



Third Quarter 2018 Performance and Business Update

October 24, 2018

Important Notice

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

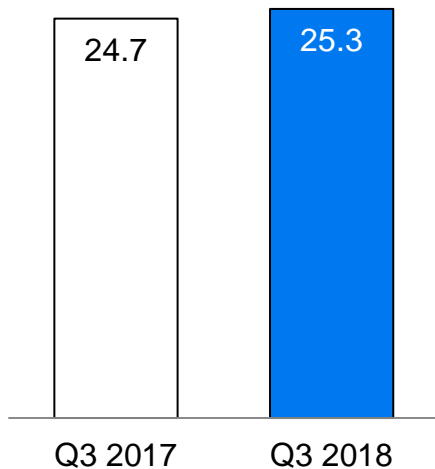
Part 1:
Third Quarter 2018 Performance

Part 2:
Business Update

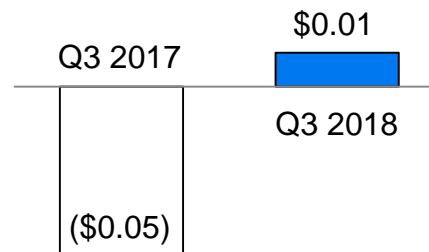
Revenues grew year over year for the fourth quarter in a row.
Earnings turned positive in what is seasonally our slowest quarter.

