



First Quarter 2018 Performance and Business Update

April 25, 2018

Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's first quarter 2018 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.

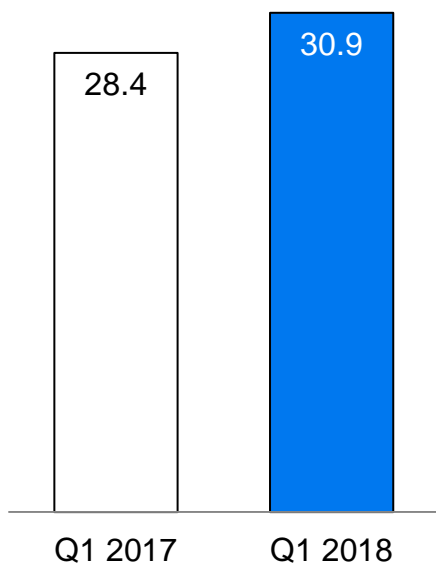
Part 1:
First Quarter 2018 Performance

Part 2:
Business Update

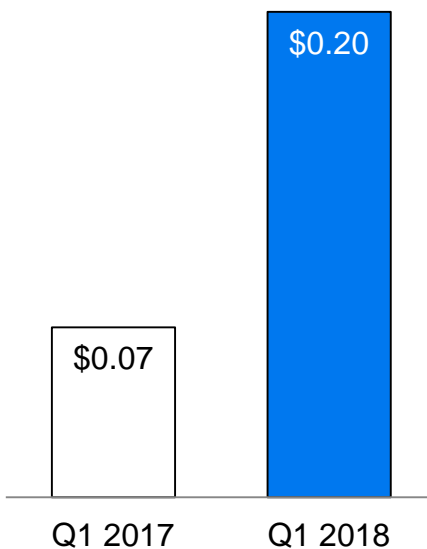
Revenues grew year-over-year for a second consecutive quarter and drove much higher EPS.

Q1 2018 Financial Performance

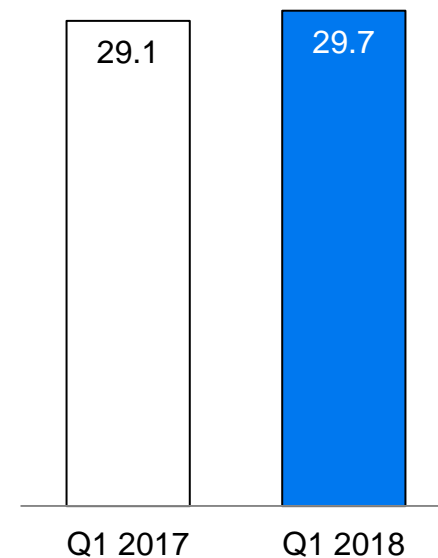
Revenue
(continuing operations)
\$ millions



EPS
(continuing operations)
\$ per share



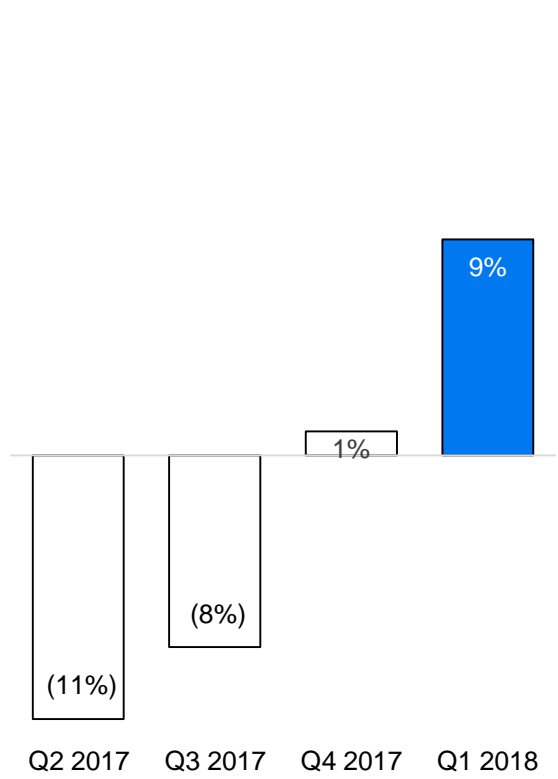
Members
Millions



Financial performance has improved over the past year. Profitability in North America and Europe is increasing, while Asia Pacific is still in investment mode.

