



First Quarter 2019  
Performance and Business Update

April 25, 2019

## Important Notice

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

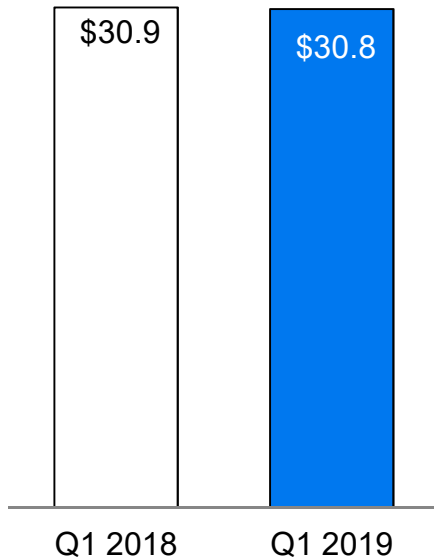
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Part 2:  
Management Focus

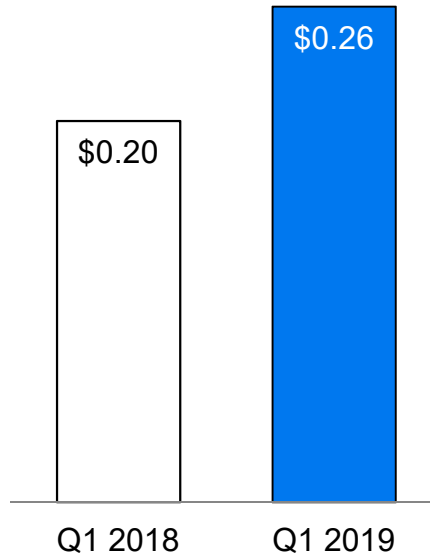
Revenues were flat in USD, but grew 3% year over year at constant FX. Quarterly earnings were the highest in 3 years.

### Q1 2019 Financial Performance

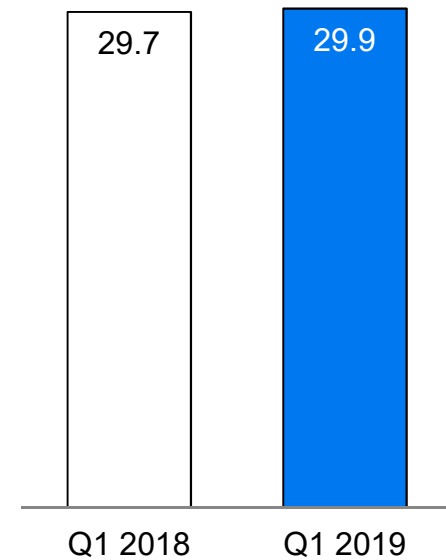
**Revenue\***  
\$ millions



**EPS**  
\$ per share



**Members**  
Millions



\* Revenue growth from Q1 2018 to Q1 2019 was 3% in constant currency.

# When neutralizing FX changes, revenue grew in North America. Europe grew over 10%.

## Quarterly Revenue by Segment\*

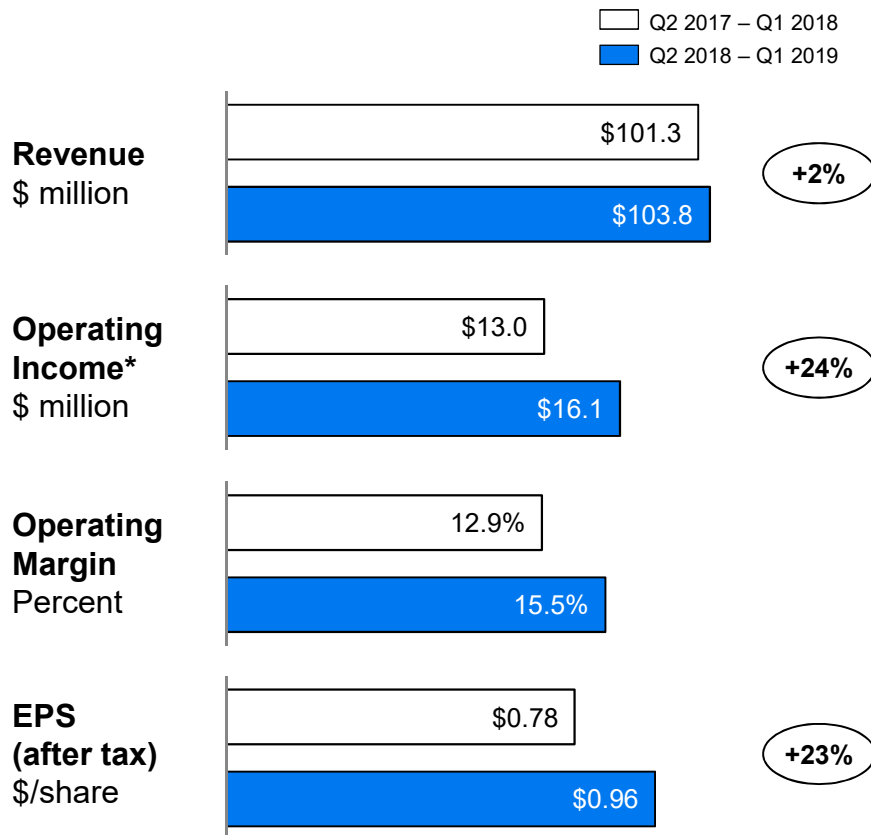
		North America		YOY %			Europe		YOY %			Asia Pacific		YOY %	
		\$ millions		USD	F/X neutral		\$ millions		USD	F/X neutral		\$ millions		USD	F/X neutral
Q1	2017	\$17.5		6%	6%		\$9.1		13%	0%		\$1.8		12%	4%
	2018	\$18.6					\$10.3					\$2.0			
Q2	2017	\$16.6		6%	5%		\$7.9		8%	0%		\$2.0		6%	2%
	2018	\$17.5					\$8.5					\$2.1			
Q3	2017	\$15.0		0%	0%		\$7.9		5%	6%		\$1.8		12%	15%
	2018	\$14.9					\$8.4					\$2.0			
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			

