



Fourth Quarter 2019  
Performance and Business Update

March 2, 2020

## Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's fourth 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:  
Fourth Quarter 2019 Performance

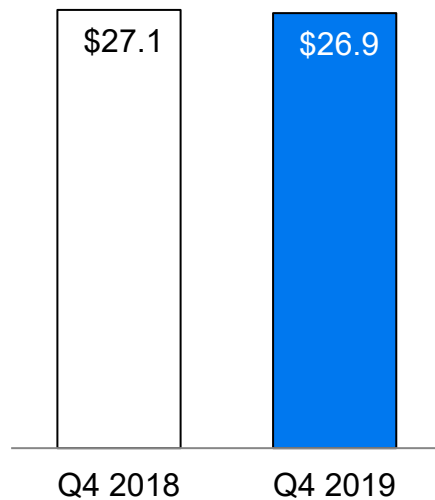
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Part 2:  
Management Focus

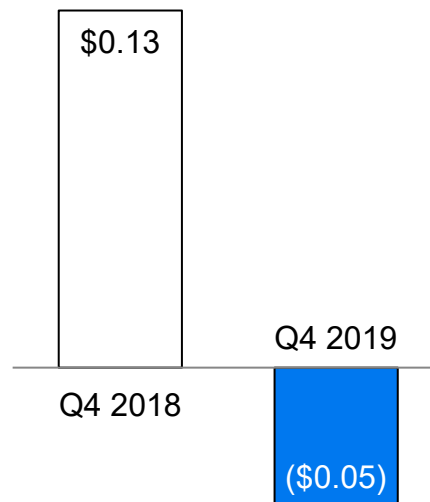
Revenues were consistent year over year, while certain one-time expenses and a high tax provision caused the EPS to go negative.

### Q4 2019 Financial Performance

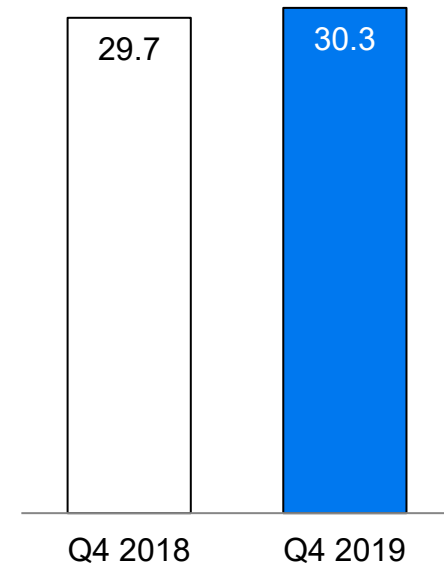
**Revenue**  
\$ millions



**EPS**  
\$ per share



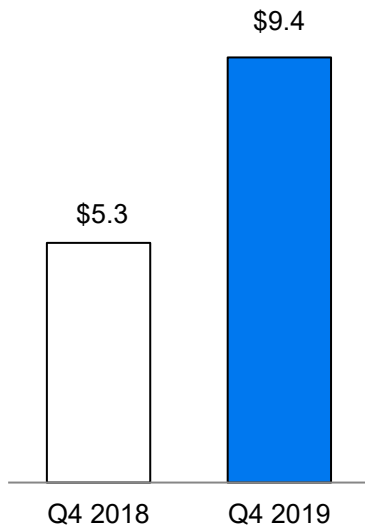
**Members**  
Millions



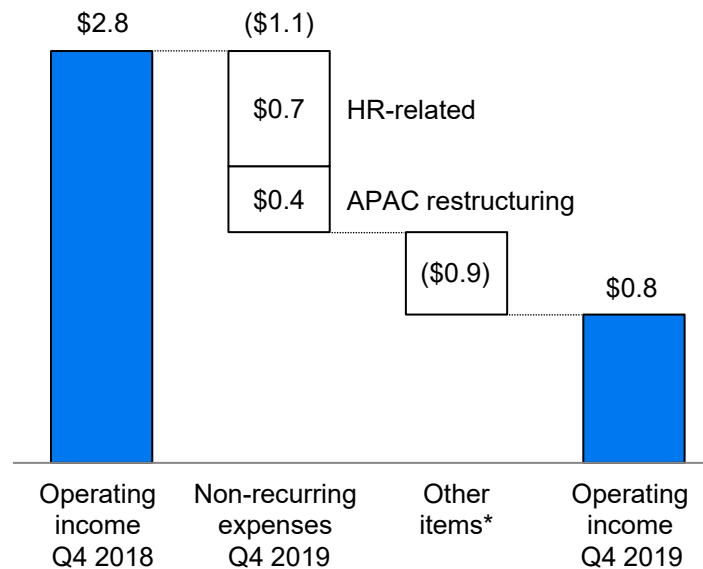
# Cash flow from operations was up, and operating income was positive.

## Q4 2019 Financial Performance

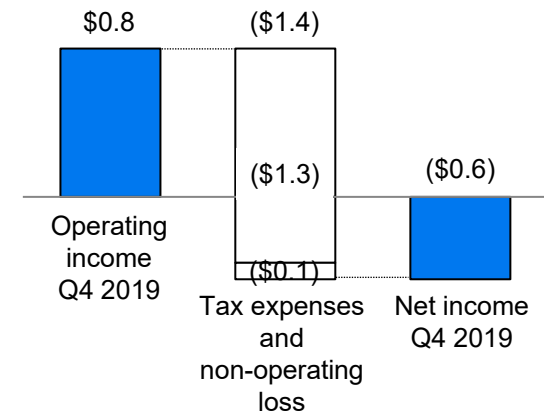
**Cash Flow From Operations**  
\$ millions



**Operating Profit**  
\$ millions



**Operating Profit, Tax Expenses and Net Income**  
\$ millions



\* Mostly more marketing initiatives

When neutralizing FX changes, revenue increased in Europe and decreased in APAC, albeit at a slower pace.