Revenue trends

Growth year-over-year

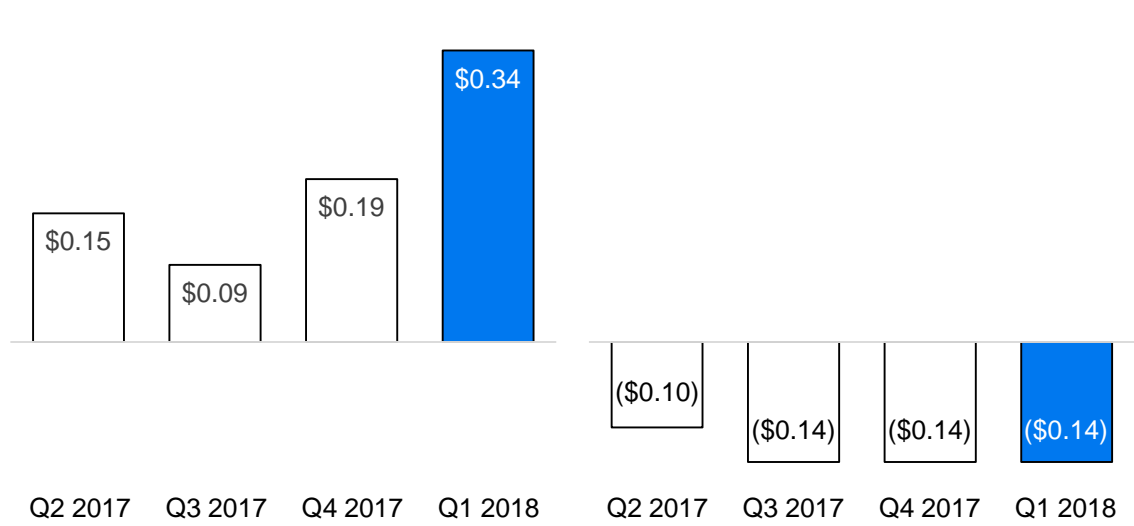


EPS trends

Earnings* \$ per share

North America and Europe

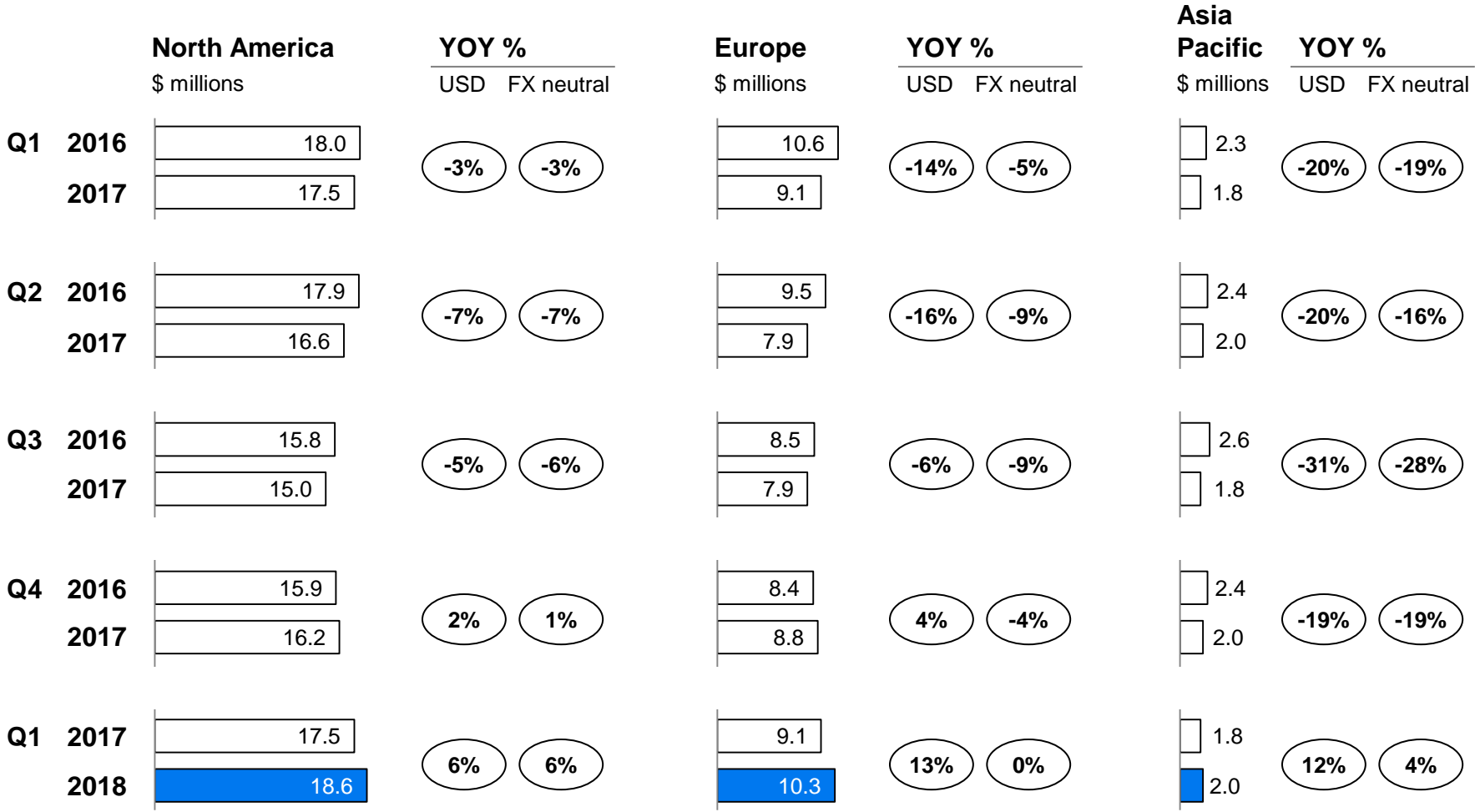
Asia Pacific



* The EPS amounts for Asia Pacific are derived using the Asia Pacific segment operating loss divided by the shares used in the diluted EPS calculation. The EPS amounts for North America and Europe combined are derived by subtracting the Asia Pacific derived EPS from the total company continuing operations EPS.

Revenue trends improved or accelerated in all three regions.

