Oct 08, 2024

Media

TSQ

NYSE

Rating

Outperform

Unchanged

Current Price

$10.44

Target Price

$21.00

Market Capitalization
160.71m

Shares Outstanding
14.58m

Float
12.21m

Institutional Holdings
63.66%

12-Month Low/High
$8.00/$13.57

Average 90-Day Volume
47940

Fiscal Year End
2024-12-31

Revenues ($ MIL)

Period	2023A	2024E	2025E
Q1	103.1	99.6A	
Q2	121.2	118.2	
Q3	115.1	115.0E	
Q4	114.8	121.5E	
	454.2	453.7E	457.8E

EPS ($)

Period	2023A	2024E	2025E
Q1	(0.14)	0.06A	
Q2	(0.19)	(3.24)	
Q3	(2.27)	0.37E	
Q4	(0.11)	0.56E	
	(2.32)	(0.18)E	1.14E

Townsquare Media

Ignite's Its Growth

Forms a strategic partnership. The company announced that it formed a strategic partnership with SummitMedia to offer Townsquare Ignite's digital advertising solutions to nine of its radio markets that do not overlap with Townsquare's. We believe that the agreement highlights Townsquare's preeminence in the digital media space. The agreement will largely kick off in first quarter 2025.

Utilizes SummitMedia's sales force. Townsquare plans to train SummitMedia's staff on digital sales practices, at SummitMedia's expense. Townsquare will add relationship managers to service SummitMedia, execute campaigns, (including creative), and to provide back office support.

Attractive market opportunity. SummitMedia will offer the white label Ignite service at a retail price and pay Townsquare a wholesale rate. As such, the margins from SummitMedia will be slightly lower than Townsquare's current mid-20s margins. The market potential is compelling, however, estimated to be roughly $4 million in revenue. At an estimated 15% to 20% margin, the incremental cash flow will be between $600,000 to $800,000. We are not baking this potential into our 2025 estimates, at this time.

Future roadmap. We believe that the company likely will pursue additional partnerships with newspapers, television and other radio operators interested in developing an established and successful digital solutions business. In our view, Townsquare likely will be deliberate in its expansion plans as it sets a course to scale future partnerships at an attractive margin.

Compelling stock valuation. We believe that investors continue to misprice the TSQ shares as a legacy media company, not fully recognizing its attractive digital businesses. Near current levels, the TSQ shares trade at 6.6 times Enterprise Value to our 2025 adj. EBITDA, interestingly, well below its highly levered radio peer group at 8.4 times. We believe that the shares offer a compelling total return potential given its compelling annualized dividend yield of 7.2% and upside appreciation potential to our $21 price target. The shares are rated Outperform.

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Refer to the last two pages for Analyst Certification & Disclosures

Company Profile

Townsquare Media, Inc. operates as a "Digital First" media company with interests in local radio and entertainment. Its Digital business include subscription based Townsquare Interactive, its programmatic advertising business, Ignite, and its O&O websites. It owns and operates radio stations, digital and social properties, and live events, and offers audience original entertainment, music, and lifestyle media. The company's Local Advertising segment offers broadcast, digital, and mobile advertising services through its radio stations, streams, websites, and mobile applications. Its Live Events segment creates, promotes, and produces live events, including music concerts, multi-day music festivals, consumer expositions and trade shows, athletic events, lifestyle events, and other forms of entertainment. The company's Other Media and Entertainment business provides digital marketing services and e-commerce solutions; and owns and operates national digital assets.