Quarterly Revenue by Segment\*

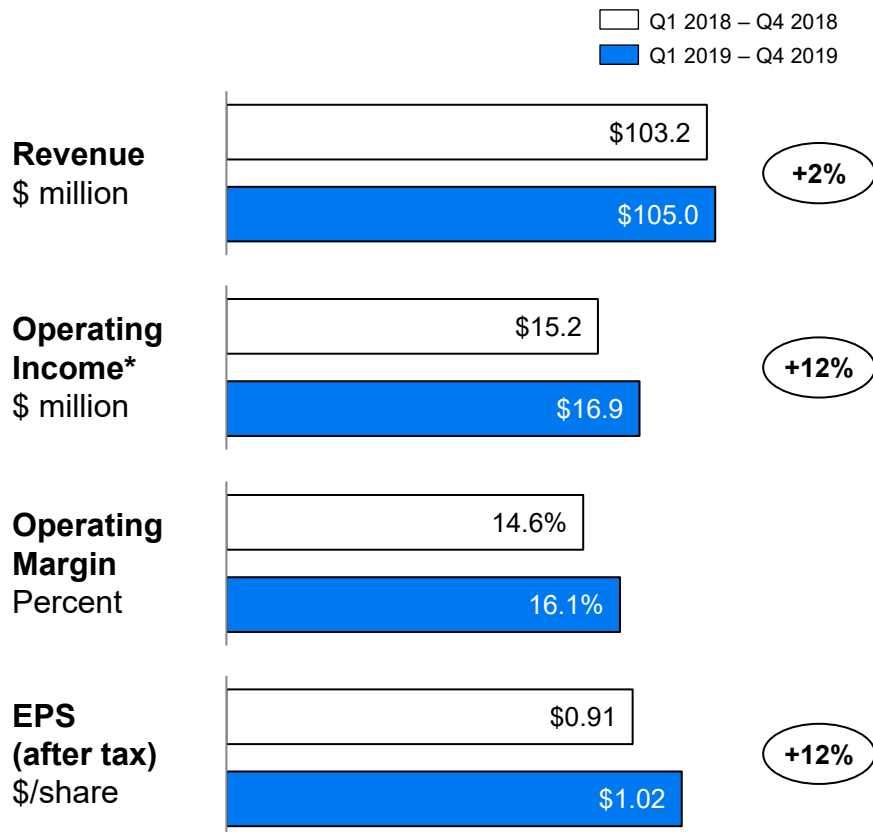
		North America		YOY %			Europe		YOY %			Asia Pacific		YOY %	
		\$ millions		USD	F/X neutral		\$ millions		USD	F/X neutral		\$ millions		USD	F/X neutral
Q4	2017	\$16.2		0%	1%		\$8.8		3%	6%		\$2.0		-10%	-7%
	2018	\$16.3					\$9.0					\$1.8			
Q1	2018	\$18.6		0%	1%		\$10.3		3%	10%		\$2.0		-18%	-13%
	2019	\$18.6					\$10.6					\$1.7			
Q2	2018	\$17.5		2%	3%		\$8.5		2%	8%		\$2.1		-23%	-20%
	2019	\$17.9					\$8.7					\$1.6			
Q3	2018	\$14.9		3%	3%		\$8.4		1%	6%		\$2.0		-17%	-16%
	2019	\$15.3					\$8.5					\$1.7			
Q4	2018	\$16.3		-1%	-1%		\$9.0		2%	3%		\$1.8		-12%	-11%
	2019	\$16.2					\$9.1					\$1.6			

\* Overall impact of unfavorable F/X trends during Q4 2019 is \$131,000

The strong performance of our business in North America and Europe, which generated after-tax EPS of \$1.02 in 2019, is masked by our investments in Asia Pacific.

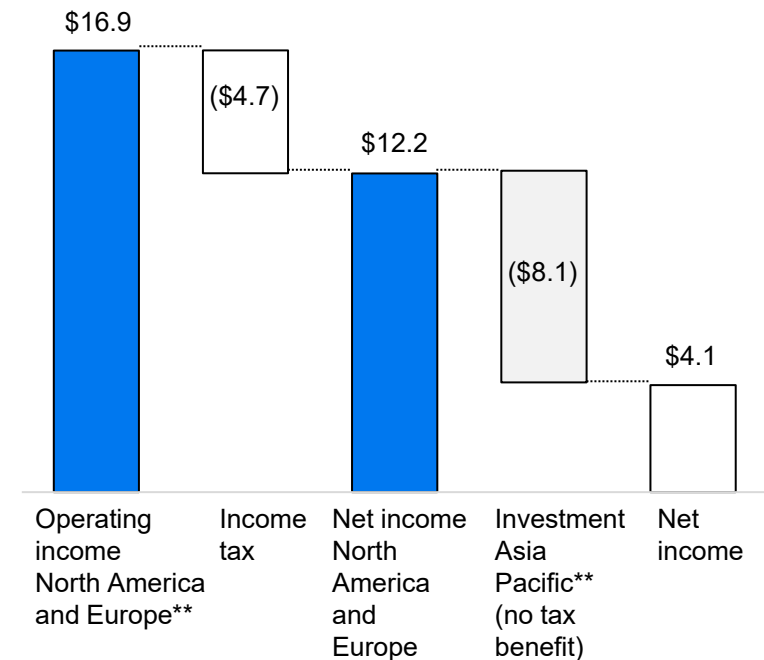
### North America and Europe

TTM, compared to previous 12 months



### Investment in Asia Pacific

\$ million TTM (Q1 2019 – Q4 2019)



