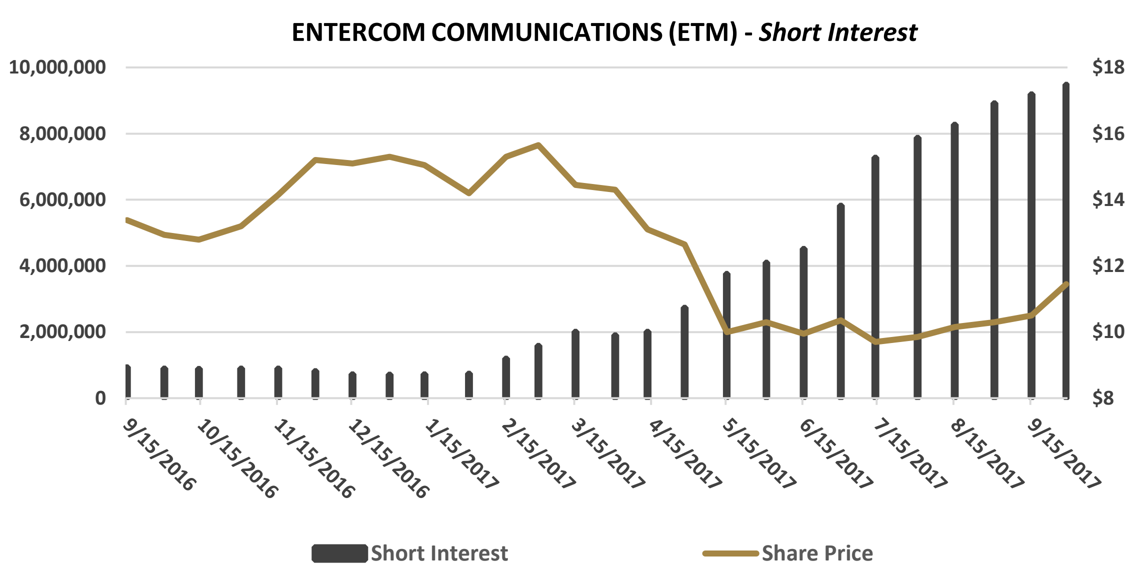
"THE WAITING IS THE HARDEST PART" - *Tom Petty*

Instrument (Inception)*	October 2017 Return	Year-to-Date Return	Compound Growth
Venator Founders Fund (March 2006)	**0.0%**	**1.6%**	**11.6%**
Venator Investment Trust (September 2007)	**0.0%**	**1.7%**	**8.1%**
Venator Income Fund (August 2008)	**0.6%**	**6.6%**	**11.9%**
Venator Select Fund (September 2013)	**-0.3%**	**0.7%**	**13.7%**
S&P/TSX Total Return (March 2006)	2.7%	7.3%	5.8%
Russell 2000 (March 2006)	0.9%	11.9%	7.8%
S&P Toronto Small Cap (March 2006)	1.7%	-0.2%	2.4%
S&P 500 (March 2006)	2.3%	16.9%	8.4%
Merrill Lynch High Yield Index (August 2008)	0.4%	7.4%	9.0%

Many of our long-term followers know about our multi-year holding in Entercom Communications (ETM), the soon to be second largest radio broadcaster in the US. While our initial interest in the company stemmed from the high yield bonds which were purchased in Venator Income Fund, we subsequently became interested in the stock as a result of the potential for the company to increase its free cash flow per share from $0.90, to over $1.40, through a refinancing of its high-yield debt. In hindsight, the company significantly exceeded our expectations, taking its free cash flow per share closer to the $2.00 level. In the current 'multiple-expansion' fueled bull market, we would have expected a better than 100% increase in earnings to result in a congruent increase in the share price, but we were still satisfied with a more than 50% gain in the stock.

The company now heads towards the closing of its transformative merger transaction with CBS Radio, which was originally announced back in February. While the initial reaction to the deal was positive among industry participants as well as the market, the unusual structure of the deal weighed heavily on the share price as arbitrageurs began shorting the stock with a view to closing out the trade with newly minted Entercom shares received by CBS shareholders. The short selling velocity hit its apex in May with the stock falling for 10 straight trading days; when the smoke cleared, the stock was down about 30%.