Quarterly Revenue by Segment*

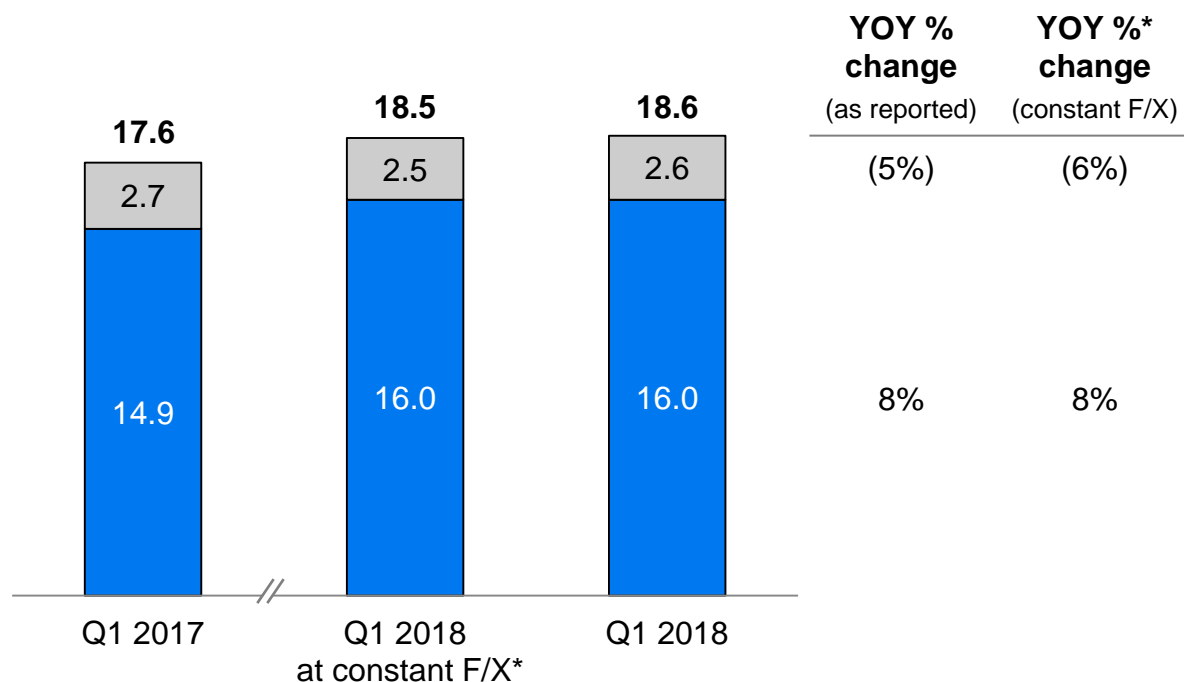


* Overall impact of favorable F/X trends during Q1 2018 is \$1.4 million.

In North America, revenues increased at the fastest pace in over four years.

North America Revenue by Type

\$ millions



Highlights*

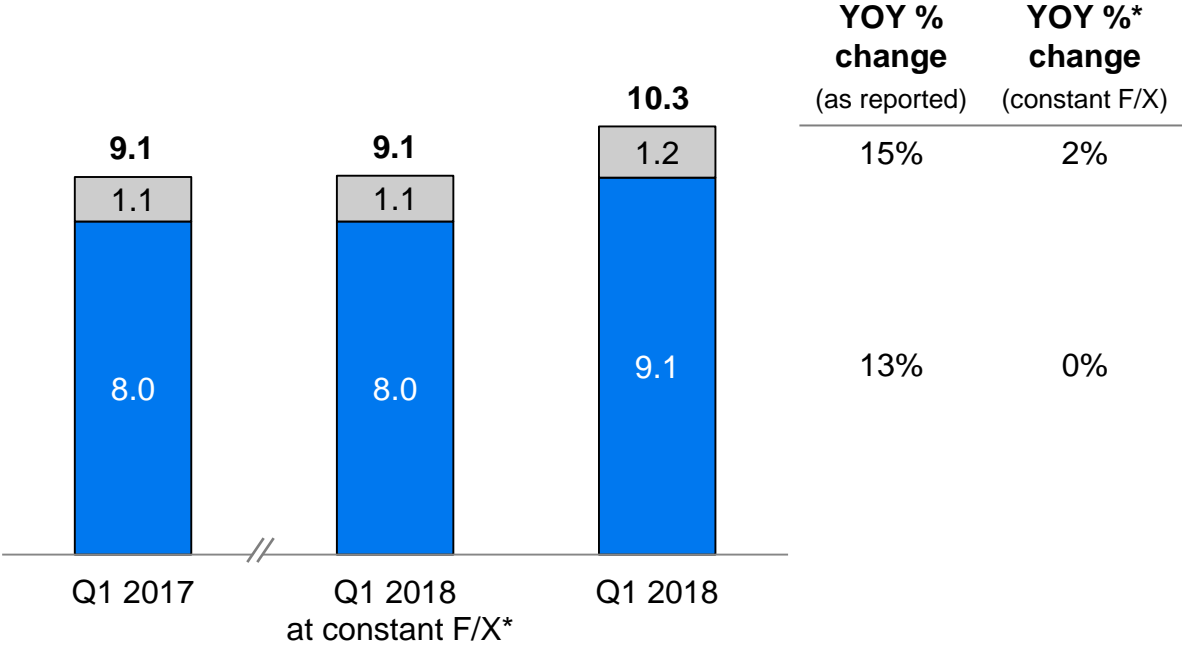
- **Travel** – YOY 8% increase due to increasing activity of members, advertisers and partners.
- **Local** – YOY 6% decrease.

* Based on constant F/X rates for CAD

In Europe, year-over-year revenue trends continued to improve.