\* Overall impact of unfavorable F/X trends during Q1 2019 is \$952,000.

# Solid performance of our core businesses is masked by investments in Asia Pacific. North America and Europe generated after-tax EPS of \$0.96.

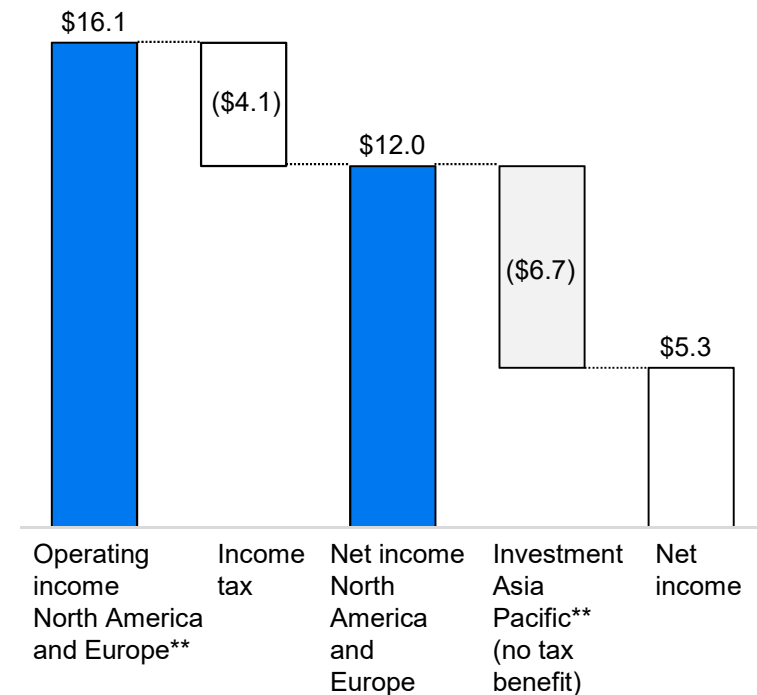
## North America and Europe

TTM, compared to previous 12 months



## Investment in Asia Pacific

\$ million TTM (Q2 2018 – Q1 2019)



\* Includes other income \$654,000 and \$294,000 for the TTM period ended Q1 2018 and Q1 2019, respectively.

