gain momentum.

BALANCE SHEET / CAPITAL ALLOCATION

One of the largest benefits of our business model is significant cash generation. Despite net revenue and Adjusted EBITDA declining in 2023, we thoughtfully managed the business such that our cash flow from operations increased +$18 million year-over-year, or +35%, to $68 million. We utilized this cash flow first and foremost to invest in our local business through organic, internal investments that support our revenue and profit growth, particularly our digital growth engine, and that will remain our number one investment priority for the indefinite future. In addition, over the course of 2023 we repurchased $27 million of our bonds below par, and repurchased $17 million of our common stock at an average price of $9.88, a 6.4% discount to our trading price at the end of 2023. We also initiated a high yielding dividend at the start of the year, and made over $9 million dividend payments to our shareholders. On average in 2023, our dividend yielded approximately 8% since its initiation in March 2023. Due to the Board of Director's ongoing confidence in our business and its consistent, strong free cash flow characteristics, which we believe is not reflected in our stock price to date, the Board has elected to increase our dividend by +5%. At $0.1975 per share on a quarterly basis, or $0.79 on an annualized basis, the higher dividend will now represent an ~8% dividend yield as of yesterday's closing price.

After repurchasing and retiring $27 million of debt throughout the year, we ended 2023 with $504 million of debt and $61 million of cash on the balance sheet, resulting in net leverage of 4.43x. With an upcoming maturity in February 2026, we anticipate refinancing our existing debt prior to February 2025, and are currently monitoring the credit markets and we will continue to do so to secure the best refinancing.

LOOKING FORWARD

At Townsquare, we always look for the silver lining when faced with challenges in our quest to achieve our Company motto, "How high is high". Last year, our biggest challenge was to restructure Townsquare Interactive's customer service model to better serve our clients, improve client retention, and position us for more efficient growth given the vast runway ahead of us. Ultimately, the key to our success will be to not become complacent. In a rapidly changing landscape for consumers and local businesses, and as advertisers become even more selective during periods of economic hardship, it has never been more important for us to create Townsquare's future. The ability to continue what we are great at, attack and fix what we are not great at, and to continually iterate to innovate, by creating products and solutions that our audiences and clients value - that is what Townsquare is all about.

Although we are optimistic about our performance in 2024, it remains to be seen if the business environment will meaningfully improve in our small and mid-sized markets. According to Magna, who released U.S. Ad Spending projections for 2023 and 2024 in December 2023, excluding the impact of cyclical events, ad spending was projected to increase +5.4% and +5.9% in 2023 and 2024, respectively. However, it is believed that most of the ad marketplace improvement has benefited "pure-play digital advertising media" which experienced "double-digit growth". "Traditional media" outlets, by comparison, have seen a 4% decrease in ad spending in 2023. According to S&P/Kagan's recent forecast, radio's core local spot and national revenue is forecasted to decline in both 2023 and 2024.

As always, we are going to create our own opportunities, not wait for them to show up or present themselves. We create opportunities and overcome challenges. It's the Townsquare Way. Looking forward, it is our view that broadcast is a mature, cash cow business that will slowly decline (excluding political) in a normalized environment, but will continue to generate a solid profit as we carefully manage expenses to maintain a strong broadcast margin profile. We expect our differentiated digital platform will deliver strong growth to offset any potential core broadcast revenue declines, and also contribute a solid profit given its healthy and stable profit margins. As we did in 2023, and regardless of macroeconomic conditions, we are confident in our ability to continue to deliver attractive, current returns to our shareholders in the form of a high yielding dividend, while also focusing on the financial health of the Company by reducing our net debt levels (and executing a refinancing in the near future) through strong cash generation and thoughtful capital allocation.

Our performance this year has reinforced our confidence in our Digital First Local Media Strategy, our deliberate focus on markets outside of the Top 50 cities in the United States, and the long-term, profitable growth potential of our digital platform. And our success is owed to the Townsquare Team focusing on what we do best: creating high quality, local original content for our audiences and delivering creative and cost-effective marketing solutions for our local clients with strong return on investment. If we continue to do this each day, we will achieve success and ultimately our mission of becoming the #1 Local Media Company in markets outside of the Top 50 in the United States, and consequently, drive long-term, sustainable shareholder value.

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.

Sincerely,

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 15, 2024.