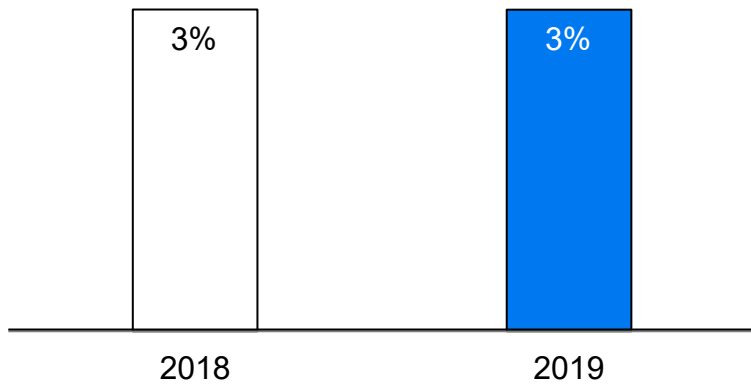
\* Includes other income of \$590,000 for the TTM period ended Q4 2018 and other expense of \$42,000 for the TTM period ended Q4 2019.

\*\* Includes other expense of \$42,000 for North America/Europe and other expenses of \$473,000 for Asia Pacific.

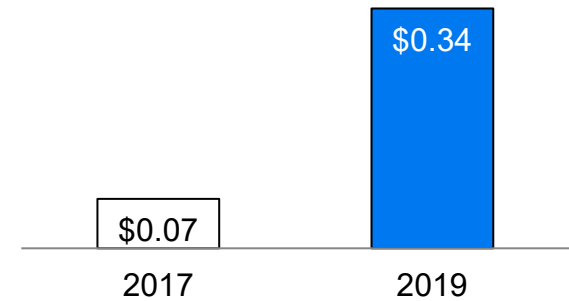
\*\*\* EPS calculation uses the average diluted shares of 12,514,000 and 11,809,000 for the TTM period ended Q4 2018 and Q4 2019, respectively.

# Increasing revenue and higher margins allow us to grow EPS while investing more in creating visibility for Travelzoo.

**Revenue Growth (F/X neutral)**  
2019 vs. prior year

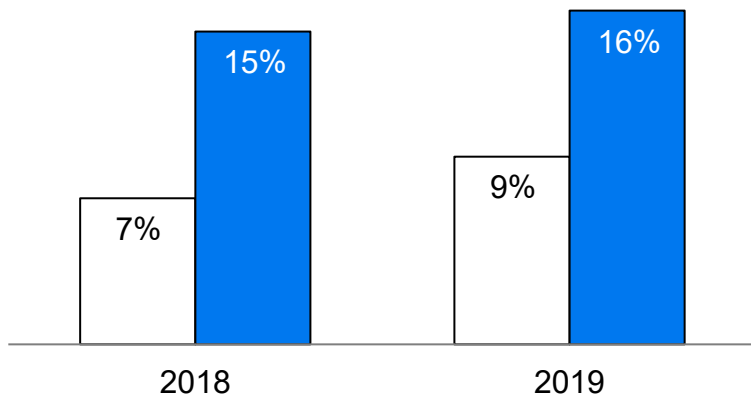


**EPS**  
2019 vs. 2017

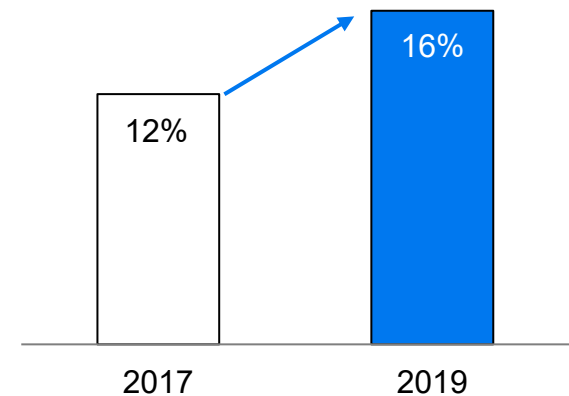


**Operating Margin**  
2019 vs. prior year

□ All segments  
■ North America + Europe only



**Marketing\***  
as % of total revenue

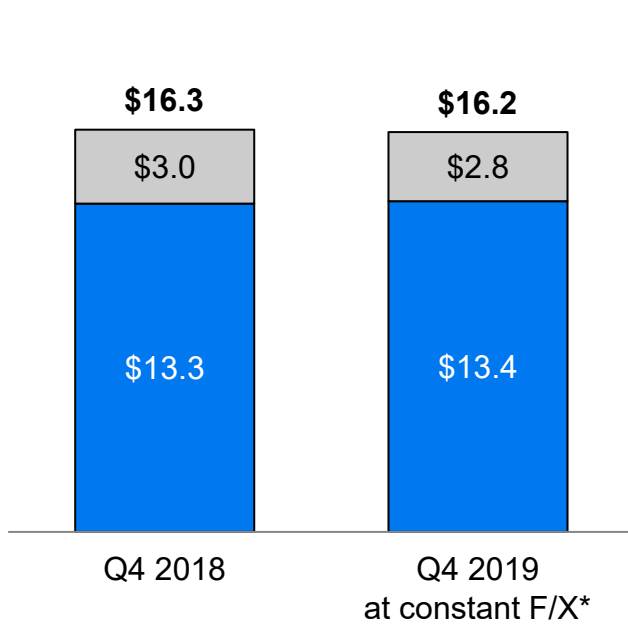


\* Including all marketing expenses (member acquisition, brand marketing, marketing staff, PR and trade marketing)



