



Third Quarter 2019 Performance and Business Update

October 23, 2019

Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's second quarter 2019 financial results and in conjunction with the Company's recent Annual Report and Quarterly Results as filed with the Securities and Exchange Commission (SEC).

Certain statements contained in this presentation that are not historical facts may be forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. These forward-looking statements may include, but are not limited to, statements about our plans, objectives, expectations, prospects, expected future financial guidance and intentions, markets in which we participate and other statements contained in this presentation that are not historical facts. When used in this presentation, the words "expect," "predict," "project," "anticipate," "believe," "estimate," "intend," "plan," "seek" and similar expressions are generally intended to identify forward looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including changes in our plans, objectives, expectations, prospects and intentions and other factors discussed in our filings with the SEC. We cannot guarantee any future levels of activity, performance or achievements. Travelzoo undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this presentation.

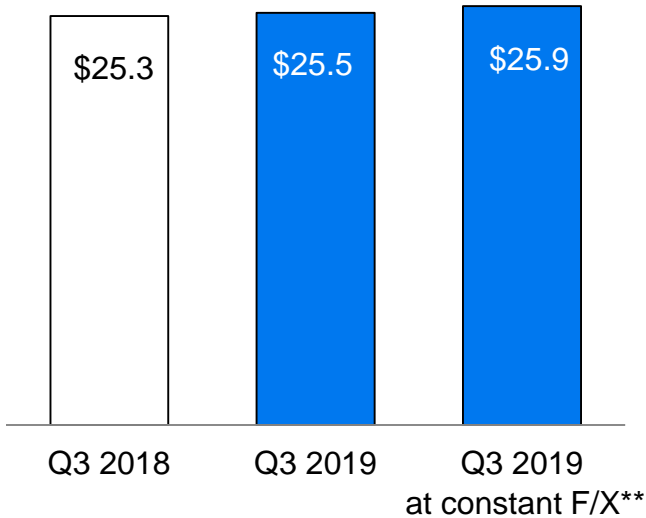
Part 1:
Third Quarter 2019 Performance

Part 2:
Management Focus

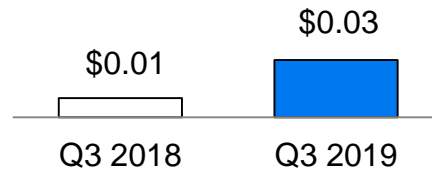
All key financial metrics continued to improve as revenues grew and we operated more efficiently.

Q3 2019 Financial Performance

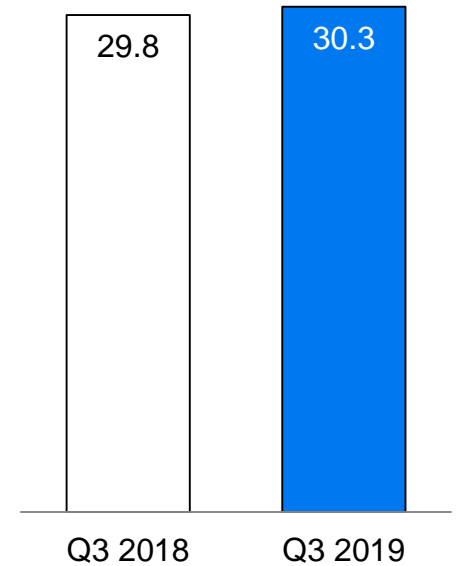
Revenue*
\$ millions



EPS
\$ per share



Members
Millions



* Revenue growth from Q3 2018 to Q3 2019 was 2.5% in constant currency.

** Based on constant F/X rates from Q3 2018.

When neutralizing FX changes, revenue grew 3% in North America and 6% in Europe.

Quarterly Revenue by Segment*

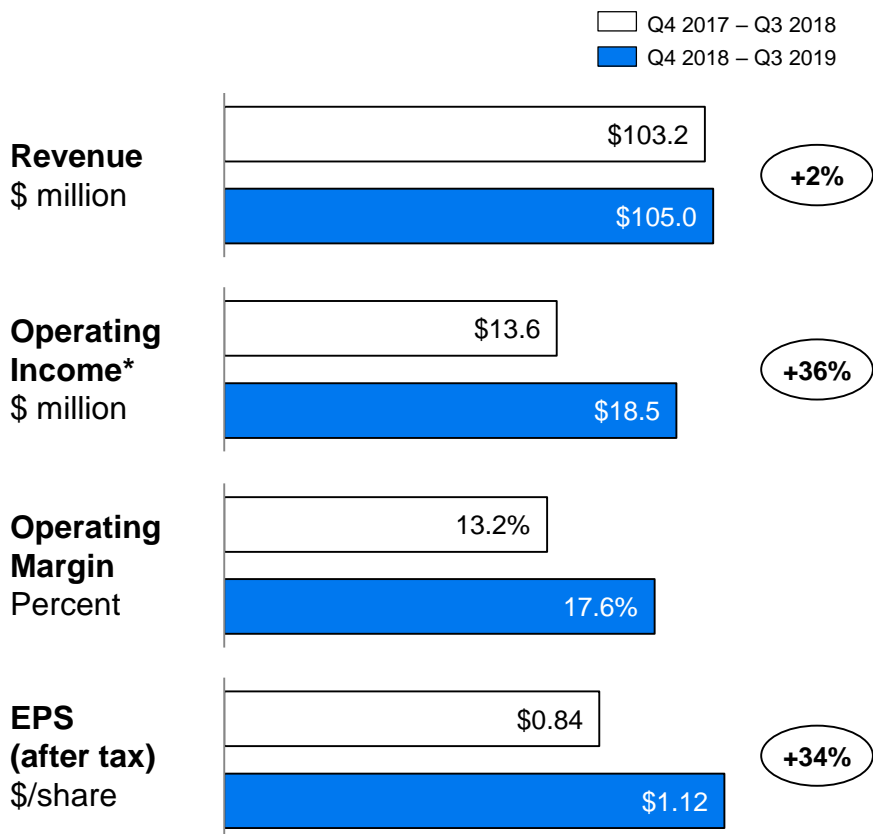
	North America		YOY %			Europe		YOY %			Asia Pacific		YOY %	
	\$ millions		USD	F/X neutral		\$ millions		USD	F/X neutral		\$ millions		USD	F/X neutral
Q3	2017	\$15.0	0%	0%		2017	\$7.9	5%	6%		2017	\$1.8	12%	15%
	2018	\$14.9				2018	\$8.4				2018	\$2.0		
Q4	2017	\$16.2	0%	1%		2017	\$8.8	3%	6%		2017	\$2.0	-10%	-7%
	2018	\$16.3				2018	\$9.0				2018	\$1.8		
Q1	2018	\$18.6	0%	1%		2018	\$10.3	3%	10%		2018	\$2.0	-18%	-13%
	2019	\$18.6				2019	\$10.6				2019	\$1.7		
Q2	2018	\$17.5	2%	3%		2018	\$8.5	2%	8%		2018	\$2.1	-23%	-20%
	2019	\$17.9				2019	\$8.7				2019	\$1.6		
Q3	2018	\$14.9	3%	3%		2018	\$8.4	1%	6%		2018	\$2.0	-17%	-16%
	2019	\$15.3				2019	\$8.5				2019	\$1.7		