Q3 2018 Financial Performance

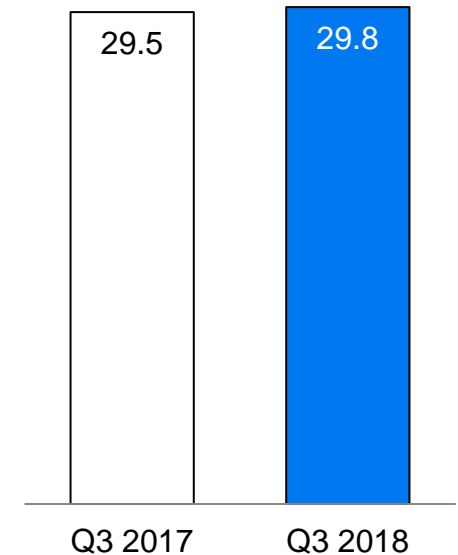
Revenue
\$ millions



EPS
\$ per share

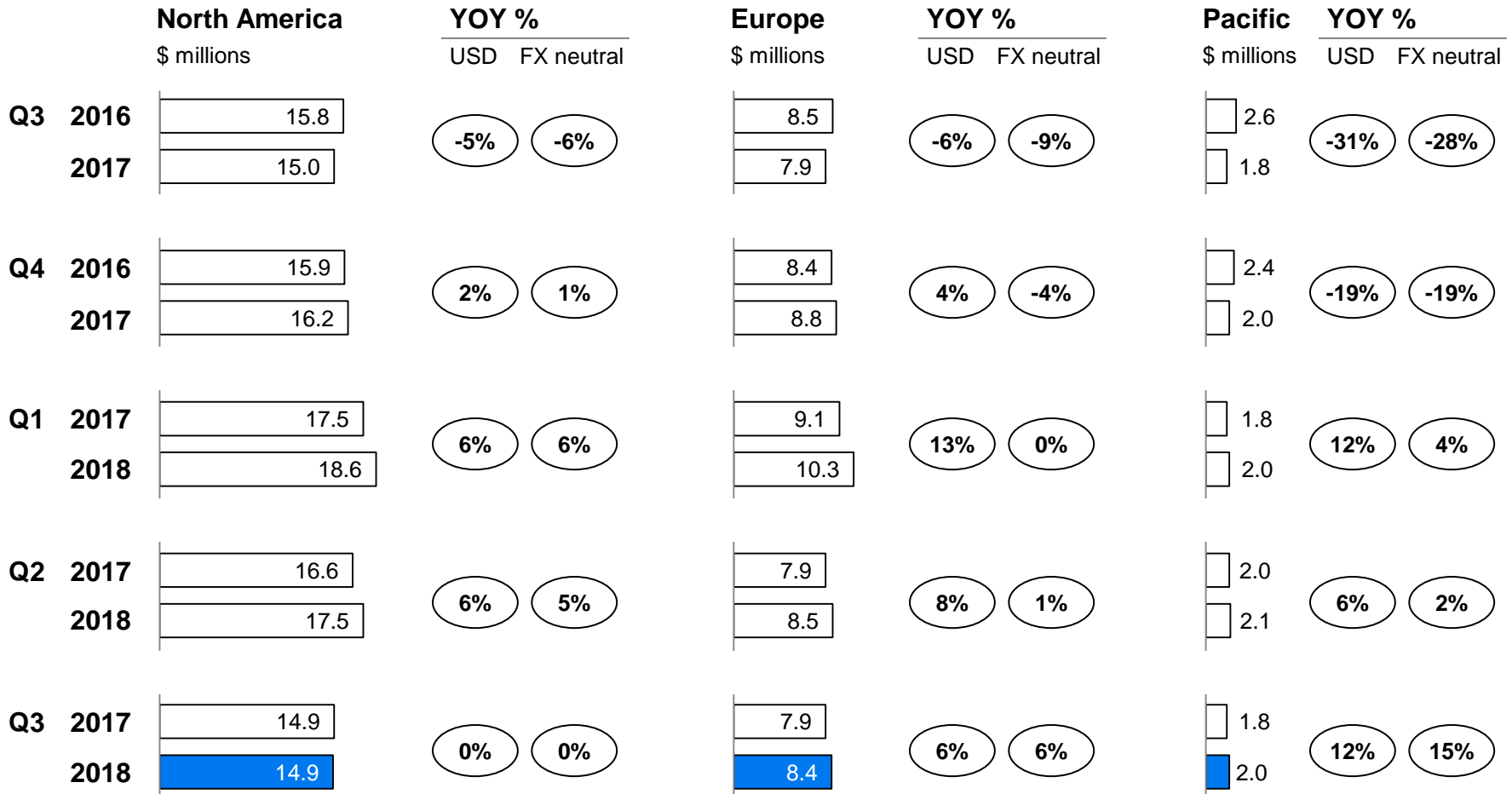


Members
Millions



Revenue growth in Europe and Asia accelerated in local currency and grew at the fastest pace in 4 years.

Quarterly Revenue by Segment*

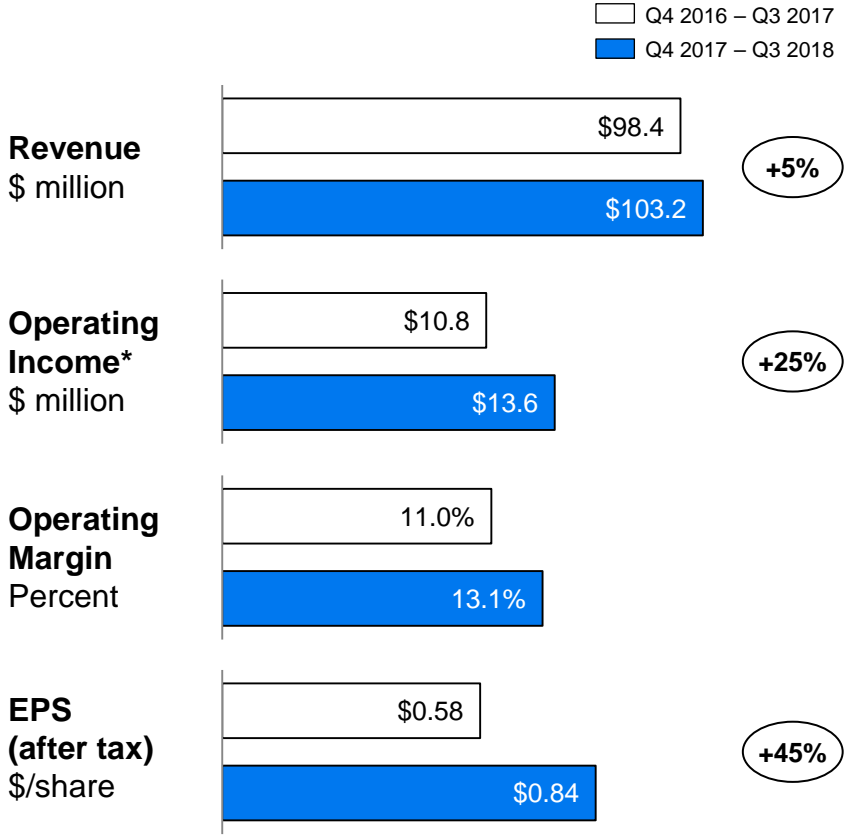


- Overall impact of unfavorable F/X trends during Q3 2018 is \$164,000.

The solid, and improving, performance of our core North America and Europe businesses is masked by our investments in Asia Pacific.

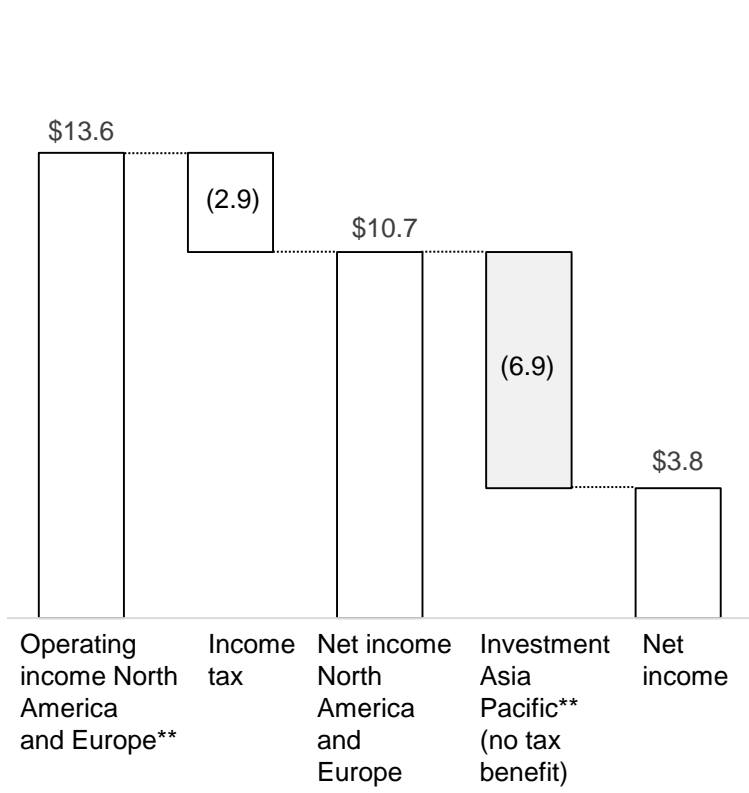
North America and Europe

TTM, compared to previous 12 months



Investment in Asia Pacific

\$ million TTM (Q4 2017 – Q3 2018)