# In North America we sold more advertising, but less vouchers.

North America Revenue by Type  
\$ millions



YOY % change (as reported)	YOY %* change (constant F/X)
-7%	-7%
1%	1%

### Highlights\*

- **Local** – YOY 7% decrease due to lower revenue from voucher sales in the quarter
- **Travel** – YOY 1% increase as a result of higher advertising sales

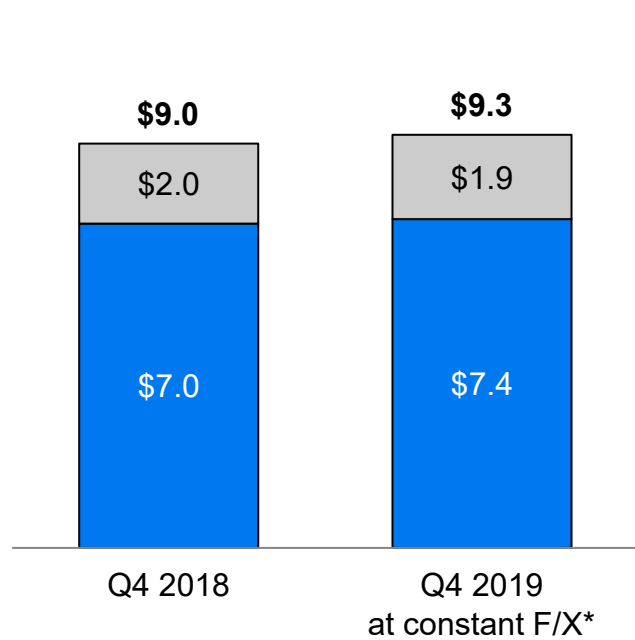


\* Based on constant F/X rates for CAD

# Europe revenues grew at 3% (F/X neutral), as our new vacations product drove revenues.

## Europe Revenue by Type

\$ millions



YOY % change (as reported)	YOY %* change (constant F/X)
-6%	-5%
4%	5%

**Highlights\***

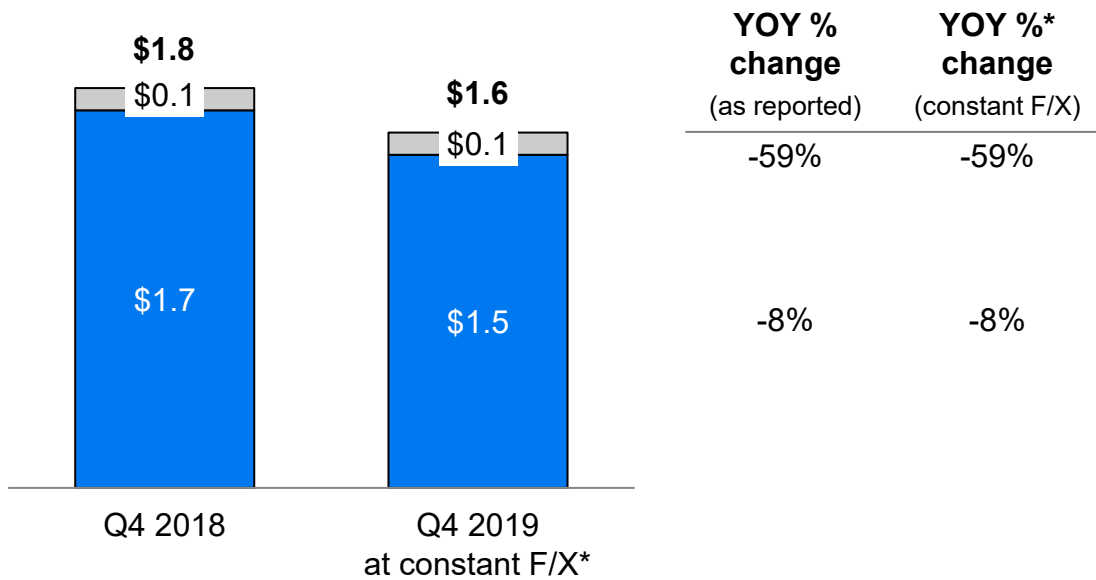
- **Local** – YOY 5% decrease due to less voucher sales
- **Travel** – YOY 5% increase as a result of higher sales of Travelzoo Vacations



\* Based on constant F/X rates for GBP and EUR

Asia Pacific revenue declined year over year as we reduced Local Deals in unprofitable markets. Revenue from China increased over the previous quarter.

Asia Pacific Revenue by Type  
\$ millions



**Highlights\***

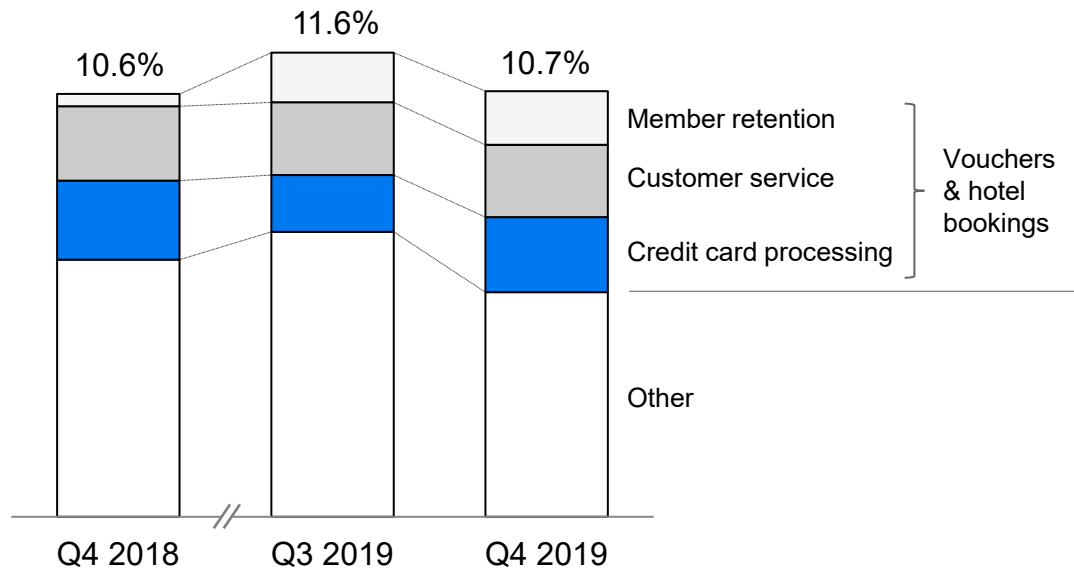
- **Local** – YOY 59% decrease, as we focus on most profitable opportunities
- **Travel** – YOY 8% decrease