Europe Revenue by Type

\$ millions



Highlights*

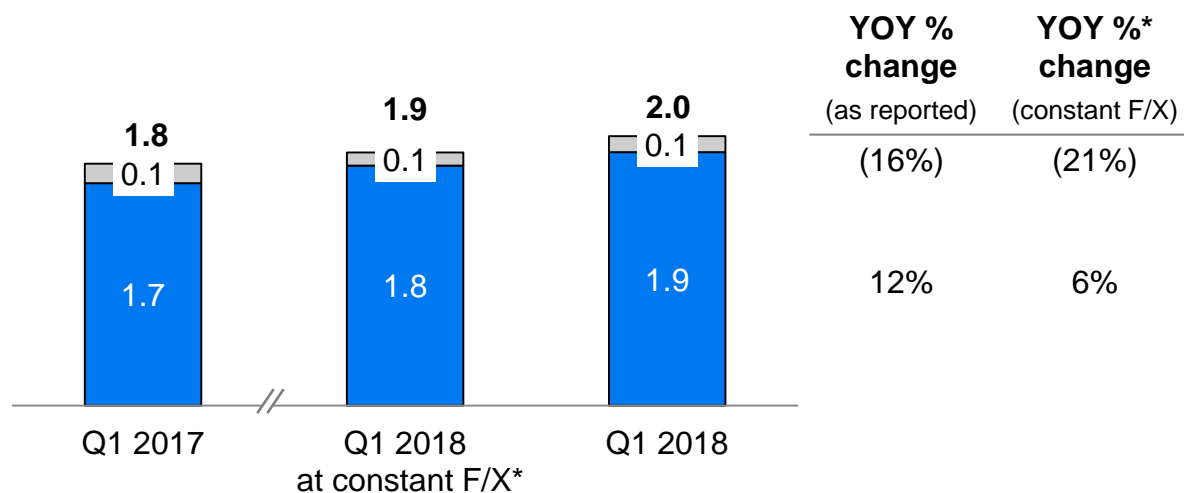
- **Travel** – YOY 0% second quarter of YOY improvement from core travel products.
- **Local** – YOY 2% increase.

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

Asia Pacific revenues grew as a result of increased activity in China, Hong Kong and Australia.

Asia Pacific Revenue by Type

\$ millions



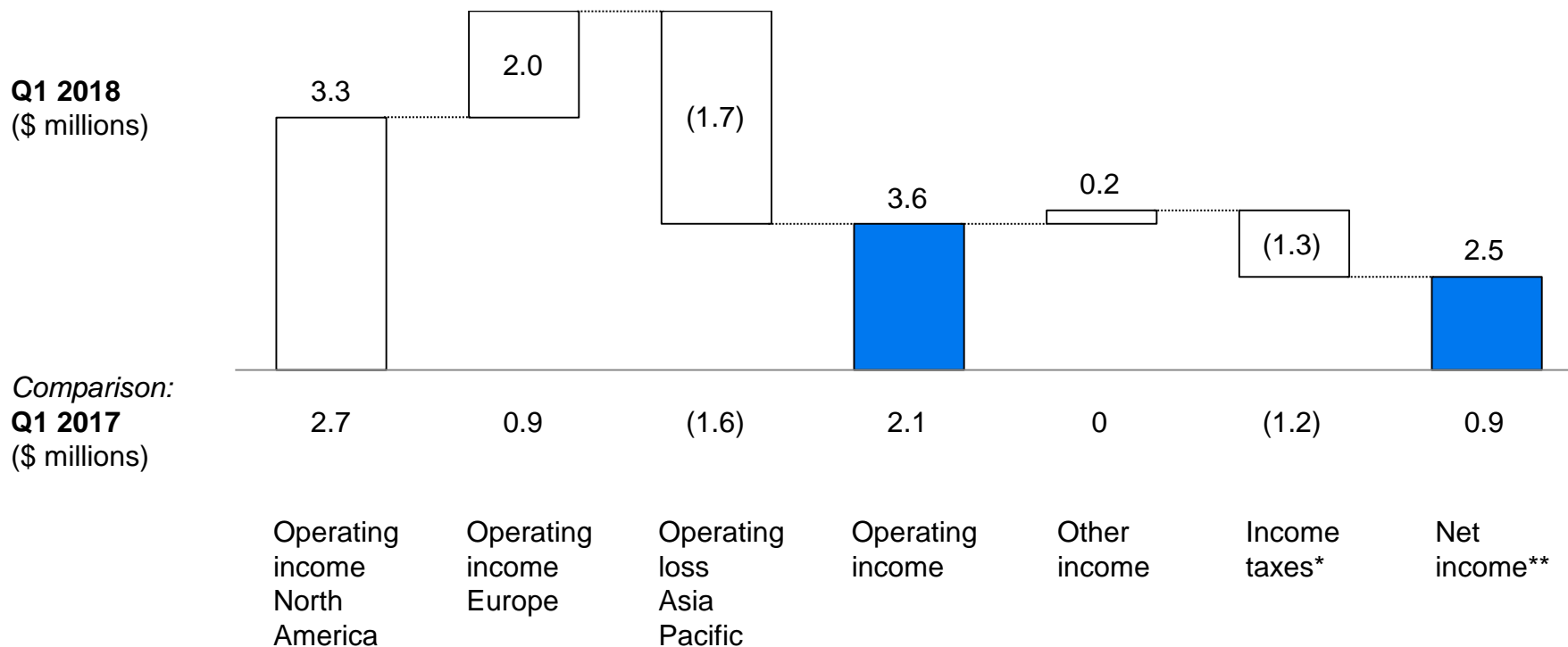
Highlights*

- **Travel** – YOY 6% increase driven by growth in China, Hong Kong and Australia.
- **Local** – YOY 21% decrease driven by retraction from unprofitable markets.