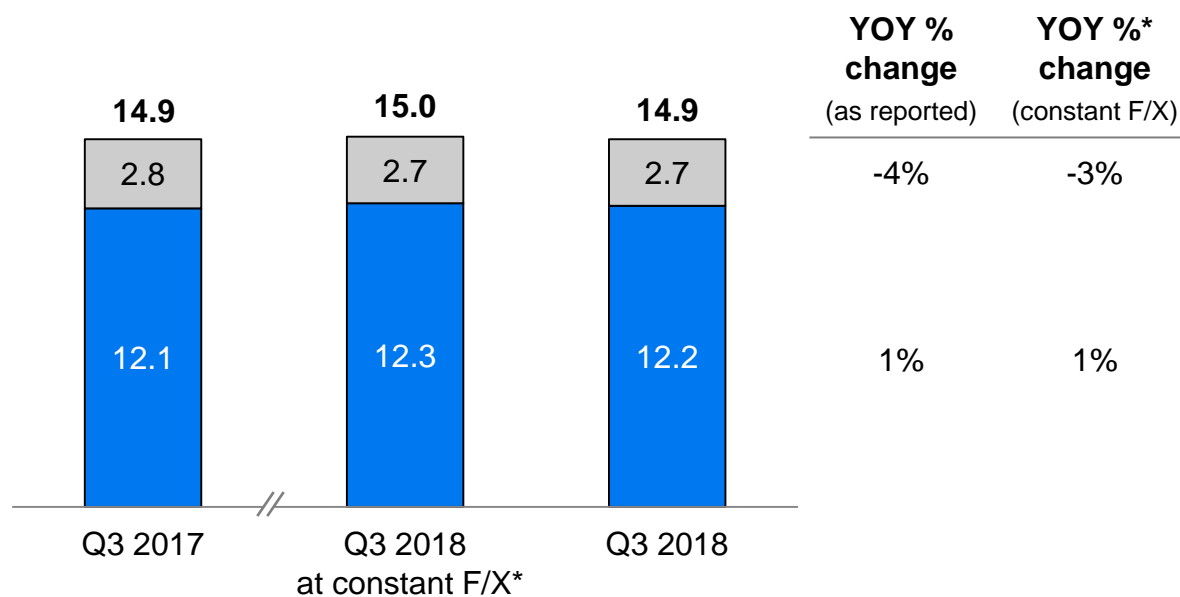


* Includes other income of \$153,000 and \$657,000 for the TTM period ended Q3 2017 and Q3 2018, respectively.
 ** Includes other income of \$657,000 and other expense of \$495,000 for North America/Europe and Asia Pacific, respectively.
 *** EPS calculation uses the average diluted shares of 13,211,000 and 12,657,000 for the TTM period ended Q3 2017 and Q3 2018, respectively.

In North America, Travel and Local revenues were relatively flat versus the previous year.

North America Revenue by Type

\$ millions



Highlights*

- **Travel** – YOY 1% increase in spite of the loss of a large customer.**
- **Local** – YOY 3% decrease due lower revenue from entertainment offers.



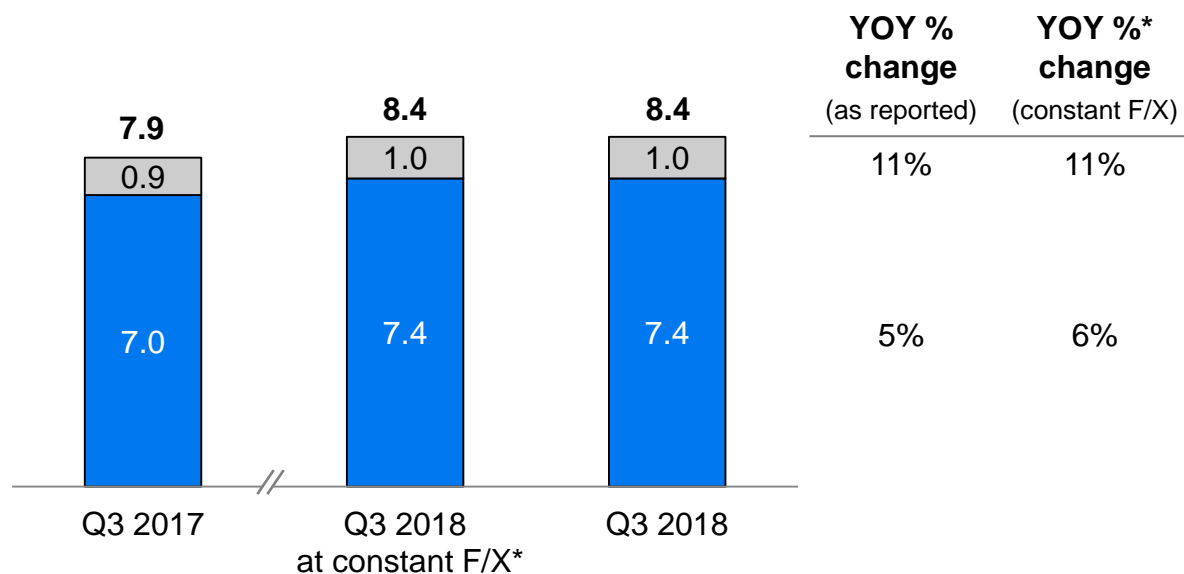
* Based on constant F/X rates for CAD

** The bankruptcy of a large customer during the quarter reduced revenue growth by 5 percentage points versus the prior year.