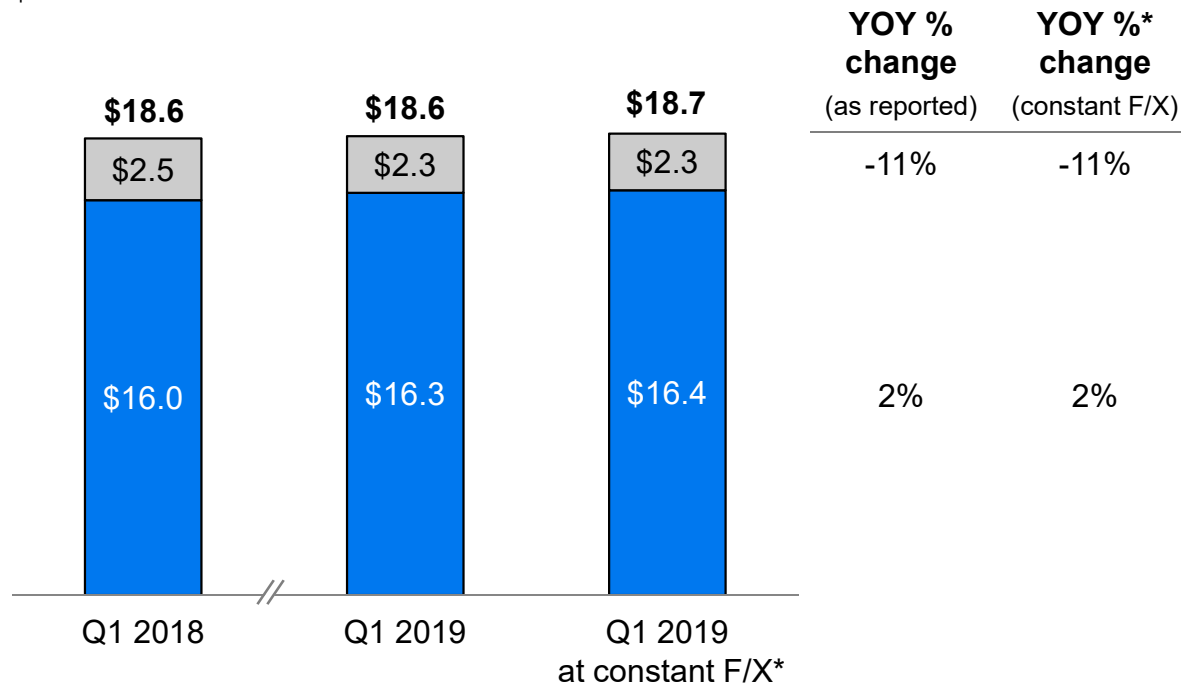
\*\* Includes other income of \$294,000 for North America/Europe and other expenses of \$506,000 for Asia Pacific.

\*\*\* EPS calculation uses the average diluted shares of 12,653,000 and 12,455,000 for the TTM period ended Q1 2018 and Q1 2019, respectively.

North America revenue growth was slow, but should increase in Q2, as we expect Travel revenue to accelerate.

### North America Revenue by Type

\$ millions



#### Highlights\*

- **Local** – YOY 11% decrease due to less emails for Local offers and lower Entertainment revenue.
- **Travel** – YOY 2% increase due to increase in advertising revenue and Getaways growth.

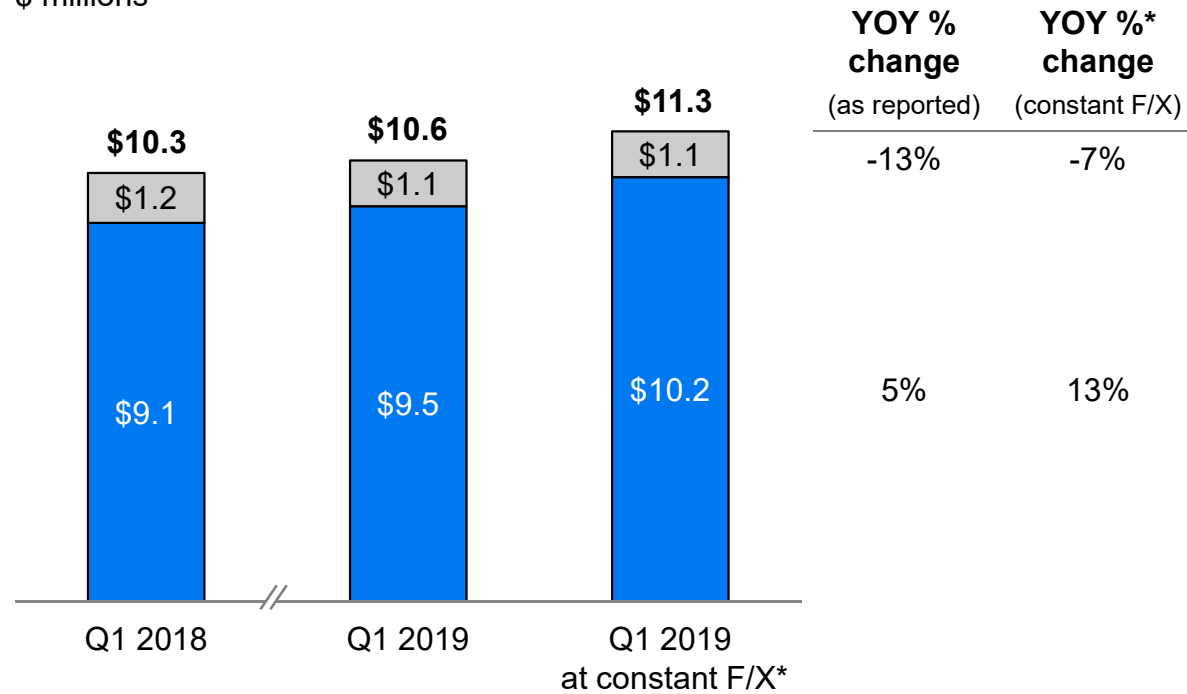


\* Based on constant F/X rates for CAD

Europe revenues at constant FX grew at double digits, as our new vacation offering drove strong revenues in Travel.