\* Based on constant F/X rates for HKD, CNY, AUD, and JPY

# Due to increased losses in Asia Pacific, our overall consolidated operating margin decreased.

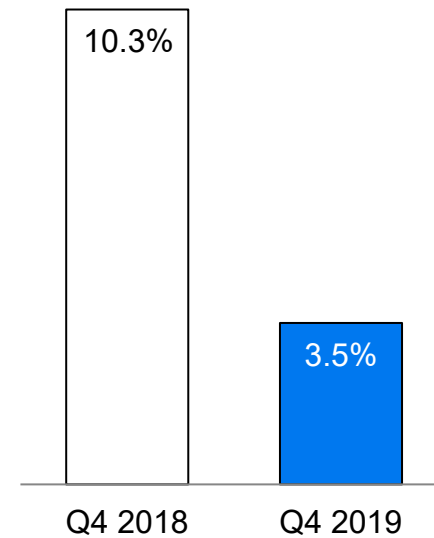
### Cost of Revenue

as percentage of revenue



### Operating Margin

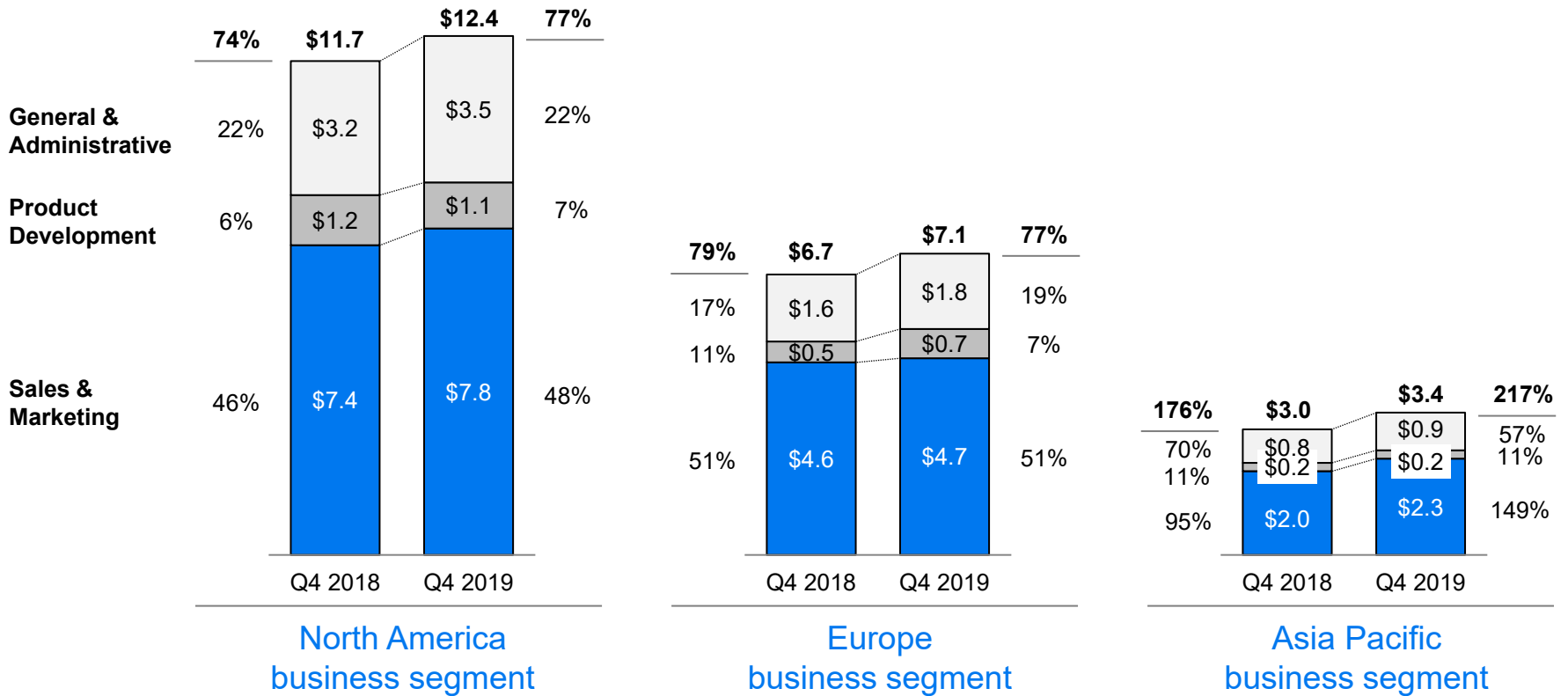
as percentage of revenue



# In North America and Europe, we decided to increase marketing to create more visibility for Travelzoo.

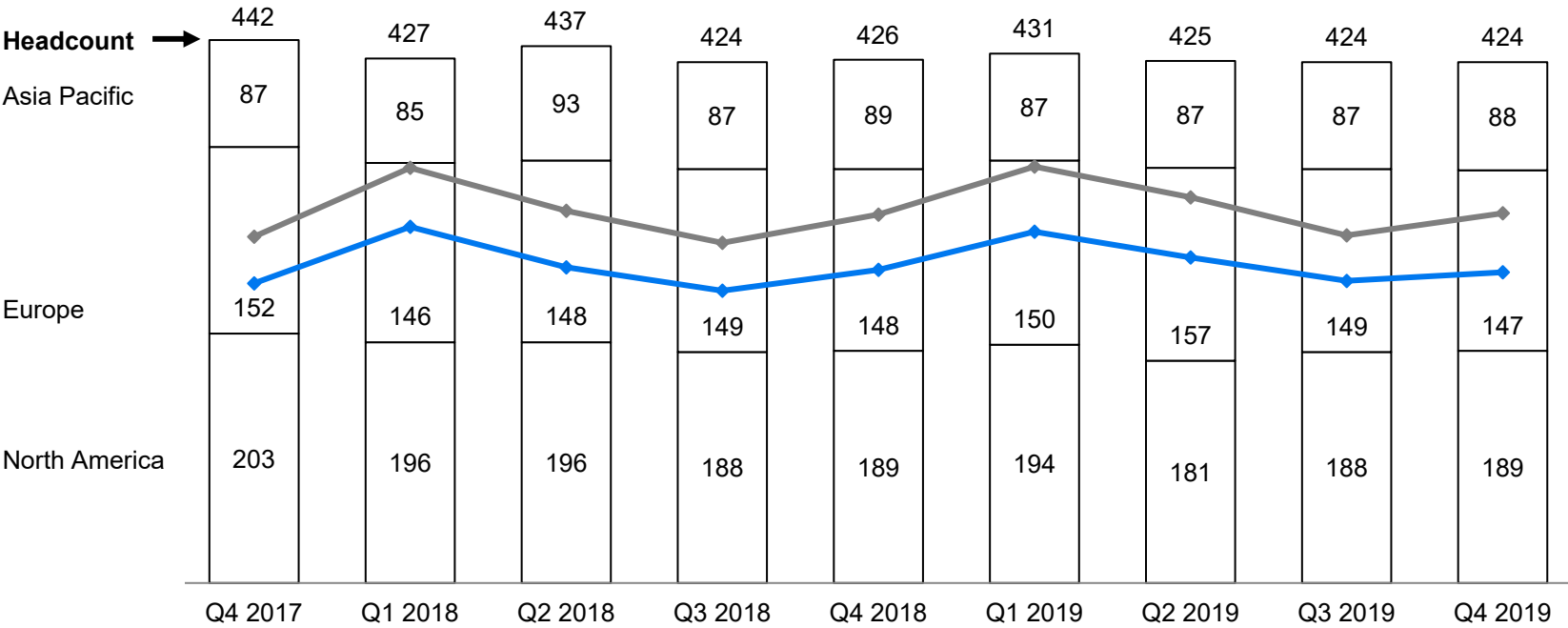