* Overall impact of unfavorable F/X trends during Q3 2019 is \$465,000

Very good performance of our Core Business, which generates after-tax EPS of \$1.12 (TTM), is masked by our Development Business in Asia Pacific.

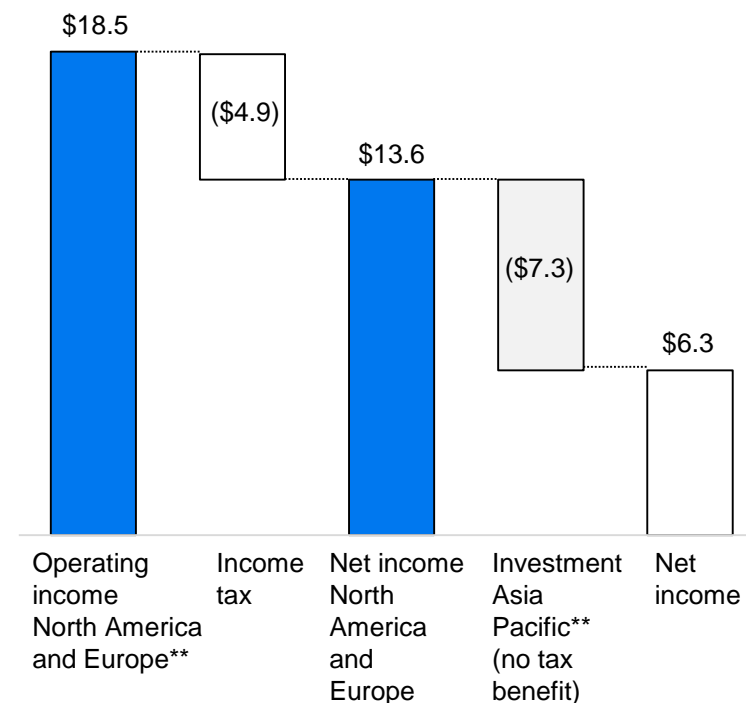
North America and Europe

TTM, compared to previous 12 months



Investment in Asia Pacific

\$ million TTM (Q4 2018 – Q3 2019)



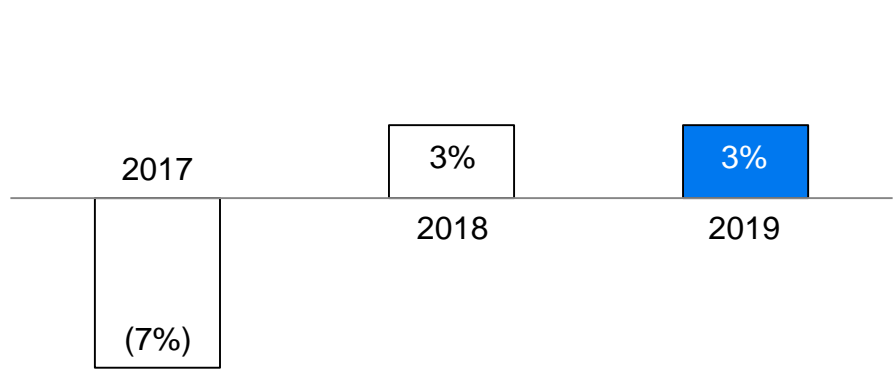
* Includes other income \$657,000 for the TTM period ended Q3 2018 and other income of \$101,000 for the TTM period ended Q3 2019.

** Includes other income of \$101,000 for North America/Europe and other expenses of \$533,000 for Asia Pacific.

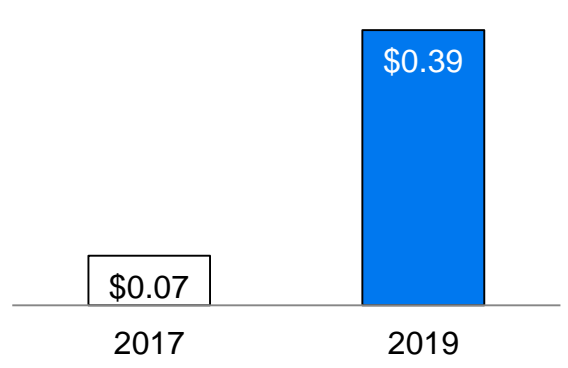
*** EPS calculation uses the average diluted shares of 12,700,000 and 12,152,000 for the TTM period ended Q3 2018 and Q3 2019, respectively.