### Europe Revenue by Type

\$ millions



#### Highlights\*

- **Local** – YOY 7% decrease
- **Travel** – YOY 13% due to increase in revenue from our package offering that combines hotel deals with flights.

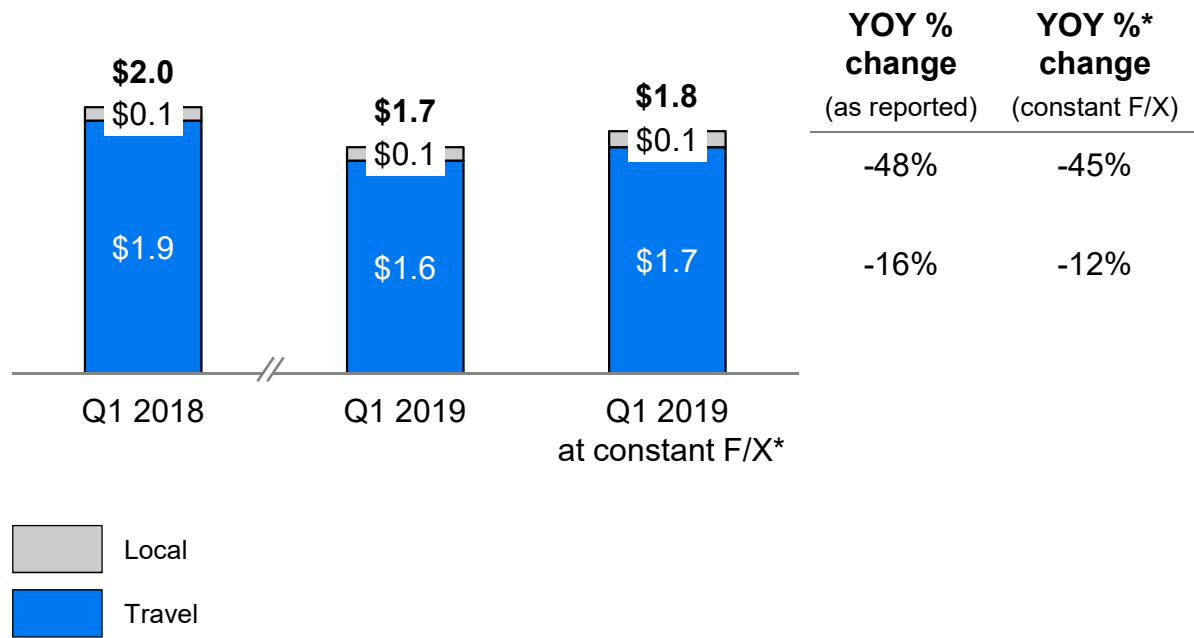


\* Based on constant F/X rates for GBP and Euro



# Asia Pacific revenue suffered from turnover in sales team and phase out of some loss-making Local markets

Asia Pacific Revenue by Type  
\$ millions



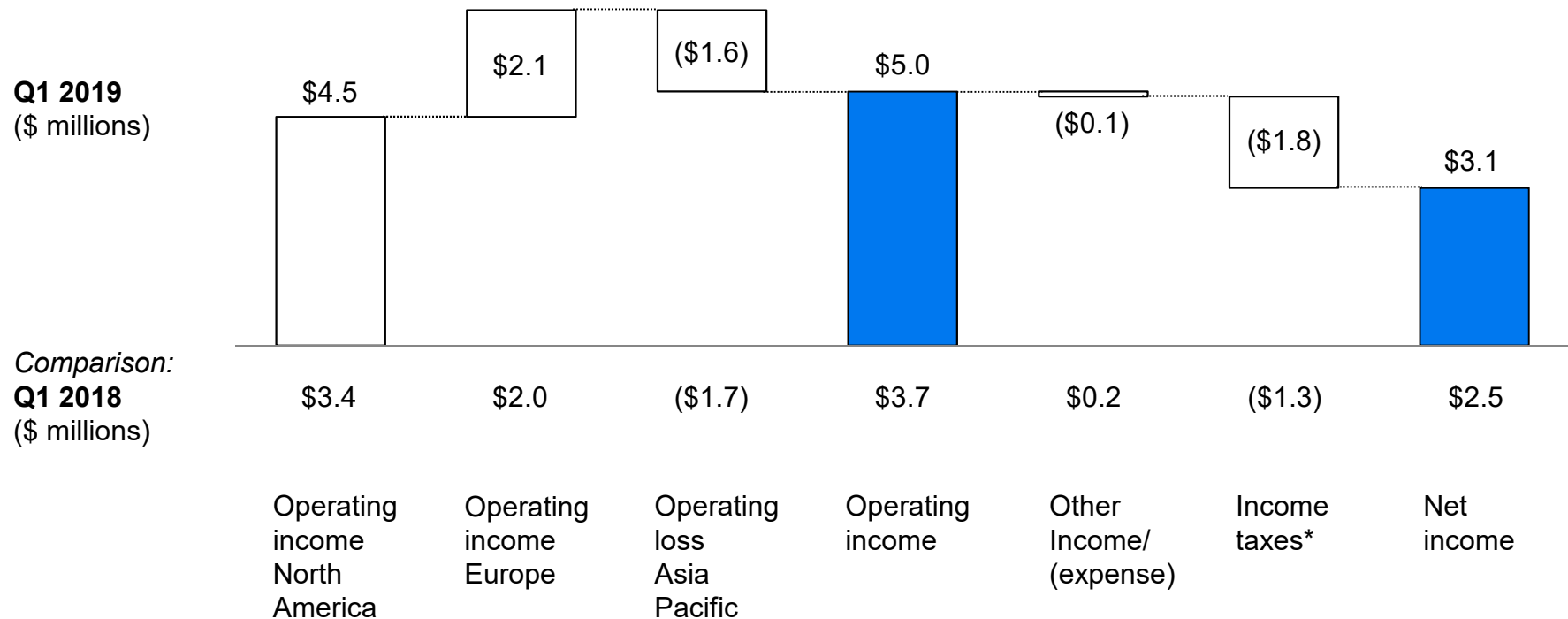
**Highlights\***

- **Local** – YOY 45% decrease, as we focus on the most profitable opportunities.