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

North America and Europe generated solid profits of \$5.3 million, which were partially offset by investments in Asia Pacific.

Year-Over-Year Comparison

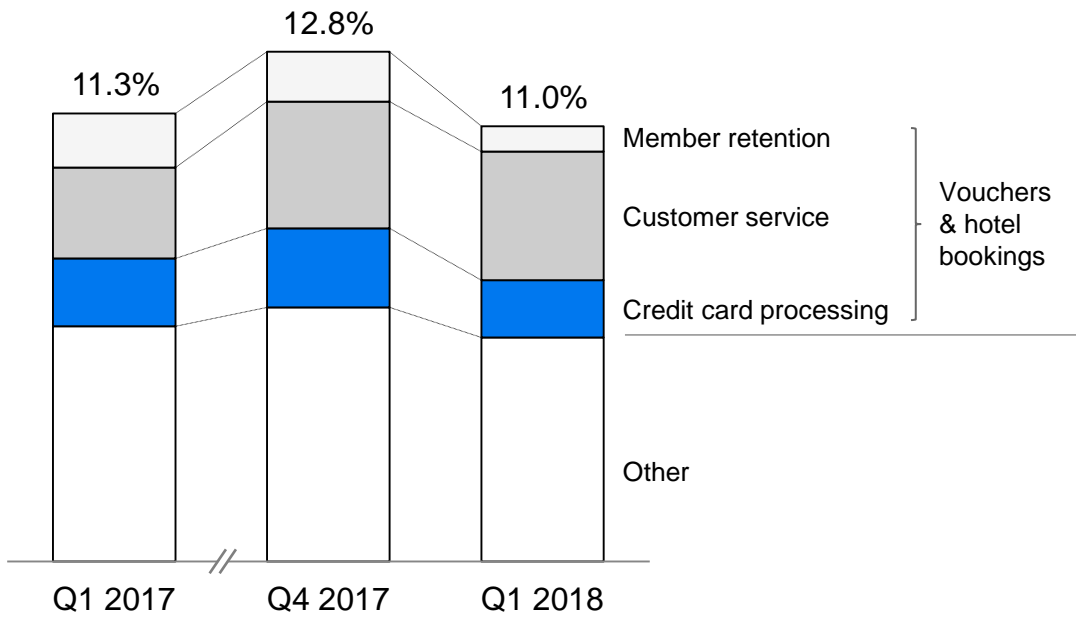


* Income taxes reflect taxes on North America and Europe income without any offsetting tax benefit from the separate tax jurisdiction Asia Pacific losses.

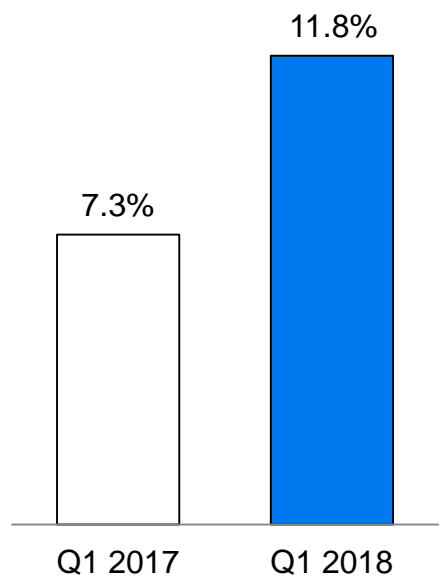
** Represents income from continuing operations for Q1 2017 and 2018 and net income for Q1 2018. Net income for Q1 2017 was \$2.7 million.

Cost of revenues decreased with seasonally lower voucher revenue. Operating margin increased despite continued investments in Asia.

Cost of Revenue
as percentage of revenue



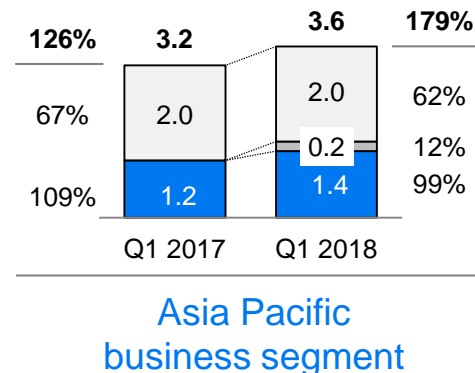
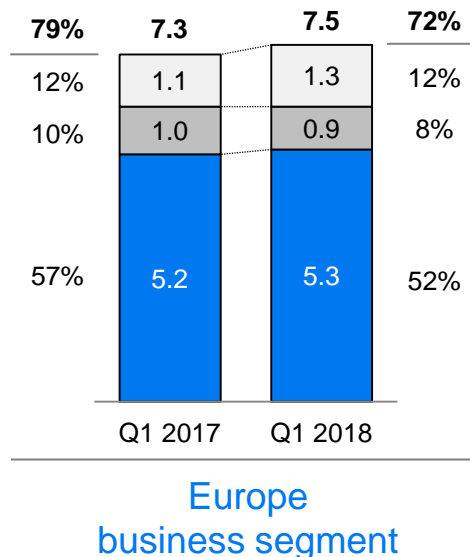
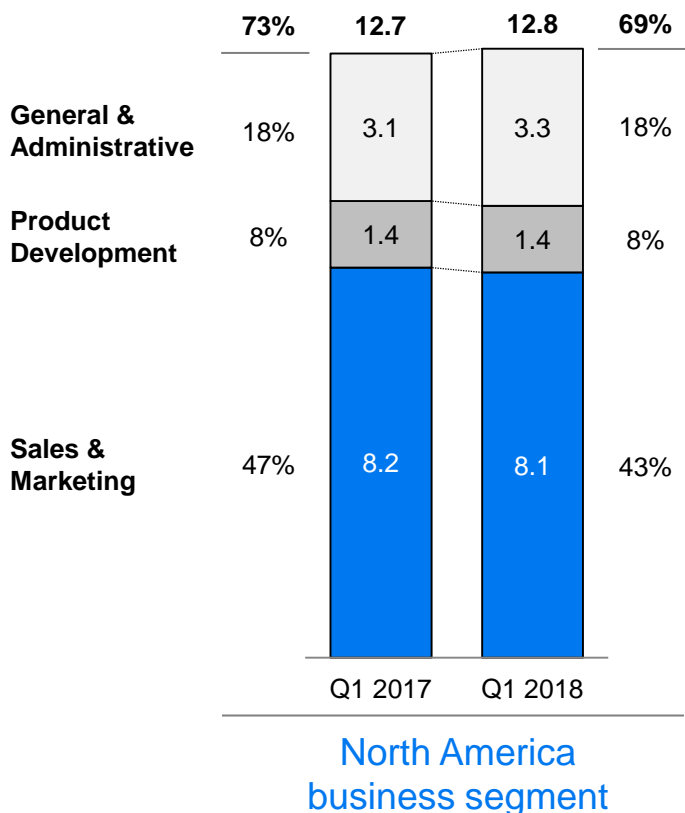
Operating Margin
as percentage of revenue