In Europe, revenues grew year-over-year at the fastest pace in four years.

Europe Revenue by Type

\$ millions



Highlights*

- **Travel** – YOY 6% due to increased demand by members and advertisers.
- **Local** – YOY 11% increase due to YOY improvement in voucher sales.

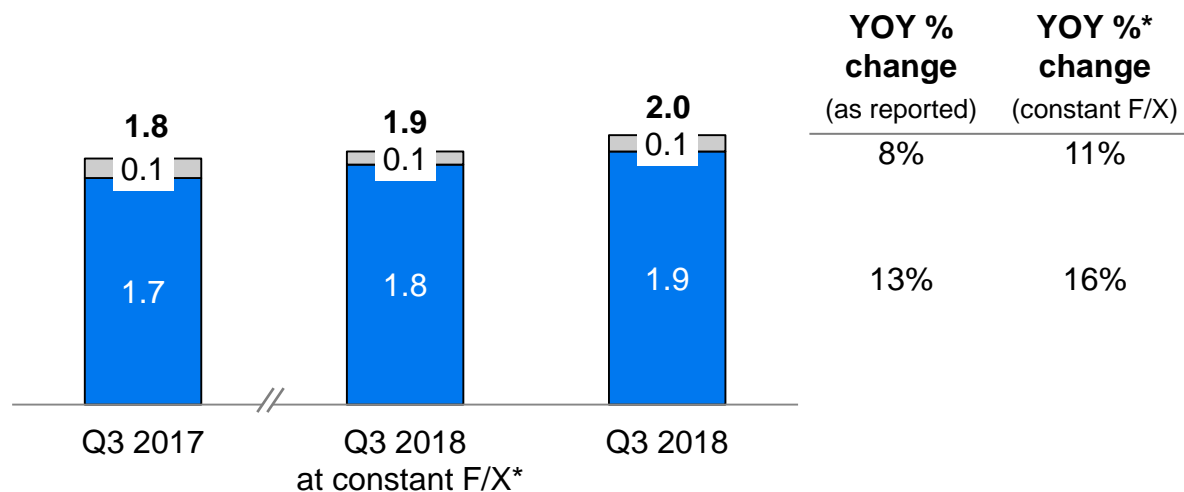


* Based on constant F/X rates for GBP and Euro

In Asia Pacific, revenues also grew year-over-year at the fastest pace in over four years.

Asia Pacific Revenue by Type

\$ millions



Highlights*

- **Travel** – YOY 16% growth from increased spend by advertisers and members.
- **Local** – YOY 11% increase.

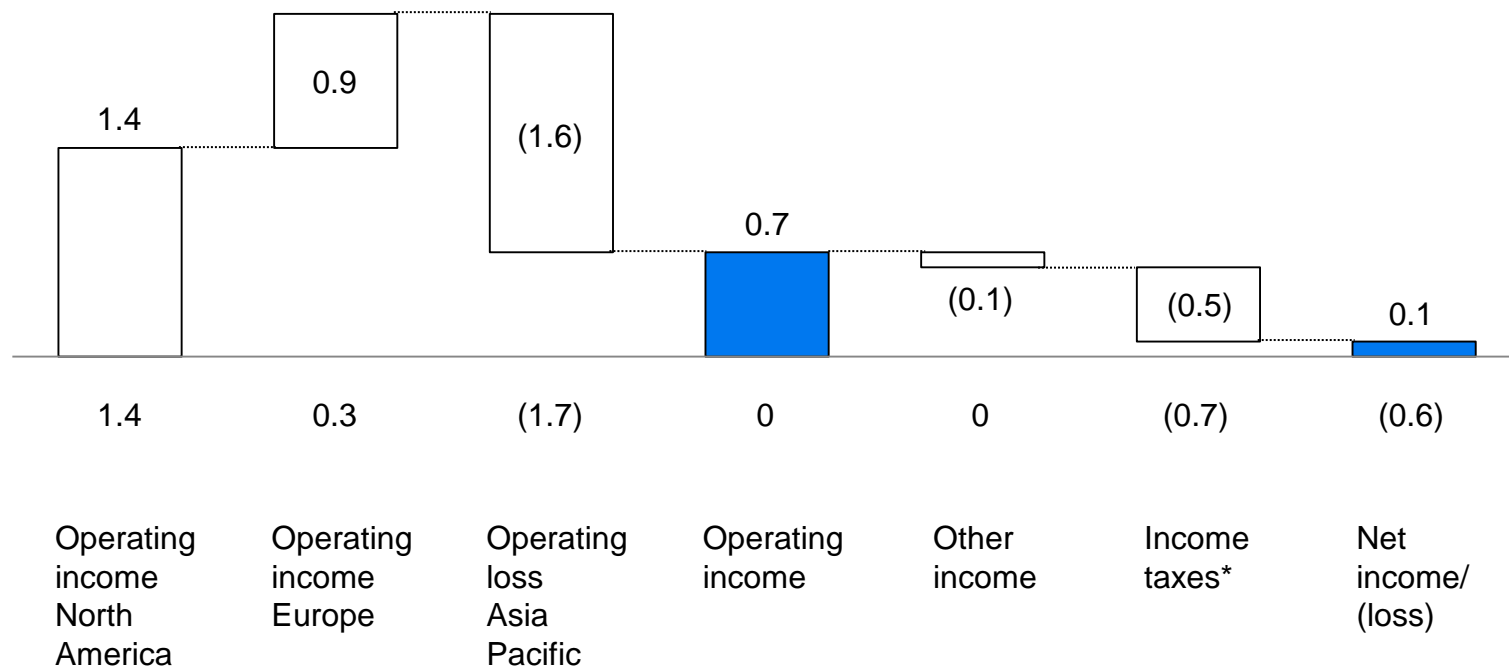
* Based on constant F/X rates for Asian and Australian currencies