Increasing revenue and higher margins allow us to grow EPS while investing more in brand marketing and member growth.

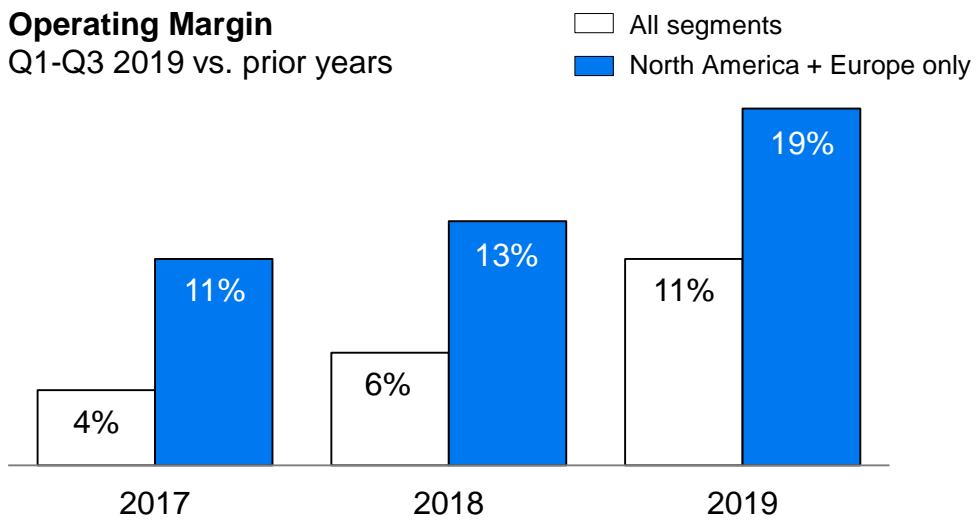
Revenue Growth* (F/X neutral)
Q1-Q3 2019 vs. prior years



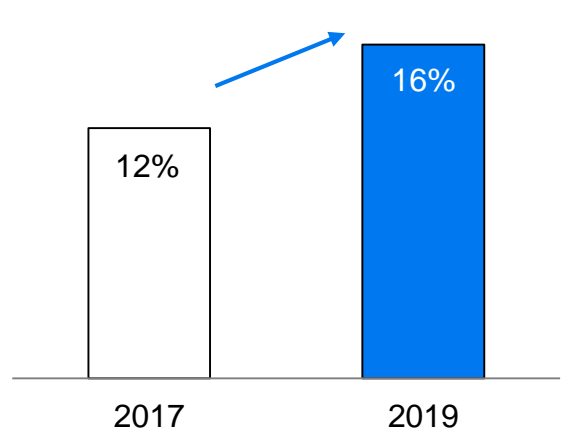
EPS
Q1-Q3 2019 vs Q1-Q3 2017



Operating Margin
Q1-Q3 2019 vs. prior years



Marketing**
as % of total revenue (Q1-Q3)

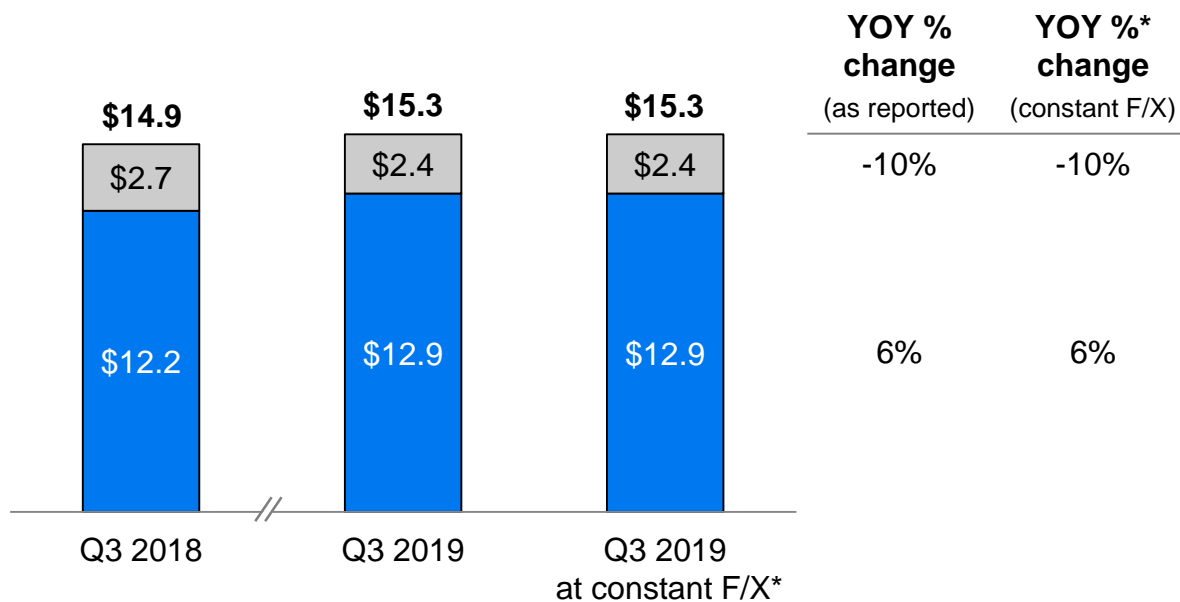


* Excluding discontinued operations ** Including all marketing expenses (member acquisition, brand marketing, marketing staff, PR and trade marketing)

North America revenue growth was driven by promoting more vacations.