Operating expenses were flat in North America and Europe and increased in Asia due to marketing and product investment.

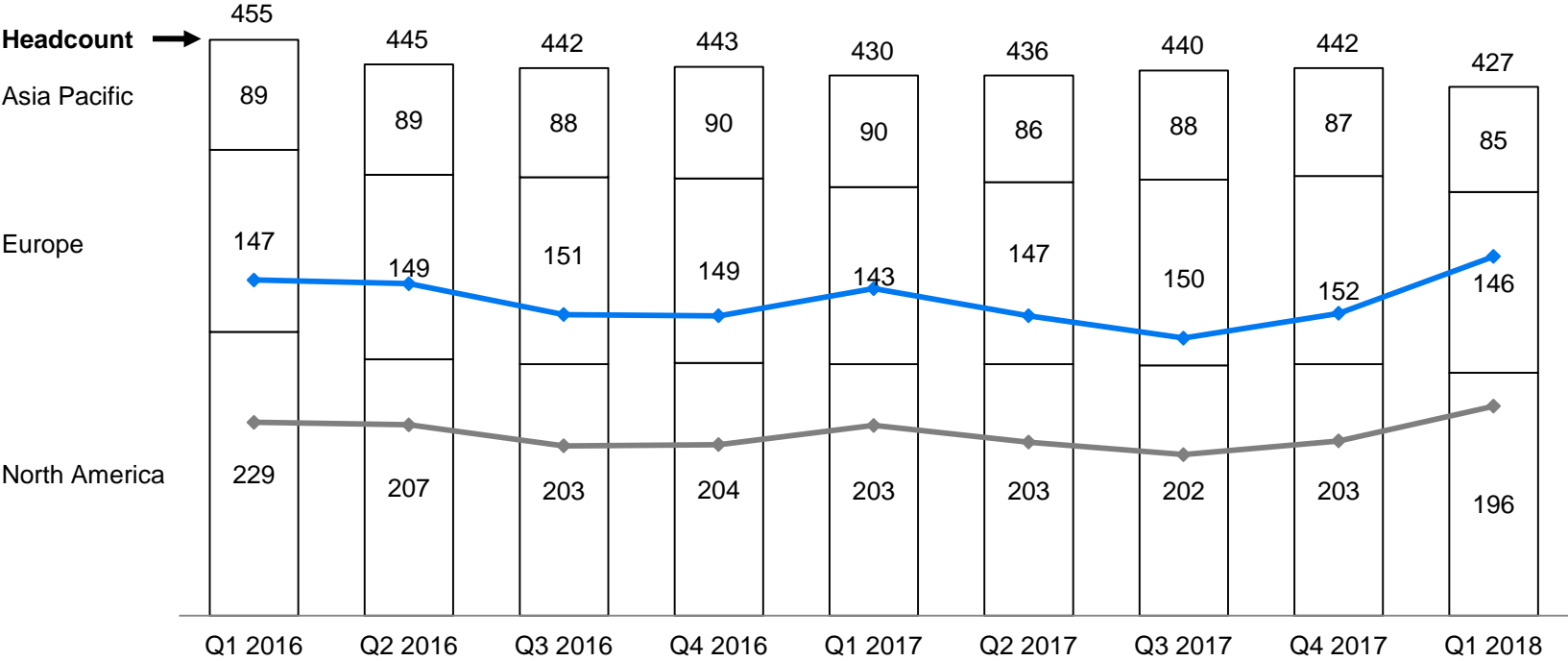
Operating Expenses

\$ millions and as percentage of revenue



Productivity increased quarter over quarter, and year over year.