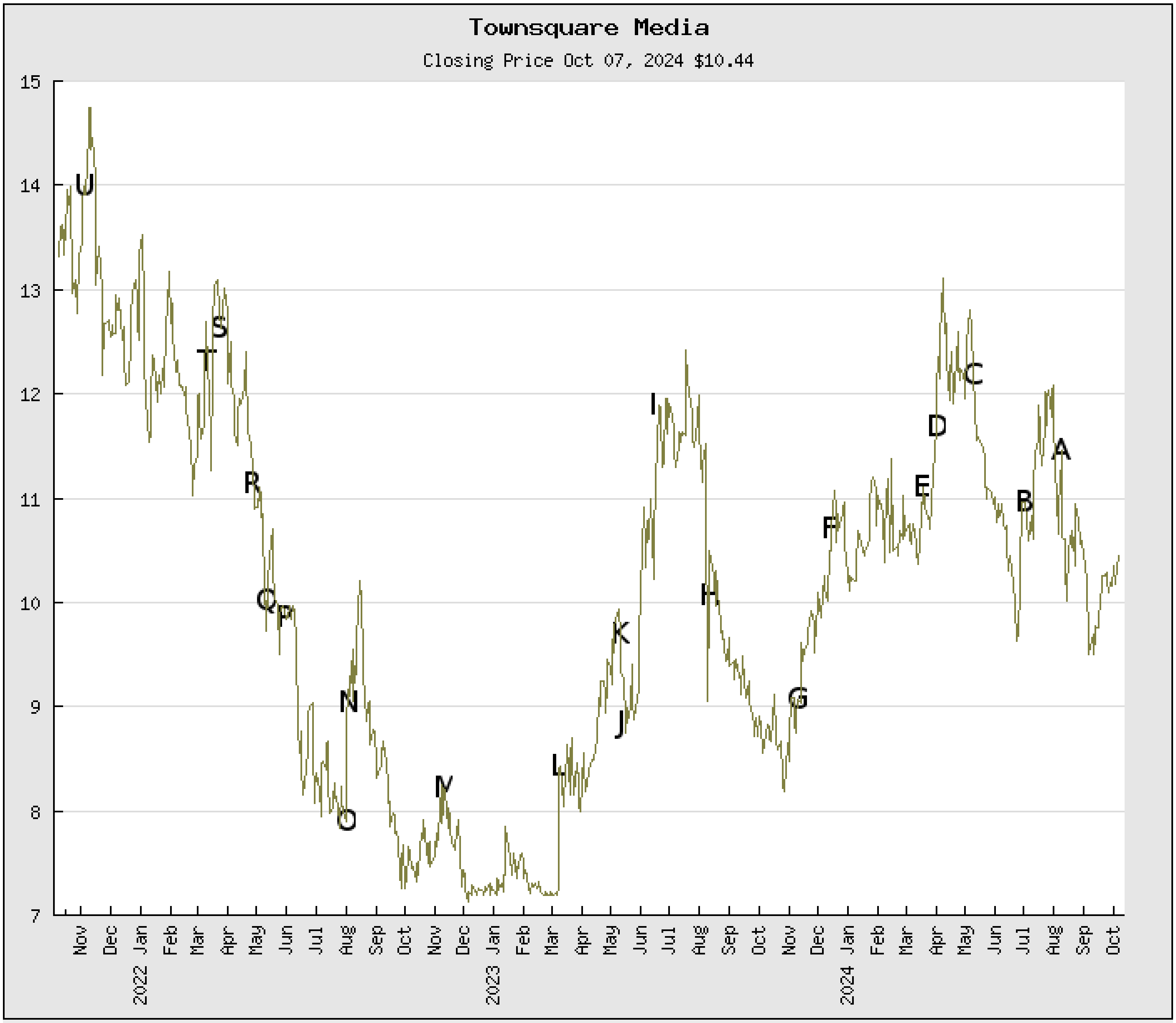
Fundamental Analysis – 3.5 / 5.0 Checks

We are maintaining our fundamental analysis of 3.5 checks, which is above average, to reflect the company's improving debt leverage and debt leverage well below that of its industry peers. We believe that the company is one of the fastest growing in the radio industry, with growth expected in its digital businesses in spite of prevailing economic headwinds. Notably, the digital businesses have similar margins to its core radio business, which provides significant operating leverage. In our view, the company could score higher as it achieves its debt leverage reduction target. For further explanation of our fundamental analysis, refer to the disclosures at the end of this report.

Valuation Summary

Near current levels, the TSQ shares trade at 6.6 times enterprise value to our 2025 cash flow estimate. Our price target of $21 represents a 8.1 times multiple on our 2025 cash flow estimate, which is below that of Radio and Digital Ad industry peers which trade at an average of 8.4 times and 10.6 times, respectively. We believe our target multiple is reasonable given the company's industry-leading digital contributions and resilient fundamental outlook. Risks in achieving our price target include: a deteriorating economic outlook, which may adversely affect some of the company's key advertisers; a pickup in inflation, which could put pressure on the prospect of expansion in cash flow multiples; heightened competition in its digital media segment from other media companies' digital initiatives; and/or acquisitions that may dilute near term cash flow.

Townsquare Media (TSQ) | Current Price: $10.44 | Outperform | Oct 08, 2024



A - 08/08/2024 Outperform Target $21.00 Current $11.46
B - 07/01/2024 Outperform Target $21.00 Current $10.96
C - 05/10/2024 Outperform Target $21.00 Current $12.18
D - 04/01/2024 Outperform Target $21.00 Current $11.68
E - 03/18/2024 Outperform Target $23.00 Current $11.10
F - 12/15/2023 Outperform Target $23.00 Current $10.70
G - 11/10/2023 Outperform Target $23.00 Current $9.07
H - 08/10/2023 Outperform Target $23.00 Current $10.06
I - 06/20/2023 Outperform Target $23.00 Current $11.89
J - 05/16/2023 Outperform Target $23.00 Current $8.85
K - 05/11/2023 Outperform Target $23.00 Current $9.69
L - 03/10/2023 Outperform Target $23.00 Current $8.42
M - 11/10/2022 Outperform Target $23.00 Current $8.22
N - 08/03/2022 Outperform Target $29.00 Current $9.04
O - 08/01/2022 Outperform Target $29.00 Current $7.90
P - 05/31/2022 Outperform Target $29.00 Current $9.85
Q - 05/11/2022 Outperform Target $29.00 Current $10.01
R - 04/27/2022 Outperform Target $29.00 Current $11.13
S - 03/25/2022 Outperform Target $29.00 Current $12.62
T - 03/11/2022 Outperform Target $29.00 Current $12.31
U - 11/03/2021 Outperform Target $29.00 Current $13.99

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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or under-served needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicality, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Director of Research. Senior Equity Analyst specializing in Media & Entertainment. 34 years of experience as an analyst. Member of the National Cable Television Society Foundation and the National Association of Broadcasters. BS in Management Science, Computer Science Certificate and MBA specializing in Finance from St. Louis University.
Named WSJ 'Best on the Street' Analyst six times.
FINRA licenses 7, 24, 66, 86, 87.

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NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	90%	25%
Market Perform: potential return is -15% to 15% of the current price	10%	3%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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