North America Revenue by Type

\$ millions



Highlights*

- **Local** – YOY 10% decrease due to smaller distribution of Local voucher and Entertainment offers during the quarter.
- **Travel** – YOY 6% increase due to increase in marketing and creation of vacation offers.

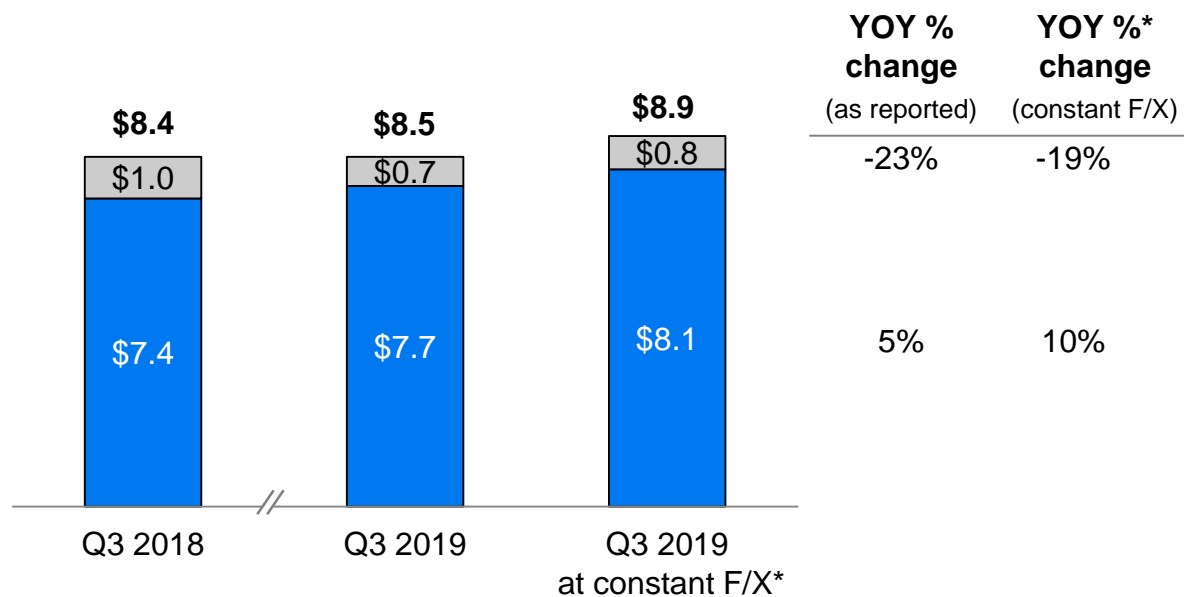


* Based on constant F/X rates for CAD

Europe revenues grew at 6% (F/X neutral), as our new vacations product drove revenues – in spite of headwinds such as Brexit and the Thomas Cook bankruptcy.

Europe Revenue by Type

\$ millions



Highlights*

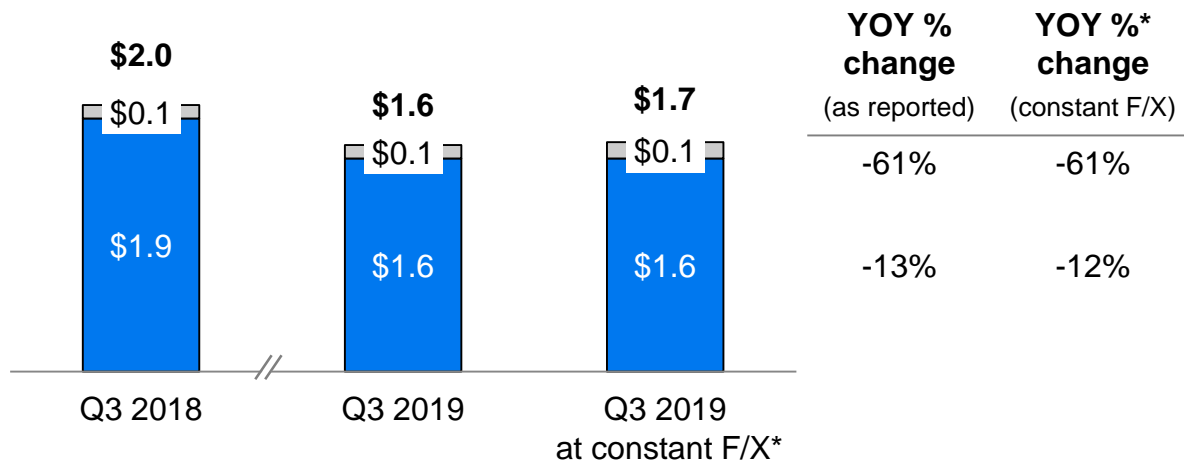
- **Local** – YOY 19% decrease due to lower breakage revenue.
- **Travel** – YOY 10% due to increase in revenue from our package offering that combines hotel deals with flights.

* Based on constant F/X rates for GBP and Euro

Asia Pacific revenue declined year over year as we made changes to the management team. But we expect revenue in China to grow in the fourth quarter and in 2020.