Headcount and Average Annualized Revenue per Employee



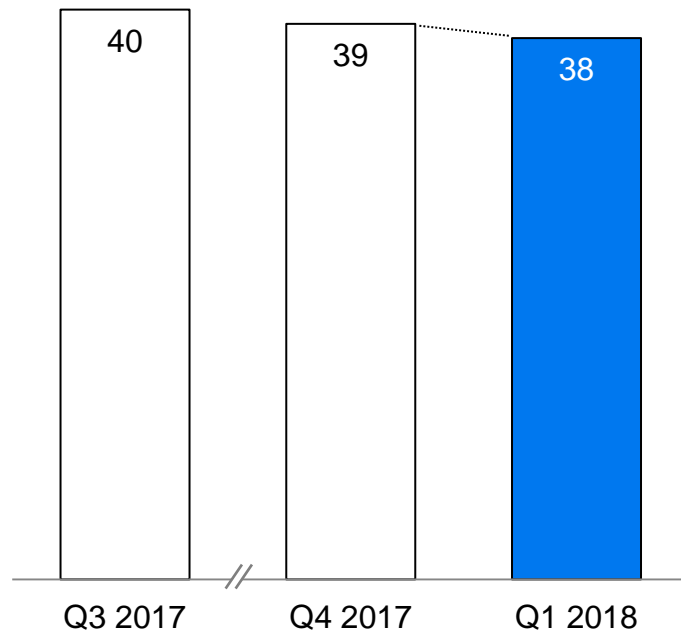
Revenue per employee (\$ thousands)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Without Asia	\$313	\$308	\$274	\$276	\$307	\$280	\$260	\$282	\$338
With Asia	\$271	\$268	\$243	\$242	\$264	\$242	\$224	\$244	\$290

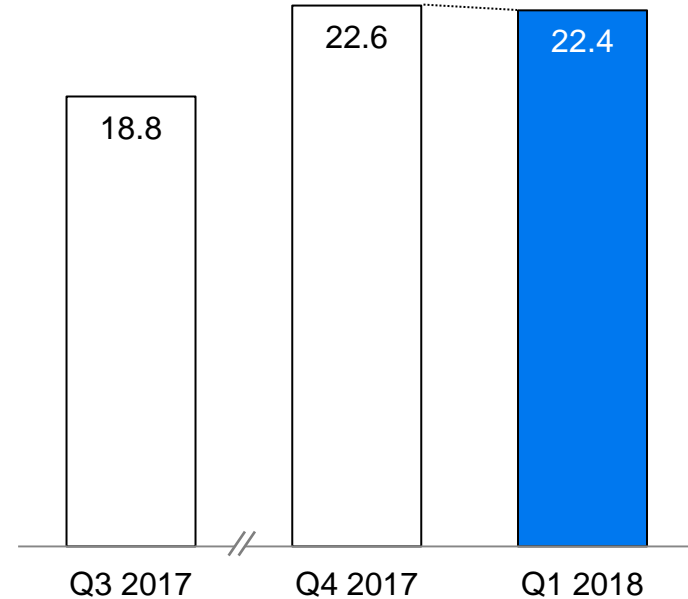
DSO improved and cash position remained stable.

DSO and Cash Balances

DSO (Days Sales Outstanding)
of days



Cash Balance at End of Quarter*
\$ millions



* Includes cash and cash equivalents

First Quarter 2018 Performance Summary

- Total revenue growth resumed after years of decline.
- Operating profit increased significantly despite continued investments in Asia Pacific and products.
- Solid cash position maintained with positive operating cash flow.

Part 1:
First Quarter 2018 Performance

Part 2:
Business Update

Expanded product offerings should further drive member activity and revenues in the second half of the year and beyond.

Growth Initiatives

Offerings

- Stronger membership offering with exclusive benefits and member perks
- Global offering of exclusive vacation packages that allow members to book our exclusive hotel deals also as complete trips
- More distinctive hotel offering:
 - More exclusive offers
 - Globalization of hotel platform now complete

Products & Technology

- Enhanced technology to make it easier for hotels and other partners to create exclusive member offers quickly and easily.
Hotel and airline rates will also feed directly into the global package offering
- Personalized alert services
- Increased personalization of offers, products and the user experience as result of new technology being implemented

Marketing

- Expansion of marketing teams across all regions to create more visibility and awareness of the brand
- Partnerships to reach new audience segments and acquire new members cost-effectively
- Member-exclusive events

- 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.
- Expand visibility and awareness of the Travelzoo brand.
- Maintain top-line revenue growth in 2018 and accelerate in 2019.
- Invest for future growth while remaining profitable.