## Operating Expenses

\$ millions and as percentage of revenue



# Productivity remained consistent.

## Headcount and Average Annualized Revenue per Employee



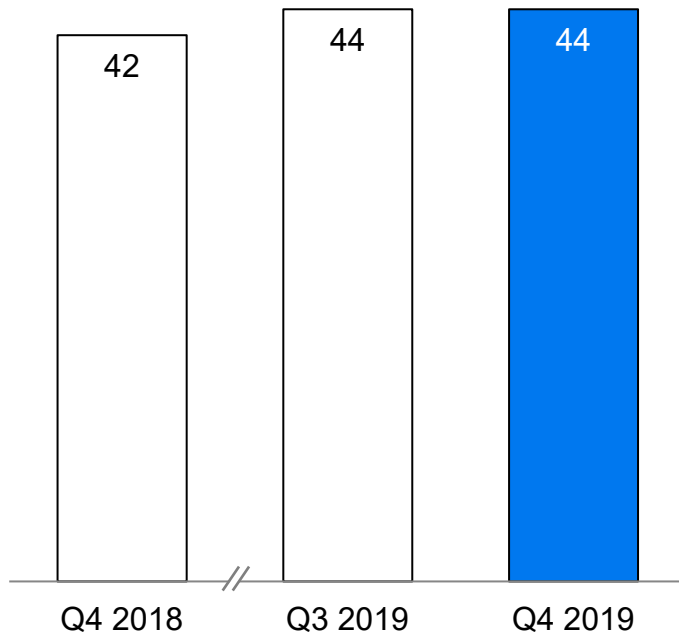
### Revenue per employee (\$ thousands)

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Without Asia	\$282	\$338	\$303	\$277	\$300	\$339	\$314	\$283	\$301
With Asia	\$244	\$290	\$257	\$239	\$255	\$286	\$265	\$246	\$253

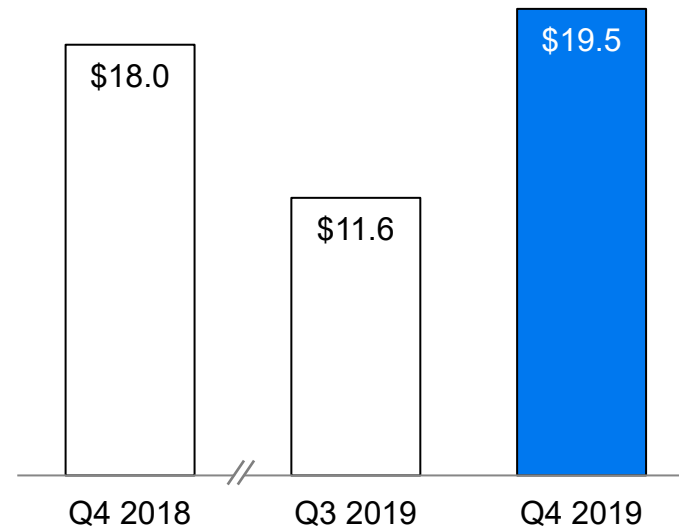
# The Company's cash balance increased.