Asia Pacific Revenue by Type

\$ millions



Highlights*

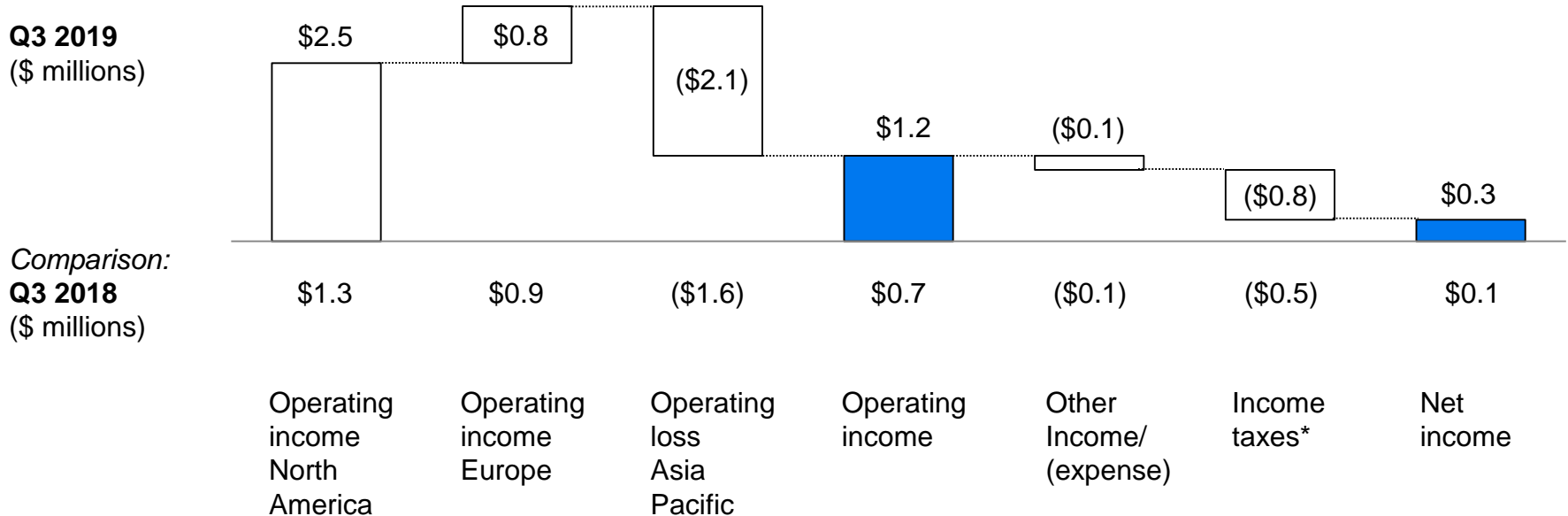
- **Local** – YOY 61% decrease, as we focus on the more profitable opportunities.
- **Travel** – YOY 12% decrease due to a sales team turnover.



* Based on constant F/X rates for Asian and Australian currencies

North America and Europe generated profits of \$3.3 million.
Even after investments in Asia Pacific, operating income increased
70% year over year.

Year Over Year Comparison

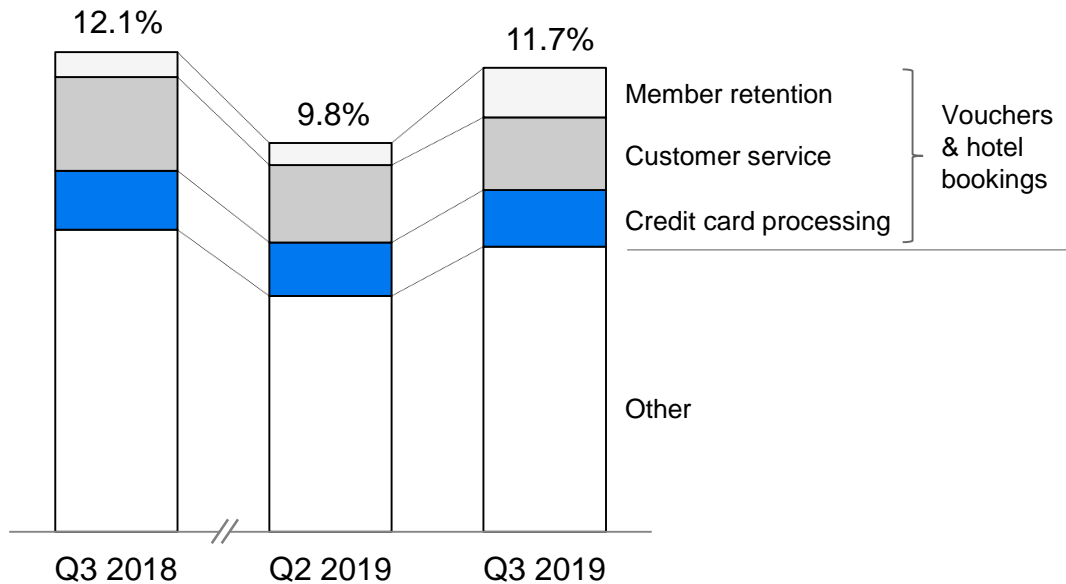


* Income taxes reflect taxes on North America and Europe income without any offsetting tax benefit from the separate tax jurisdiction Asia Pacific losses.

In spite of Asia Pacific, our overall operating margin jumped to 5% in our seasonally weakest quarter.