APPENDIX

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

North America		Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Travel		14,758	14,240	12,493	12,759	14,859	13,910	12,146	12,964	16,036
	Q/Q growth rate	20%	-4%	-12%	2%	16%	-6%	-13%	7%	24%
	Y/Y growth rate	-8%	-3%	-4%	3%	1%	-2%	-3%	2%	8%
Local		3,257	3,664	3,298	3,190	2,687	2,653	2,822	3,283	2,546
	Q/Q growth rate	-21%	13%	-10%	-3%	-16%	-1%	6%	16%	-22%
	Y/Y growth rate	-22%	-30%	-15%	-23%	-18%	-28%	-14%	3%	-5%
Total North America Revenues		18,014	17,904	15,791	15,949	17,546	16,563	14,968	16,247	18,582
	Q/Q growth rate	9%	-1%	-12%	1%	10%	-6%	-10%	9%	14%
	Y/Y growth rate	-11%	-10%	-6%	-3%	-3%	-7%	-5%	2%	6%
Europe		Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Travel		9,007	8,075	7,357	6,646	8,005	6,796	7,052	7,328	9,053
	Q/Q growth rate	15%	-10%	-9%	-10%	20%	-15%	4%	4%	24%
	Y/Y growth rate	-5%	-1%	-10%	-15%	-11%	-16%	-4%	10%	13%
Local		1,551	1,382	1,117	1,770	1,066	1,102	894	1,439	1,227
	Q/Q growth rate	-16%	-11%	-19%	59%	-40%	3%	-19%	61%	-15%
	Y/Y growth rate	5%	-2%	-20%	-4%	-31%	-20%	-20%	-19%	15%
Total Europe Revenues		10,559	9,457	8,474	8,417	9,071	7,898	7,946	8,767	10,280
	Q/Q growth rate	9%	-10%	-10%	-1%	8%	-13%	1%	10%	17%
	Y/Y growth rate	-3%	-1%	-12%	-13%	-14%	-16%	-6%	4%	13%
Asia		Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Travel		2,027	2,220	2,335	2,263	1,668	1,858	1,645	1,823	1,901
	Q/Q growth rate	-13%	10%	5%	-3%	-26%	11%	-11%	11%	4%
	Y/Y growth rate	-10%	-5%	-4%	-3%	-18%	-16%	-30%	-19%	14%
Local		228	218	223	184	146	92	129	160	121
	Q/Q growth rate	-17%	-5%	2%	-17%	-21%	-37%	40%	24%	-25%
	Y/Y growth rate	-40%	-38%	-23%	-33%	-36%	-58%	-42%	-13%	-17%
Total Asia Revenues		2,255	2,438	2,558	2,447	1,813	1,950	1,773	1,983	2,022
	Q/Q growth rate	-13%	8%	5%	-4%	-26%	8%	-9%	12%	2%
	Y/Y growth rate	-14%	-10%	-6%	-6%	-20%	-20%	-31%	-19%	12%
Consolidated		Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Travel		25,792	24,535	22,185	21,668	24,532	22,564	20,843	22,114	26,990
	Q/Q growth rate	15%	-5%	-10%	-2%	13%	-8%	-8%	6%	22%
	Y/Y growth rate	-7%	-3%	-6%	-4%	-5%	-8%	-6%	2%	10%
Local		5,036	5,264	4,638	5,145	3,898	3,847	3,845	4,883	3,893
	Q/Q growth rate	-20%	5%	-12%	11%	-24%	-1%	0%	27%	-20%
	Y/Y growth rate	-16%	-25%	-17%	-18%	-23%	-27%	-17%	-5%	0%
Total Consolidated Revenues		30,828	29,799	26,823	26,813	28,429	26,411	24,687	26,997	30,884
	Q/Q growth rate	7%	-3%	-10%	0%	6%	-7%	-7%	9%	14%
	Y/Y growth rate	-9%	-7%	-8%	-7%	-8%	-11%	-8%	1%	9%

(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

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
	(In thousands, except per share amounts)								
Revenues	\$30,828	\$29,799	\$26,823	\$26,813	\$28,429	\$26,411	\$24,687	\$26,997	\$30,884
Cost of revenues	3,851	3,472	3,270	3,262	3,207	3,222	3,018	3,462	3,385
Gross profit	26,978	26,327	23,552	23,551	25,222	23,189	21,669	23,535	27,499
Operating expenses:									
Sales and marketing	15,530	15,455	14,075	13,368	15,355	14,213	13,973	13,746	15,542
Product development	2,788	2,001	2,230	2,077	2,357	2,344	2,315	2,208	2,511
General and administrative	5,813	5,434	5,373	6,077	5,447	5,246	5,363	6,502	5,789
Total operating expenses	24,131	22,890	21,678	21,522	23,160	21,803	21,651	22,456	23,842
Income (loss) from continuing operations	2,846	3,437	1,875	2,029	2,062	1,386	18	1,079	3,657
Other income (loss), net	133	(91)	251	(480)	7	18	86	62	161
Income (loss) from continuing operations before income taxes	2,979	3,346	2,126	1,549	2,069	1,404	104	1,141	3,818
Income tax expense (benefit)	1,154	1,548	748	542	1,209	771	680	466	1,316
Income (loss) from continuing operations	1,826	1,798	1,377	1,006	860	633	(576)	675	2,502
Income (loss) from discontinued operations, net of income taxes	224	222	241	(64)	1,884	54	-	-	-
Net income	\$2,049	\$2,020	\$1,619	\$943	\$2,744	\$687	\$(576)	\$675	\$2,502
Income (loss) per share - basic:									
Continuing operations	\$0.13	\$0.13	\$0.10	\$0.07	\$0.07	\$0.05	\$ (0.05)	0.05	0.20
Discontinued operations	0.01	0.01	0.02	(0.00)	0.14	0.00	-	-	-
Net income per share - basic	\$0.14	\$0.14	\$0.12	\$0.07	\$0.21	\$0.05	\$(0.05)	\$0.05	\$0.20
Income (loss) per share - diluted:									
Continuing operations	\$0.13	\$0.13	\$0.10	\$0.07	\$0.07	\$0.05	\$ (0.05)	\$0.05	\$0.20
Discontinued operations	\$0.01	\$0.01	\$0.02	(0.00)	0.14	0.00	-	-	-
Net income per share - diluted	\$0.14	\$0.14	\$0.12	\$0.07	\$0.21	\$0.05	\$(0.05)	\$0.05	\$0.20
Weighted average shares:									
Basic	14,425	14,066	13,839	13,665	13,288	13,030	12,628	12,462	12,462
Diluted for income per share *	14,425	14,066	13,867	13,714	13,288	13,058	12,628	12,462	12,462

* Weighted average shares of 13,665 were used for the Q4 2016 diluted EPS for discontinued operations.