- **Travel** – YOY 12% decrease due to a smaller sales team in China, which we will build up in 2019.

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

North America and Europe generated profits of \$6.6 million. Even after investments in Asia Pacific, operating income reached the highest level in over 4 years.

### Year Over Year Comparison

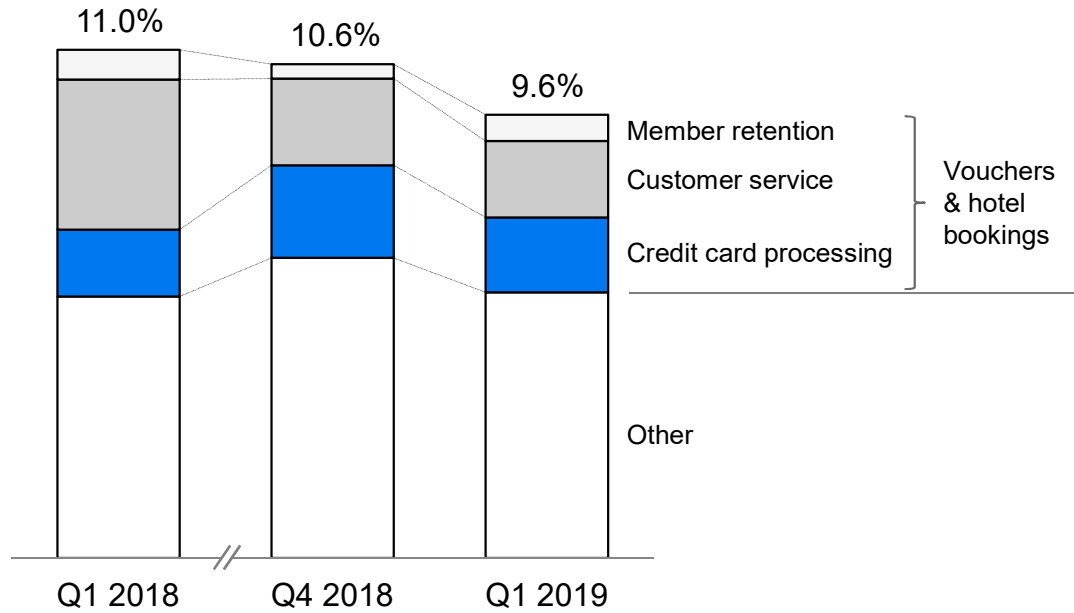


\* Income taxes reflect taxes on North America and Europe income without any offsetting tax benefit from the separate tax jurisdiction Asia Pacific losses.