North America and Europe generated profits of \$2.3 million. Most were used towards investments in Asia Pacific.

Year-Over-Year Comparison

Q3 2018
(\$ millions)

**Comparison:
Q3 2017**
(\$ millions)



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

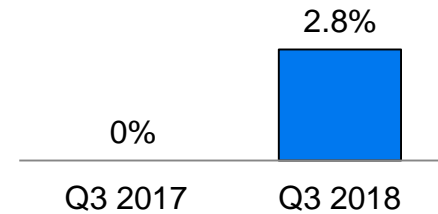
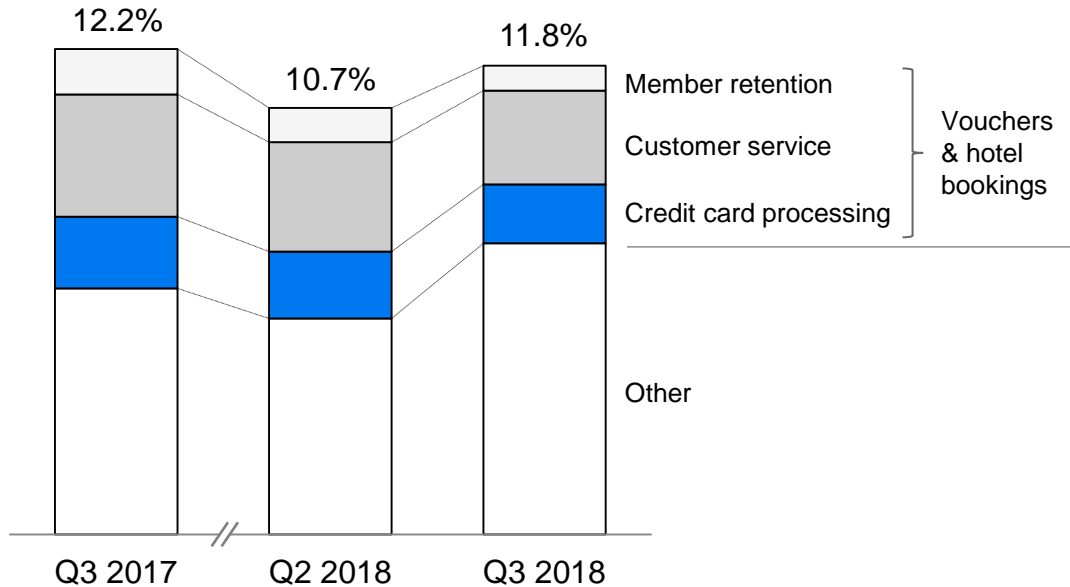
Cost of revenues were slightly better compared to last year and operating margins improved.