This short-selling activity clearly grabbed the attention of the Field family (and Founder Joseph Field specifically), who promptly bought nearly 600,000 shares in the open market near the bottom (see insider trading summary below). The family currently controls the company through multiple voting shares; however, once the CBS Radio transaction has closed, the controlling interest will drop to approximately 25%, incentivizing the family to acquire increased control of the Company opportunistically. We will revisit this issue below.

Entercom Communications Inc. (ETM) *Insider Transactions (since May 1, 2017)*					
Insider	**Trade Date**	**Security Type**	**Transacted Shares**	**Transaction Value**	**Transaction Summary**
FIELD, JOSEPH M. (Founder & Chairman)	22-Jun-17	Class A - Common Shares	1,600	$15,919	Open Market Acquisition at $9.95 per share
FIELD, JOSEPH M. (Founder & Chairman)	21-Jun-17	Class A - Common Shares	32	$318	Open Market Acquisition at $9.95 per share
FIELD, JOSEPH M. (Founder & Chairman)	15-Jun-17	Class A - Common Shares	4,793	$47,690	Open Market Acquisition at $9.95 per share
FIELD, JOSEPH M. (Founder & Chairman)	13-Jun-17	Class A - Common Shares	1,596	$15,880	Open Market Acquisition at $9.95 per share
FIELD, JOSEPH M. (Founder & Chairman)	24-May-17	Class A - Common Shares	83,629	$832,944	Open Market Acquisition at $9.96 per share
FIELD, JOSEPH M. (Founder & Chairman)	23-May-17	Class A - Common Shares	78,747	$796,132	Open Market Acquisition at $10.11 per share
FIELD, JOSEPH M. (Founder & Chairman)	22-May-17	Class A - Common Shares	56,697	$576,608	Open Market Acquisition at $10.17 per share
FIELD, JOSEPH M. (Founder & Chairman)	21-May-17	Class A - Common Shares	83,629	$829,599	Open Market Acquisition at $9.92 per share
FIELD, JOSEPH M. (Founder & Chairman)	18-May-17	Class A - Common Shares	67,916	$661,501	Open Market Acquisition at $9.74 per share
FIELD, JOSEPH M. (Founder & Chairman)	17-May-17	Class A - Common Shares	67,916	$658,785	Open Market Acquisition at $9.70 per share
FIELD, JOSEPH M. (Founder & Chairman)	16-May-17	Class A - Common Shares	67,916	$662,860	Open Market Acquisition at $9.76 per share
FIELD, JOSEPH M. (Founder & Chairman)	15-May-17	Class A - Common Shares	67,916	$670,330	Open Market Acquisition at $9.87 per share
KRAMER, LOUISE C. (Former Chief Operating Officer)	15-May-17	Class A - Common Shares	1,714	$17,140	Disposition (Non Open Market) at $10 per share
FIELD, JOSEPH M. (Founder & Chairman)	14-May-17	Class A - Common Shares	100	$1,000	Open Market Acquisition at $10.00 per share
FIELD, JOSEPH M. (Founder & Chairman)	11-May-17	Class A - Common Shares	600	$6,000	Open Market Acquisition at $10.00 per share

Final details of the CBS Radio transaction were received last week, and it is expected to close on November 17th. As part of the deal, Entercom will divest itself of certain stations, and de-lever the balance sheet on a net basis in the process. Factoring in a subdued year in broadcast radio advertising revenues (mainly as a result of this being a non-election year), we have come up with the following forward projections, which are materially below the projections that have been published in the merger documents.