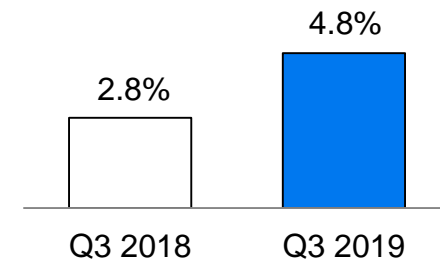
Cost of Revenue

as percentage of revenue



Operating Margin

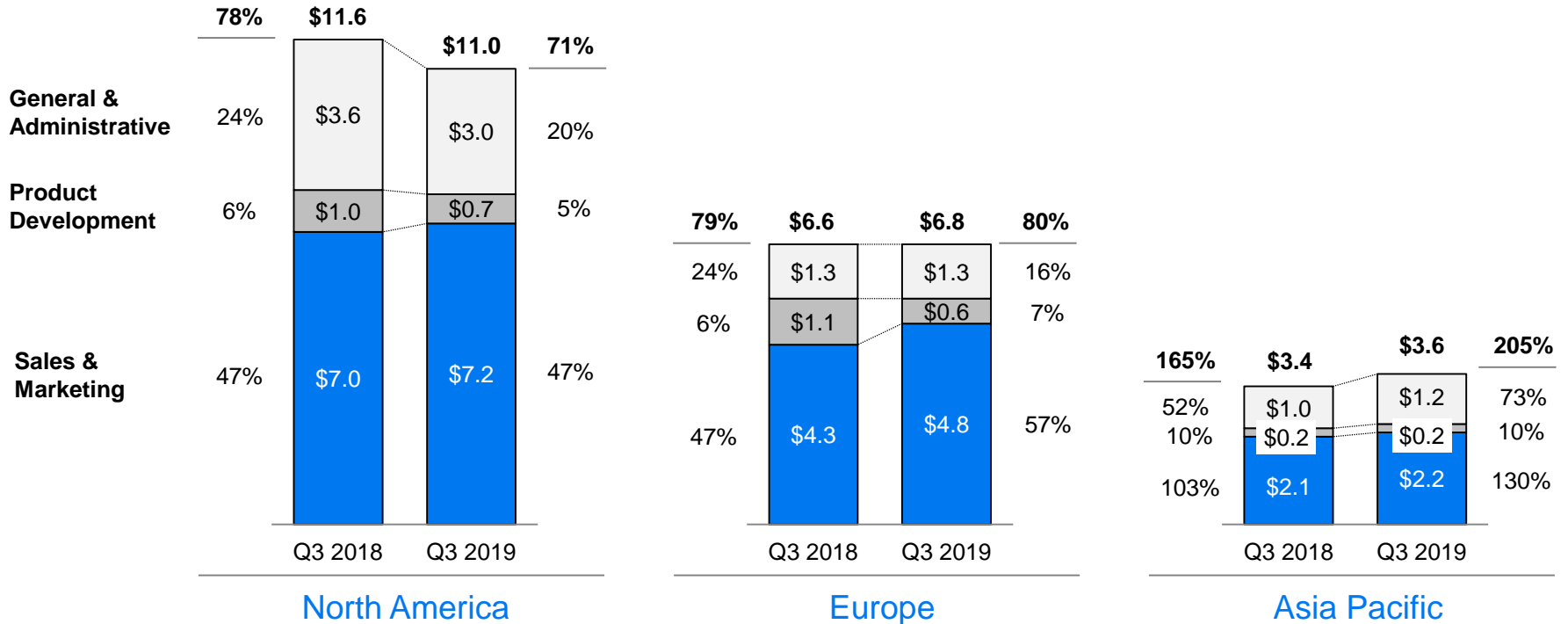
as percentage of revenue



In North America and Europe, we were able to invest more in marketing. In Asia Pacific, we completed a strategy project with a top management consulting firm in China. All costs were expensed in Q3.