# Gross margins improved compared to last year, and our overall operating margin jumped to 16%.

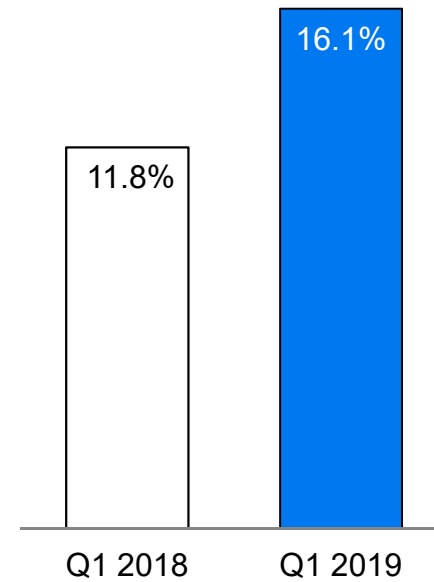
### Cost of Revenue

as percentage of revenue



### Operating Margin

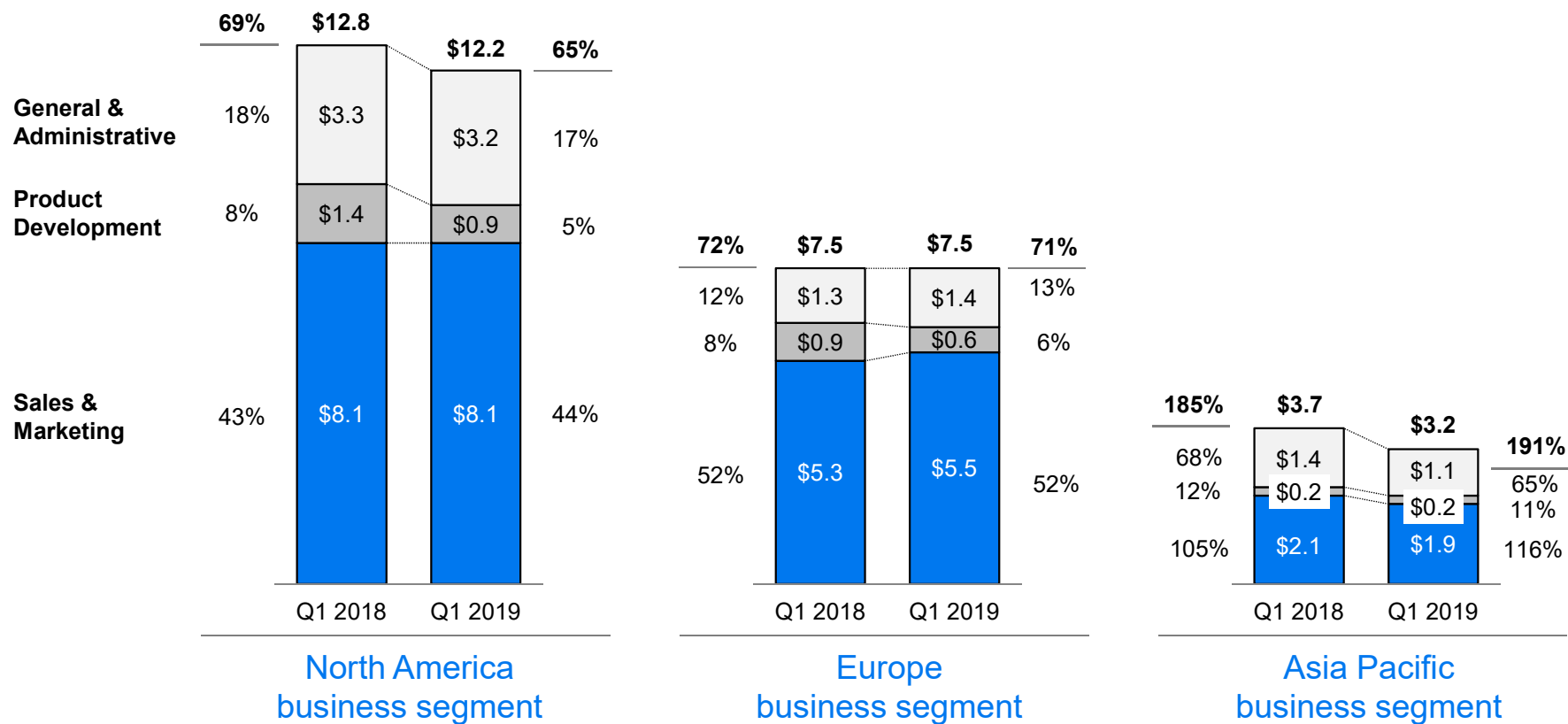
as percentage of revenue



## Operating expenses as a percent of revenue decreased in North America and Europe.

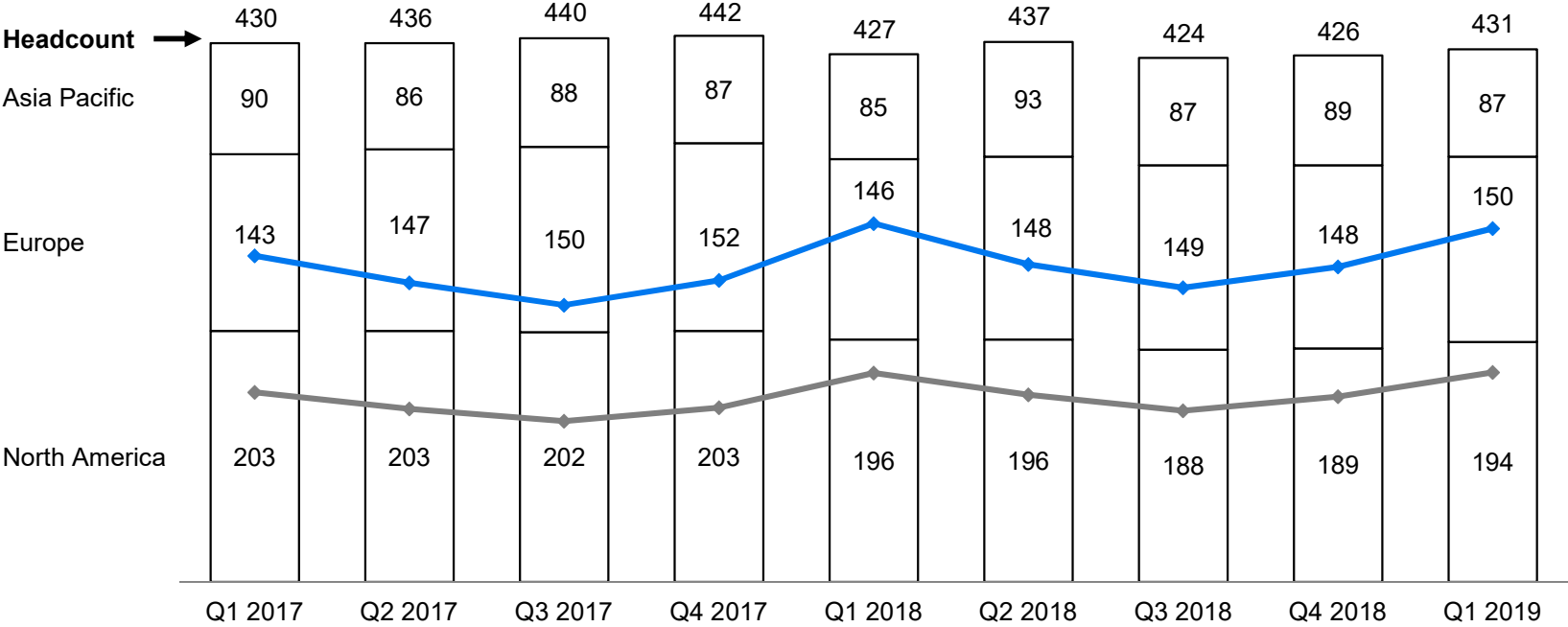
### Operating Expenses

\$ millions and as percentage of revenue