Entercom Communications Inc. (ETM) *Forward projections prepared by Venator Capital Management Ltd.*				
	2018	**2019**	**2020**	**2021**
Revenue	**$ 1,598.3**	**$ 1,630.3**	**$ 1,646.6**	**$ 1,663.1**
EBITDA	$ 479.5	$ 521.7	$ 559.8	$ 565.4
	30%	*32%*	*34%*	*34%*
Interest (5%)	$ 88.9	$ 77.2	$ 72.1	$ 65.1
CAPEX	$ 20.0	$ 20.0	$ 20.0	$ 20.0
Taxes (25%)	$ 92.7	$ 106.1	$ 116.9	$ 120.1
Share Buyback (10 million @ $15 per share)	**133,000**	**123,000**	**113,000**	**103,000**
Free Cash Flow	$ 278.0	$ 318.4	$ 350.8	$ 360.2
Free Cash Flow Per Share	**$ 2.09**	**$ 2.59**	**$ 3.10**	**$ 3.50**
Net Debt	$ 1,543.5	$ 1,441.7	$ 1,302.3	$ 1,148.6
Cumulative Dividend ($0.50 per share)	**$ 0.50**	**$ 1.00**	**$ 1.50**	**$ 2.00**
Debt/EBITDA	**3.2**	**2.8**	**2.3**	**2.0**
Debt/Free Cash Flow	5.6	4.5	3.7	3.2
EV/EBITDA (@ $12.50 per share)	6.7	5.7	4.8	4.3

There are three assumptions made here that are of critical importance, two of which are related to operational ability and one of which relates to capital allocation. With respect to operations, we project a slight revenue increase over the next several years when compared to 2016, which is the result of a focused management team improving the operations of CBS Radio from its current condition as a neglected asset under the greater CBS corporate umbrella. Second, we have assumed EBITDA margins in excess of 30%, consistent with management's projections, and a realistic goal considering CBS Radio's historic 30%+ margins prior to 2015. The final assumption is related to our belief that one of the best uses of the Entercom's abundant annual free cash flow is an aggressive repurchase of stock at current levels, which are extraordinarily cheap by any measure. While the Field family's recent insider purchases on the open market suggests that they share our assessment of value, Entercom does not have a history of buying back stock, largely owing to the small float that existed prior to this transaction.

We believe that an aggressive share buyback below $15 (and possibly into the high teens) would help accomplish several key goals. Note that we anticipate the company achieving over $300 million in annual free cash flow in 2019; therefore, even if they were to increase the dividend to $0.50, they would still have north of $225 million of disposable cash with which to work. As the chart above illustrates, Entercom could buy back $150 million of stock per year and still de-lever to 2x debt-to-EBITDA within four years, a very low leverage number for media companies in general. The buyback would also serve to lower the dividend commitment through less shares outstanding, and replenish the Field family's control of the company, something we believe they desire to accomplish. We also believe that the FCC is on the verge of loosening market share restrictions, which would make a tuck-in acquisition roll-up strategy easier to execute. As such, we maintain that Entercom could spend as little as $50 million per year (of its $300 million in free cash flow) to grow the top line by 2%, through low risk acquisitions.

When meeting with the senior management of our companies, we always tell them that the stock market is a popularity contest - the difference between a $10 stock and a $20 stock can simply relate to the multiple a company receives due to the story management tells. Energizer Holdings Inc. (ENR), a short position held in Venator Founders Fund, has traded north of 20x earnings due to management's popularity - even while that same management team is telling the street to expect battery sales to decline consistently going forward. Wal-mart Stores Inc. (WMT), another short position in our portfolio, has also convinced the street that they are doing a great job raising costs and lowering prices, all while being firmly in the cross hairs of Amazon. Walmart currently trades at 20x earnings, despite a two-year, 20% decline in earnings expectations; and they've convinced the street that they are winning a war that they are clearly losing (Amazon taking market share and forcing you to lower your operating margins does not constitute winning).

Coming back to Entercom, management now has a rare opportunity to create their own narrative. The newly minted $1.5 billion market float is going to bring a large cohort of new investors and analysts, putting the company at a critical juncture in terms of setting street expectations. As stated above, an increased dividend to $0.50 per share is a show of confidence, while an aggressive annual share buyback of $100-150 million, along with $50-$100 million per year in low-risk, tuck-in acquisitions, would effectively ensure top-line growth for the next five years. We believe that this strategy could result in a potential earnings multiple in excess of 15x which, when coupled with future earnings in excess of $2.50 per share, could result in a $40 stock price over the next 24 months – a significant gain from current levels.

As always, we reserve the right to change our mind!

Brandon Osten, CFA
CEO, Venator Capital Management Ltd.