Cost of Revenue

as percentage of revenue

Operating Margin

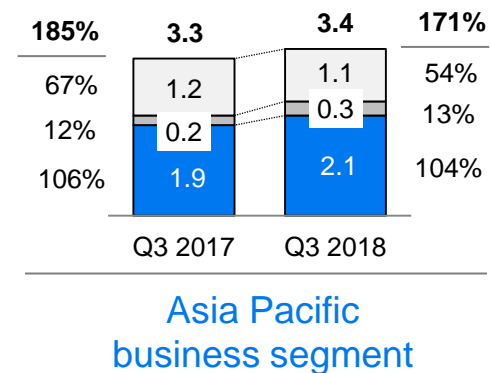
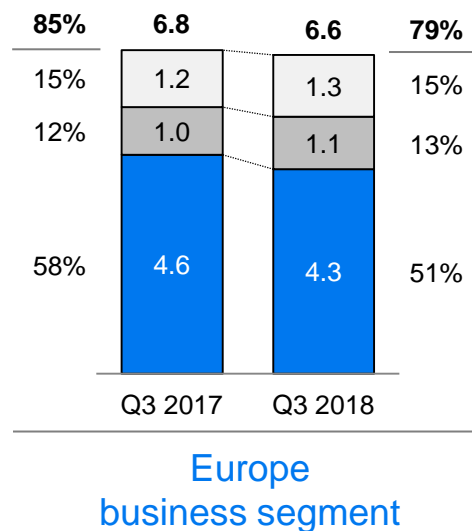
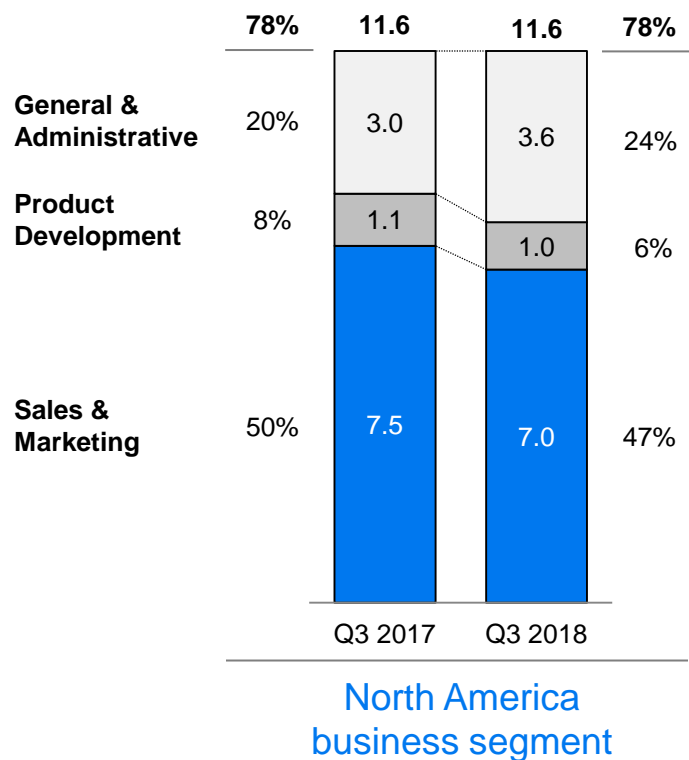
as percentage of revenue



Operating expenses as a percent of revenue came down as revenues grew in Europe and Asia.

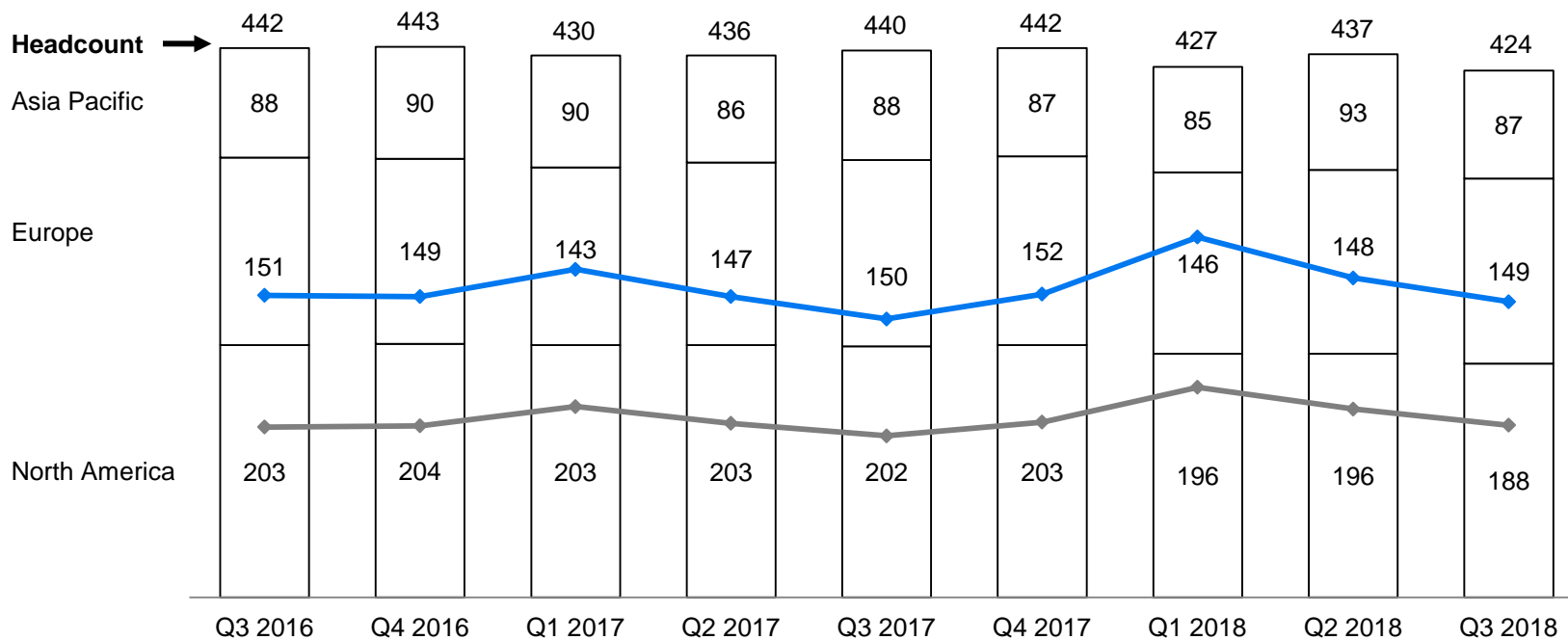
Operating Expenses

\$ millions and as percentage of revenue



Productivity improved year over year.