# Productivity remained seasonally high.

Headcount and Average Annualized Revenue per Employee



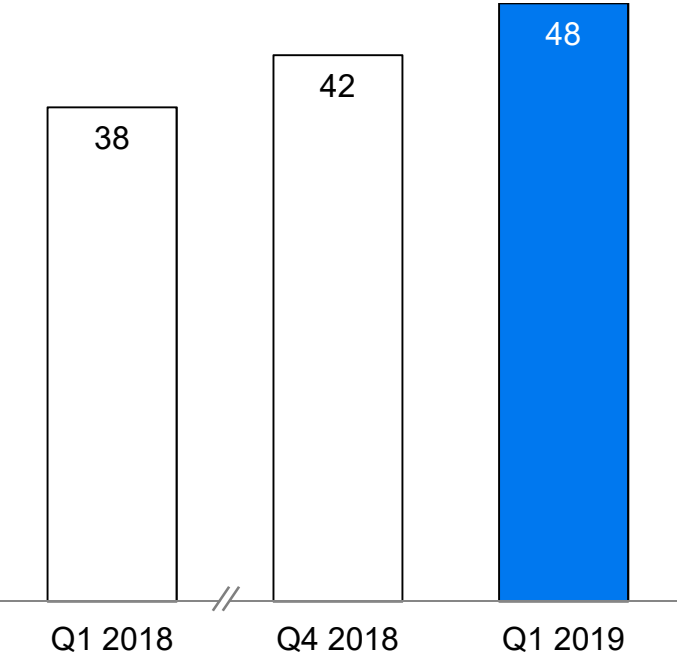
**Revenue per employee**  
(\$ thousands)

Without Asia	\$307	\$280	\$260	\$282	\$338	\$303	\$277	\$300	\$339	
With Asia	\$264	\$242	\$224	\$244	\$290	\$257	\$239	\$255	\$286	

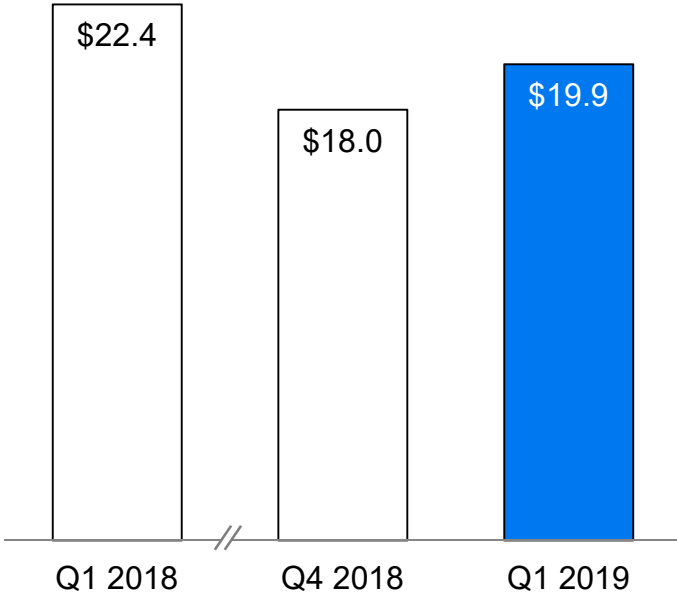
# Our cash balance increased versus end of Q4 despite stock purchase.