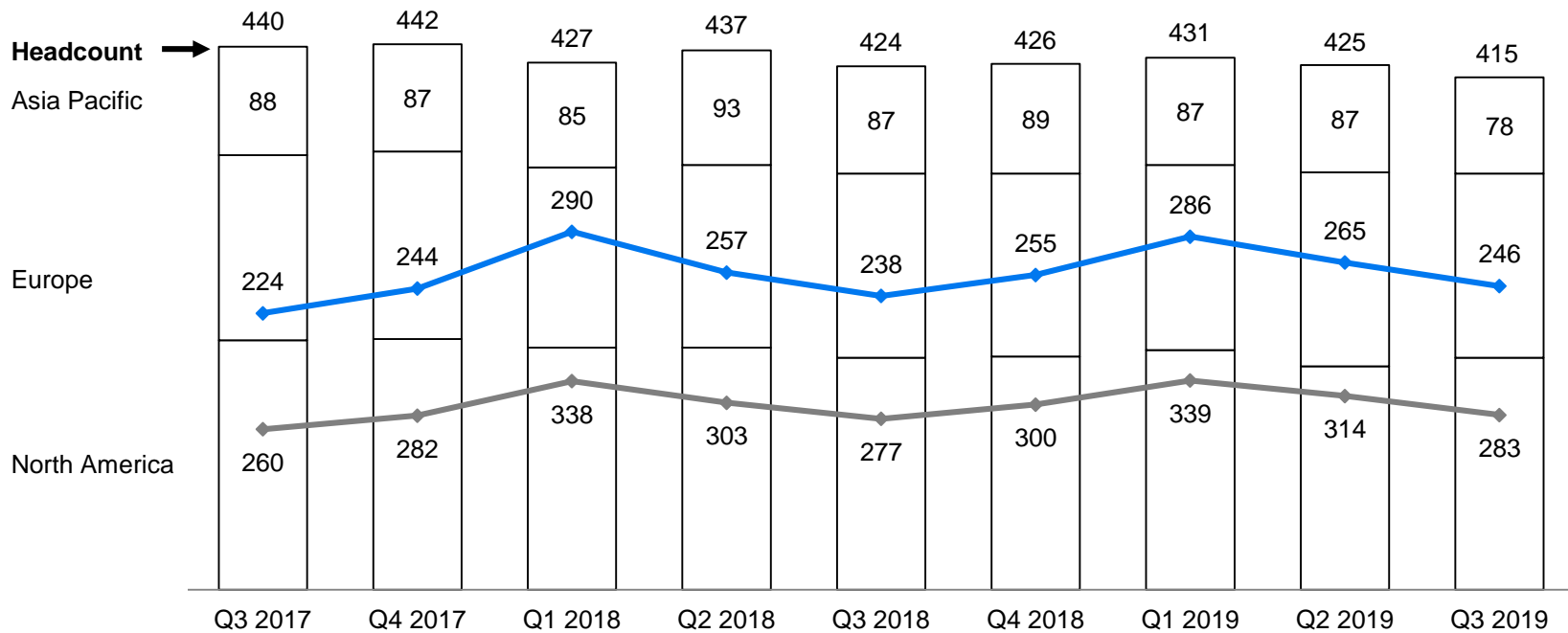
Operating Expenses

\$ millions and as percentage of revenue



Productivity increased compared to prior year.

Headcount and Average Annualized Revenue per Employee



Revenue per employee (\$ thousands)

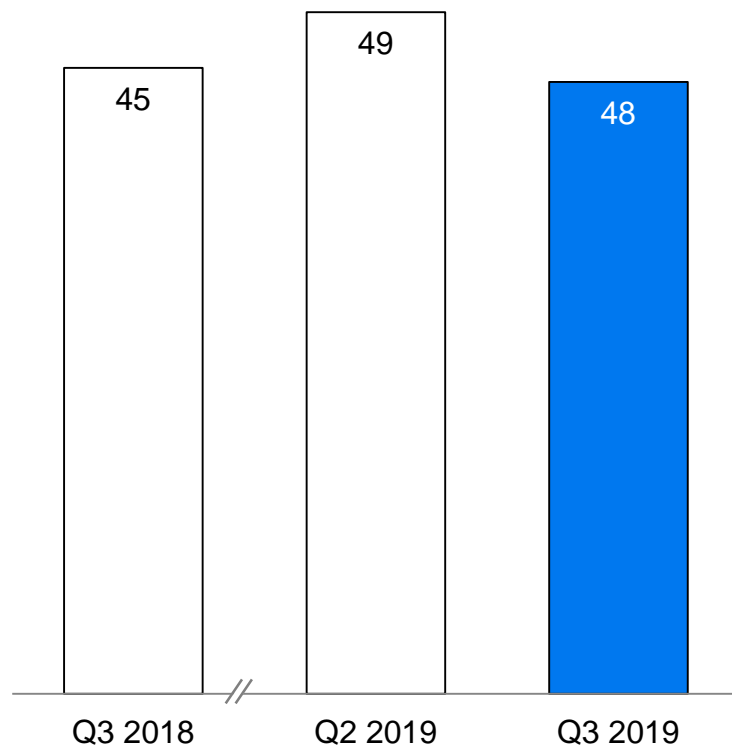
Without Asia	\$260	\$282	\$338	\$303	\$277	\$300	\$339	\$314	\$283
With Asia	\$224	\$244	\$290	\$257	\$239	\$255	\$286	\$265	\$246

Our cash balance remains solid in spite of continued share repurchases during the quarter.

DSO and Cash Balances

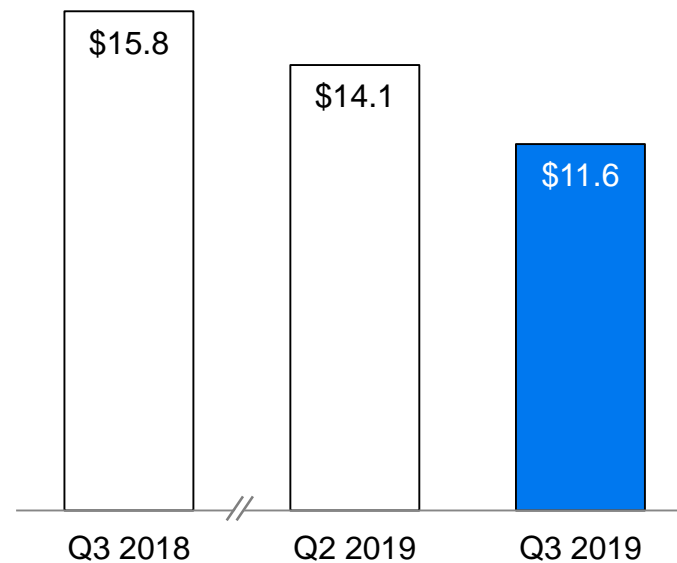
DSO (Days Sales Outstanding)

of days



Cash Balance at End of Quarter*

\$ millions



* Includes cash and cash equivalents

Third Quarter 2019 Performance Summary

- Revenue growth improved in North America and Europe, but is not yet at our 10% target.
- Operating margins of 14% in our core businesses in our seasonally slowest quarter.
- Net income for the entire company more than doubled from the prior year. Operating income increased by 70% from prior year
- Solid cash balance in spite of share buybacks.

Part 1:
Third Quarter 2019 Performance

Part 2:
Management Focus

- Maintain our quality leadership position by publishing high-quality deals and tightening brand control.
- Expand exclusive offers to our members in the areas of hotels, vacations and local businesses.
- Grow visibility and awareness of the Travelzoo® brand, as we invest productivity gains in marketing and member growth.
- Drive revenue growth in China and bring APAC to profitability.
- Accelerate revenue growth in Q4 and 2020.
- Invest for future growth while continuing to increase margins.