## DSO and Cash Balances

**DSO (Days Sales Outstanding)**  
# of days



**Cash Balance at End of Quarter\***  
\$ millions



\* Includes cash and cash equivalents

Part 1:  
Fourth Quarter 2019 Performance

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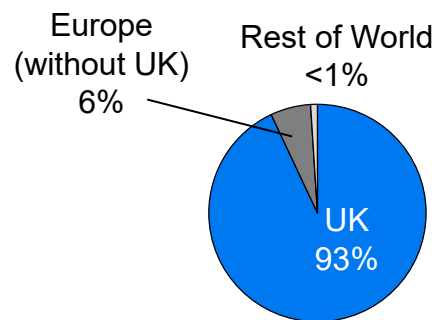
Part 2:  
Management Focus



On January 13, 2020, we acquired a majority stake in Jack's Flight Club, a highly profitable, fast-growing media business that informs consumers about airfare sales.

### About Jack's Flight Club

- The best-in-class subscription service that monitors flight prices and informs its members about airfare sales and cheap flights
- Offers a free subscription as well as a premium service, for which members pay between \$40-\$60 annually
- Current subscriber base primarily UK-based:



- Operating margin > 80%

### Contribution to Travelzoo Financial Performance

#### Immediate Contribution

- Additional +5% revenue growth in 2020
- Additional EPS of
  - + \$0.20 in 2020
  - + \$0.35 in 2021\*

Travelzoo has option to increase current ownership from current 60% to 100% on January 1, 2021

\* 2021 number assumes Travelzoo exercising its option to acquire remaining 40% ownership of Jack's Flight Club on January 1, 2021.

# The Strategy: Leveraging our wide global reach, we will introduce Jack's Flight Club to 30 million Travelzoo members.

## The Strategy

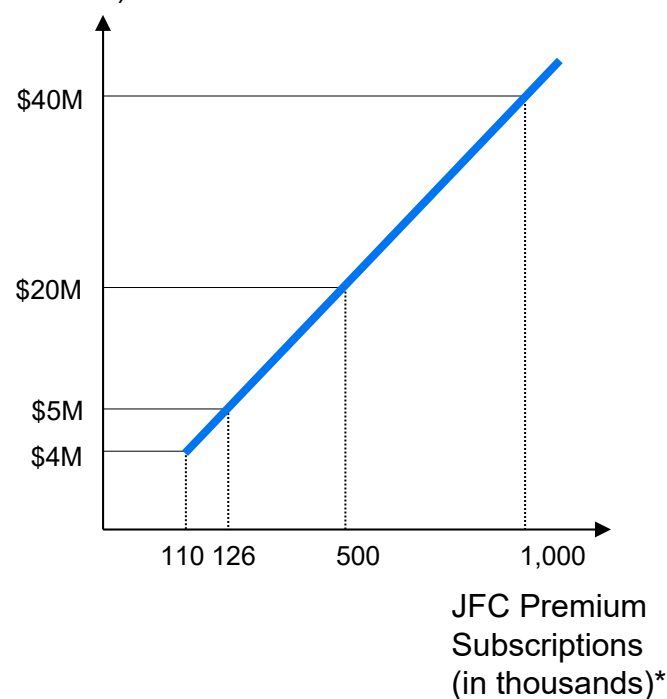
- Jack's Flight Club to expand content from UK into additional, larger markets: US, Germany, APAC
- U.S. launch planned for March 2020
- Travelzoo will introduce JFC to its 30 million members around the globe and drive ongoing membership growth
- In the UK in February alone, 100,000 Travelzoo members signed up for Jack's Flight Club

## Financial Contribution

- Each Travelzoo member signing up for JFC premium subscription adds approx. \$50 of recurring annual revenue and \$40 contribution to operating profit
- For example, 100,000 premium members would add 5% revenue growth and +\$0.30 in additional EPS. 1,000,000 members would add +\$3.00 in EPS

## Impact on Travelzoo Operating Profit

Annual Contribution to Operating Profit (\$ millions)



\* Jack's Flight Club had 110,000 premium subscribers on December 31, 2019 and 126,000 as of February 20, 2020 – primarily in the UK.

# Management focus

- Maintain our quality leadership position by publishing high-quality deals and tightening brand control.
- Grow visibility and awareness of the Travelzoo® brand
- Drive revenue growth in China and bring APAC to profitability.
- Leverage 30 million Travelzoo members to drive growth at Jack's Flight Club.
- Achieve revenue and EPS growth in 2020.