Headcount and Average Annualized Revenue per Employee



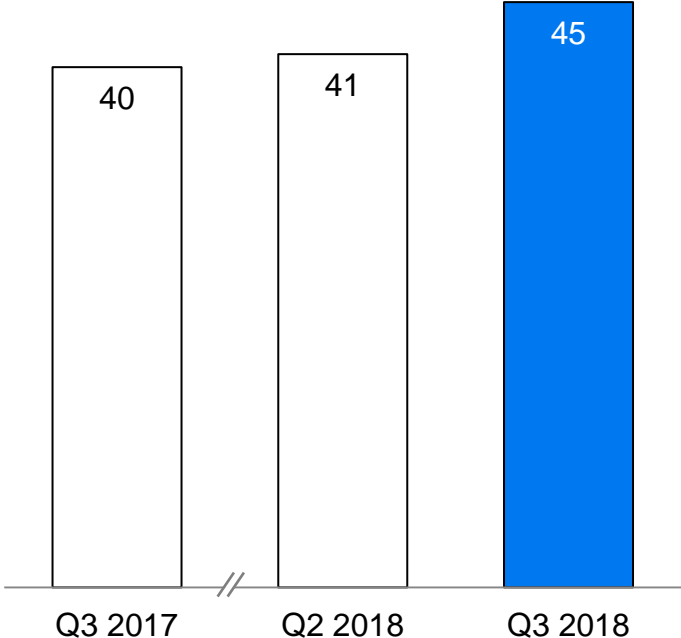
Revenue per employee (\$ thousands)

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Without Asia	\$274	\$276	\$307	\$280	\$260	\$282	\$338	\$303	\$277
With Asia	\$243	\$242	\$264	\$242	\$224	\$244	\$290	\$257	\$239

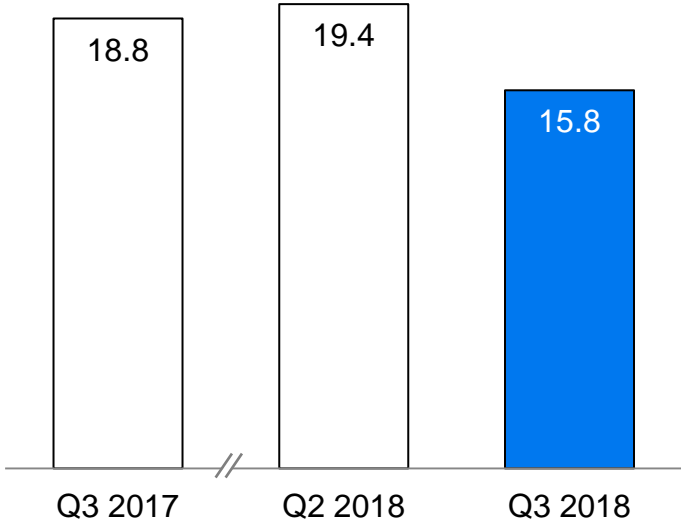
Solid cash position was used towards \$2.9 million in stock repurchases.

DSO and Cash Balances

DSO (Days Sales Outstanding)
of days



Cash Balance at End of Quarter*
\$ millions



* Includes cash and cash equivalents

Third Quarter 2018 Performance Summary

- Overall revenue growth continued, with revenue growth in North America Travel, Europe and Asia Pacific.
- Operating profit and margins increased year over year in our seasonally slowest quarter and in spite of continued investments in Asia Pacific and products.
- Solid cash position enabled continued stock repurchases.

Part 1:
Third Quarter 2018 Performance

Part 2:
Business Update

Expanded marketing and product offerings should increase member activity and will drive further revenue growth.