APPENDIX

Travelzoo
Revenue by Segment and Type - Quarterly
(in thousands except for percentages)

North America		Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
Travel		12,146	12,964	16,036	14,596	12,223	13,290	16,317	15,251	12,898
	Y/Y growth rate	-3%	2%	8%	5%	1%	3%	2%	4%	6%
Local		2,822	3,283	2,546	2,915	2,712	2,995	2,270	2,670	2,440
	Y/Y growth rate	-14%	3%	-5%	10%	-4%	-9%	-11%	-8%	-10%
Total North America Revenues		14,968	16,247	18,582	17,511	14,936	16,285	18,587	17,922	15,338
	Y/Y growth rate	-5%	2%	6%	6%	0%	0%	0%	2%	3%
Europe		Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
Travel		7,052	7,328	9,053	7,409	7,387	7,008	9,512	7,565	7,727
	Y/Y growth rate	-4%	10%	13%	9%	5%	-4%	5%	2%	5%
Local		894	1,439	1,227	1,091	991	1,983	1,061	1,117	767
	Y/Y growth rate	-20%	-19%	15%	-1%	11%	38%	-13%	2%	-23%
Total Europe Revenues		7,946	8,767	10,280	8,500	8,378	8,991	10,573	8,682	8,494
	Y/Y growth rate	-6%	4%	13%	8%	5%	3%	3%	2%	1%
Asia		Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
Travel		1,645	1,823	1,901	1,922	1,851	1,669	1,600	1,532	1,619
	Y/Y growth rate	-30%	-19%	14%	3%	13%	-8%	-16%	-20%	-13%
Local		129	160	121	134	137	116	65	48	54
	Y/Y growth rate	-42%	-13%	-17%	46%	6%	-27%	-46%	-64%	-61%
Total Asia Revenues		1,773	1,983	2,022	2,056	1,987	1,786	1,665	1,580	1,673
	Y/Y growth rate	-31%	-19%	12%	5%	12%	-10%	-18%	-23%	-16%
Consolidated		Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
Travel		20,843	22,114	26,990	23,927	21,461	21,967	27,429	24,348	22,245
	Y/Y growth rate	-6%	2%	10%	6%	3%	-1%	2%	2%	4%
Local		3,845	4,883	3,893	4,141	3,840	5,095	3,396	3,835	3,260
	Y/Y growth rate	-17%	-5%	0%	8%	0%	4%	-13%	-7%	-15%
Total Consolidated Revenues		24,687	26,997	30,884	28,067	25,301	27,062	30,825	28,184	25,505
	Y/Y growth rate	-8%	1%	9%	6%	2%	0%	0%	0%	1%

(1) Travel includes travel publications (Top 20, Website, Newflash, Network), Getaway vouchers and Hotel Platform

(2) Local includes Local Deals vouchers and Entertainment non-vouchers

Travelzoo
Quarterly Statements of Operations

	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
Revenues	\$ 24,687	\$ 26,997	\$ 30,884	\$ 28,075	\$ 25,301	\$ 27,062	\$ 30,825	\$ 28,184	\$ 25,505
Cost of revenues	3,018	3,462	3,385	3,016	2,987	2,880	2,946	2,757	2,980
Gross profit	21,669	23,535	27,499	25,059	22,314	24,182	27,879	25,427	22,525
Operating expenses:									
Sales and marketing	13,973	13,746	15,542	15,628	13,375	13,974	15,606	15,357	14,233
Product development	2,315	2,208	2,511	2,386	2,297	1,799	1,703	1,799	1,478
General and administrative	5,363	6,502	5,789	5,967	5,928	5,620	5,599	5,847	5,600
Total operating expenses	21,651	22,456	23,842	23,981	21,600	21,393	22,908	23,003	21,311
Income from continuing operations	18	1,079	3,657	1,078	714	2,789	4,971	2,424	1,214
Other income (loss), net	86	62	161	30	(91)	(52)	(99)	(143)	(138)
Income from continuing operations before income taxes	104	1,141	3,818	1,108	623	2,737	4,872	2,281	1,076
Income tax expense	680	466	1,316	631	505	1,173	1,752	953	770
Income from continuing operations	(576)	675	2,502	477	118	1,564	3,120	1,328	306
Income from discontinued operations, net of income taxes	-	-	-	-	-	-	-	-	-
Net income	\$ (576)	\$ 675	\$ 2,502	\$ 477	\$ 118	\$ 1,564	\$ 3,120	\$ 1,328	\$ 306
Income (loss) per share - basic:									
Continuing operations	\$ (0.05)	0.05	0.20	0.04	0.01	0.13	0.26	0.11	0.03
Discontinued operations	-	-	-	-	-	-	-	-	-
Net income per share - basic	\$ (0.05)	\$ 0.05	\$ 0.20	\$ 0.04	\$ 0.01	\$ 0.13	\$ 0.26	\$ 0.11	\$ 0.03
Income (loss) per share - diluted:									
Continuing operations	\$ (0.05)	\$ 0.05	\$ 0.20	\$ 0.04	\$ 0.01	\$ 0.13	\$ 0.26	\$ 0.11	\$ 0.03
Discontinued operations	-	-	-	-	-	-	-	-	-
Net income per share - diluted	\$ (0.05)	\$ 0.05	\$ 0.20	\$ 0.04	\$ 0.01	\$ 0.13	\$ 0.26	\$ 0.11	\$ 0.03
Weighted average shares:									
Basic	12,628	12,462	12,462	12,462	12,314	12,059	11,914	12,003	11,767
Diluted	12,628	12,462	12,462	12,622	12,663	12,151	12,224	12,278	11,956