# APPENDIX

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

North America			Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	YTD 2018	YTD 2019
Travel			16,036	14,596	12,223	13,290	16,317	15,251	12,898	13,396	56,146	57,862
	Y/Y growth rate		8%	5%	1%	3%	2%	4%	6%	1%	4%	3%
Local			2,546	2,915	2,712	2,995	2,270	2,670	2,440	2,781	11,169	10,161
	Y/Y growth rate		-5%	10%	-4%	-9%	-11%	-8%	-10%	-7%	-2%	-9%
<b>Total North America Revenues</b>			<b>18,582</b>	<b>17,511</b>	<b>14,936</b>	<b>16,285</b>	<b>18,587</b>	<b>17,922</b>	<b>15,338</b>	<b>16,177</b>	<b>67,314</b>	<b>68,023</b>
	Y/Y growth rate		6%	6%	0%	0%	0%	2%	3%	-1%	3%	1%
Europe			Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	YTD 2018	YTD 2019
Travel			9,053	7,409	7,387	7,008	9,512	7,565	7,727	7,277	30,857	32,082
	Y/Y growth rate		13%	9%	5%	-4%	5%	2%	5%	4%	6%	4%
Local			1,227	1,091	991	1,983	1,061	1,117	767	1,872	5,293	4,817
	Y/Y growth rate		15%	-1%	11%	38%	-13%	2%	-23%	-6%	18%	-9%
<b>Total Europe Revenues</b>			<b>10,280</b>	<b>8,500</b>	<b>8,378</b>	<b>8,991</b>	<b>10,573</b>	<b>8,682</b>	<b>8,494</b>	<b>9,149</b>	<b>36,150</b>	<b>36,899</b>
	Y/Y growth rate		13%	8%	5%	3%	3%	2%	1%	2%	7%	2%
Asia			Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	YTD 2018	YTD 2019
Travel			1,901	1,922	1,851	1,669	1,600	1,532	1,619	1,523	7,343	6,274
	Y/Y growth rate		14%	3%	13%	-8%	-16%	-20%	-12%	-9%	5%	-15%
Local			121	134	137	116	65	48	54	49	508	216
	Y/Y growth rate		-17%	46%	6%	-27%	-46%	-64%	-61%	-58%	-4%	-57%
<b>Total Asia Revenues</b>			<b>2,022</b>	<b>2,056</b>	<b>1,987</b>	<b>1,786</b>	<b>1,665</b>	<b>1,580</b>	<b>1,673</b>	<b>1,572</b>	<b>7,851</b>	<b>6,490</b>
	Y/Y growth rate		12%	5%	12%	-10%	-18%	-23%	-16%	-12%	4%	-17%
Consolidated			Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	YTD 2018	YTD 2019
Travel			26,990	23,927	21,461	21,967	27,429	24,348	22,245	22,196	94,345	96,219
	Y/Y growth rate		10%	6%	3%	-1%	2%	2%	4%	1%	5%	2%
Local			3,893	4,141	3,840	5,095	3,396	3,835	3,260	4,702	16,969	15,193
	Y/Y growth rate		0%	8%	0%	4%	-13%	-7%	-15%	-8%	3%	-10%
<b>Total Consolidated Revenues</b>			<b>30,884</b>	<b>28,067</b>	<b>25,301</b>	<b>27,062</b>	<b>30,825</b>	<b>28,184</b>	<b>25,505</b>	<b>26,898</b>	<b>111,315</b>	<b>111,412</b>
	Y/Y growth rate		9%	6%	2%	0%	0%	0%	1%	-1%	4%	0%

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

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

Travelzoo  
Quarterly Statements of Operations

	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19
<b>Revenues</b>	<b>\$ 30,884</b>	<b>\$ 28,075</b>	<b>\$ 25,301</b>	<b>\$ 27,062</b>	<b>\$ 30,825</b>	<b>\$ 28,184</b>	<b>\$ 25,505</b>	<b>\$ 26,898</b>
Cost of revenues	3,385	3,016	2,987	2,880	2,946	2,757	2,980	3,206
Gross profit	27,499	25,059	22,314	24,182	27,879	25,427	22,525	23,692
Operating expenses:								
Sales and marketing	15,542	15,628	13,375	13,974	15,606	15,357	14,233	14,753
Product development	2,511	2,386	2,297	1,799	1,703	1,799	1,478	1,905
General and administrative	5,789	5,967	5,928	5,620	5,599	5,847	5,600	6,216
Total operating expenses	23,842	23,981	21,600	21,393	22,908	23,003	21,311	22,874
Income from continuing operations	3,657	1,078	714	2,789	4,971	2,424	1,214	818
Other income (loss), net	161	30	(91)	(52)	(99)	(143)	(138)	(135)
Income from continuing operations before income taxes	3,818	1,108	623	2,737	4,872	2,281	1,076	683
Income tax expense	1,316	631	505	1,173	1,752	953	770	1,319
Income from continuing operations	2,502	477	118	1,564	3,120	1,328	306	(636)
Income from discontinued operations, net of income taxes	-	-	-	-	-	-	-	-
<b>Net income</b>	<b>\$ 2,502</b>	<b>\$ 477</b>	<b>\$ 118</b>	<b>\$ 1,564</b>	<b>\$ 3,120</b>	<b>\$ 1,328</b>	<b>\$ 306</b>	<b>\$ (636)</b>
Income (loss) per share - basic:								
Continuing operations	0.20	0.04	0.01	0.13	0.26	0.11	0.03	(0.05)
Discontinued operations	-	-	-	-	-	-	-	-
<b>Net income per share - basic</b>	<b>\$ 0.20</b>	<b>\$ 0.04</b>	<b>\$ 0.01</b>	<b>\$ 0.13</b>	<b>\$ 0.26</b>	<b>\$ 0.11</b>	<b>\$ 0.03</b>	<b>\$ (0.05)</b>
Income (loss) per share - diluted:								
Continuing operations	\$ 0.20	\$ 0.04	\$ 0.01	\$ 0.13	\$ 0.26	\$ 0.11	\$ 0.03	\$ (0.05)
Discontinued operations	-	-	-	-	-	-	-	-
<b>Net income per share - diluted</b>	<b>\$ 0.20</b>	<b>\$ 0.04</b>	<b>\$ 0.01</b>	<b>\$ 0.13</b>	<b>\$ 0.26</b>	<b>\$ 0.11</b>	<b>\$ 0.03</b>	<b>\$ (0.05)</b>
Weighted average shares:								
Basic	12,462	12,462	12,314	12,059	11,914	12,003	11,767	11,559
Diluted	12,462	12,622	12,663	12,151	12,224	12,278	11,956	11,559