Growth Initiatives

Offerings

- Stronger membership offering with exclusive benefits and member perks
- Global offering of exclusive 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 member offers quickly and easily
- Hotel and airline rates will also feed directly into the global packaging technology
- 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.
- Build scale in Asia Pacific via partnerships in order to achieve positive operating margins by 2020
- 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		Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	YTD 2017	YTD 2018
Travel		14,240	12,493	12,759	14,859	13,910	12,146	12,964	16,036	14,596	12,223	40,915	42,856
	Y/Y growth rate	-3%	-4%	3%	1%	-2%	-3%	2%	8%	5%	1%	-1%	5%
Local		3,664	3,298	3,190	2,687	2,653	2,822	3,283	2,546	2,915	2,712	8,161	8,173
	Y/Y growth rate	-30%	-15%	-23%	-18%	-28%	-14%	3%	-5%	10%	-4%	-20%	0%
Total North America Revenues		17,904	15,791	15,949	17,546	16,563	14,968	16,247	18,582	17,511	14,936	49,076	51,029
	Y/Y growth rate	-10%	-6%	-3%	-3%	-7%	-5%	2%	6%	6%	0%	-5%	4%
Europe		Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	YTD 2017	YTD 2018
Travel		8,075	7,357	6,646	8,005	6,796	7,052	7,328	9,053	7,409	7,387	21,853	23,849
	Y/Y growth rate	-1%	-10%	-15%	-11%	-16%	-4%	10%	13%	9%	5%	-11%	9%
Local		1,382	1,117	1,770	1,066	1,102	894	1,439	1,227	1,091	991	3,062	3,309
	Y/Y growth rate	-2%	-20%	-4%	-31%	-20%	-20%	-19%	15%	-1%	11%	-24%	8%
Total Europe Revenues		9,457	8,474	8,417	9,071	7,898	7,946	8,767	10,280	8,500	8,378	24,915	27,158
	Y/Y growth rate	-1%	-12%	-13%	-14%	-16%	-6%	4%	13%	8%	5%	-13%	9%
Asia		Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	YTD 2017	YTD 2018
Travel		2,220	2,335	2,263	1,668	1,858	1,645	1,823	1,901	1,930	1,851	5,170	5,682
	Y/Y growth rate	-5%	-4%	-3%	-18%	-16%	-30%	-19%	14%	4%	13%	-21%	10%
Local		218	223	184	146	92	129	160	121	134	137	366	392
	Y/Y growth rate	-38%	-23%	-33%	-36%	-58%	-42%	-13%	-17%	46%	6%	-45%	7%
Total Asia Revenues		2,438	2,558	2,447	1,813	1,950	1,773	1,983	2,022	2,064	1,987	5,537	6,073
	Y/Y growth rate	-10%	-6%	-6%	-20%	-20%	-31%	-19%	12%	6%	12%	-24%	10%
Consolidated		Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	YTD 2017	YTD 2018
Travel		24,535	22,185	21,668	24,532	22,564	20,843	22,114	26,990	23,935	21,462	67,939	72,387
	Y/Y growth rate	-3%	-6%	-4%	-5%	-8%	-6%	2%	10%	6%	3%	-6%	7%
Local		5,264	4,638	5,145	3,898	3,847	3,845	4,883	3,893	4,141	3,840	11,589	11,874
	Y/Y growth rate	-25%	-17%	-18%	-23%	-27%	-17%	-5%	0%	8%	0%	-22%	2%
Total Consolidated Revenues		29,799	26,823	26,813	28,429	26,411	24,687	26,997	30,884	28,076	25,301	79,528	84,261
	Y/Y growth rate	-7%	-8%	-7%	-8%	-11%	-8%	1%	9%	6%	2%	-9%	6%

(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
Adjusted for Search Discontinued Operations

	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
	(In thousands, except per share amounts)								
Revenues	\$26,823	\$26,813	\$28,429	\$26,411	\$24,687	\$26,997	\$30,884	\$28,075	\$25,301
Cost of revenues	3,270	3,262	3,207	3,222	3,018	3,462	3,385	3,016	2,988
Gross profit	23,552	23,551	25,222	23,189	21,669	23,535	27,499	25,059	22,313
Operating expenses:									
Sales and marketing	14,075	13,368	15,355	14,213	13,973	13,746	15,542	15,628	13,375
Product development	2,230	2,077	2,357	2,344	2,315	2,208	2,511	2,386	2,298
General and administrative	5,373	6,077	5,447	5,246	5,363	6,502	5,789	5,967	5,927
Total operating expenses	21,678	21,522	23,160	21,803	21,651	22,456	23,842	23,981	21,600
Income (loss) from continuing operations	1,875	2,029	2,062	1,386	18	1,079	3,657	1,078	714
Other income (loss), net	251	-480	7	18	86	62	161	30	-91
Income (loss) from continuing operations before income taxes	2,126	1,549	2,069	1,404	104	1,141	3,818	1,108	623
Income tax expense (benefit)	748	542	1,209	771	680	466	1,316	631	499
Income (loss) from continuing operations	1,377	1,006	860	633	-576	675	2,502	477	124
Income (loss) from discontinued operations, net of income taxes	241	-64	1,884	54	-	-	-	-	-
Net income	\$1,619	\$943	\$2,744	\$687	(\$576)	\$675	\$2,502	\$477	\$124
Income (loss) per share - basic:									
Continuing operations	\$0.10	0.07	\$0.07	\$0.05	(\$0.05)	\$0.05	\$0.20	\$0.04	\$0.01
Discontinued operations	0.02	0	0.14	0	-	-	-	-	-
Net income per share - basic	\$0.12	\$0.07	\$0.21	\$0.05	(\$0.05)	\$0.05	\$0.20	\$0.04	\$0.01
Income (loss) per share - diluted:									
Continuing operations	\$0.10	\$0.07	\$0.07	\$0.05	(\$0.05)	\$0.05	\$0.20	\$0.04	\$0.01
Discontinued operations	\$0.02	0	0.14	0	-	-	-	-	-
Net income per share - diluted	\$0.12	\$0.07	\$0.21	\$0.05	(\$0.05)	\$0.05	\$0.20	\$0.04	\$0.01
Weighted average shares:									
Basic	13,839	13,665	13,288	13,030	12,628	12,462	12,462	12,462	12,314
Diluted for income per share **	13,867	13,714	13,288	13,058	12,628	12,462	12,462	12,780	12,663

* Income tax expense (benefit) includes an \$8.4 million release of a tax reserve for the three months ended September 30, 2015, related to unexchanged promotional shares. Non-GAAP amounts without this release of a tax reserve are \$112,000 of tax benefit, \$444,000 million of net income, \$(0.02) of diluted loss per share from continuing operations and \$0.03 of diluted earnings from net income.

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