## DSO and Cash Balances

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



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



\* Includes cash and cash equivalents

# First Quarter 2019 Performance Summary

- Year over year revenue growth at constant FX improved over the prior quarter as Europe posted double-digit growth.
- Highest operating profit and margins in over 4 years.
- Solid cash position enabled stock repurchases.

Part 1:  
First Quarter 2019 Performance

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Part 2:  
Management Focus



# 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.
- Build scale in Asia Pacific via partnerships in order to achieve positive operating margins by 2020.
- Achieve double-digit revenue growth in 2019\*.
- Invest for future growth while continuing to increase margins.

\* In constant currency

# APPENDIX

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

North America		Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19
Travel		12,759	14,859	13,910	12,146	12,964	16,036	14,596	12,223	13,290	16,317
	Y/Y growth rate	3%	1%	-2%	-3%	2%	8%	5%	1%	3%	2%
Local		3,190	2,687	2,653	2,822	3,283	2,546	2,915	2,712	2,995	2,270
	Y/Y growth rate	-23%	-18%	-28%	-14%	3%	-5%	10%	-4%	-9%	-11%
<b>Total North America Revenues</b>		<b>15,949</b>	<b>17,546</b>	<b>16,563</b>	<b>14,968</b>	<b>16,247</b>	<b>18,582</b>	<b>17,511</b>	<b>14,936</b>	<b>16,285</b>	<b>18,587</b>
	Y/Y growth rate	-3%	-3%	-7%	-5%	2%	6%	6%	0%	0%	0%
Europe		Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19
Travel		6,646	8,005	6,796	7,052	7,328	9,053	7,409	7,387	7,008	9,512
	Y/Y growth rate	-15%	-11%	-16%	-4%	10%	13%	9%	5%	-4%	5%
Local		1,770	1,066	1,102	894	1,439	1,227	1,091	991	1,983	1,061
	Y/Y growth rate	-4%	-31%	-20%	-20%	-19%	15%	-1%	11%	38%	-13%
<b>Total Europe Revenues</b>		<b>8,417</b>	<b>9,071</b>	<b>7,898</b>	<b>7,946</b>	<b>8,767</b>	<b>10,280</b>	<b>8,500</b>	<b>8,378</b>	<b>8,991</b>	<b>10,573</b>
	Y/Y growth rate	-13%	-14%	-16%	-6%	4%	13%	8%	5%	3%	3%
Asia		Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19
Travel		2,263	1,668	1,858	1,645	1,823	1,901	1,922	1,862	1,669	1,600
	Y/Y growth rate	-3%	-18%	-16%	-30%	-19%	14%	3%	13%	-8%	-16%
Local		184	146	92	129	160	121	134	137	116	65
	Y/Y growth rate	-33%	-36%	-58%	-42%	-13%	-17%	46%	6%	-27%	-46%
<b>Total Asia Revenues</b>		<b>2,447</b>	<b>1,813</b>	<b>1,950</b>	<b>1,773</b>	<b>1,983</b>	<b>2,022</b>	<b>2,056</b>	<b>1,998</b>	<b>1,786</b>	<b>1,665</b>
	Y/Y growth rate	-6%	-20%	-20%	-31%	-19%	12%	5%	13%	-10%	-18%
Consolidated		Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19
Travel		21,668	24,532	22,564	20,843	22,114	26,990	23,927	21,472	21,967	27,429
	Y/Y growth rate	-4%	-5%	-8%	-6%	2%	10%	6%	3%	-1%	2%
Local		5,145	3,898	3,847	3,845	4,883	3,893	4,141	3,840	5,095	3,396
	Y/Y growth rate	-18%	-23%	-27%	-17%	-5%	0%	8%	0%	4%	-13%
<b>Total Consolidated Revenues</b>		<b>26,813</b>	<b>28,429</b>	<b>26,411</b>	<b>24,687</b>	<b>26,997</b>	<b>30,884</b>	<b>28,067</b>	<b>25,312</b>	<b>27,062</b>	<b>30,825</b>
	Y/Y growth rate	-7%	-8%	-11%	-8%	1%	9%	6%	3%	0%	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**  
**Adjusted for Search Discontinued Operations**

	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19
<b>Revenues</b>	<b>\$ 28,429</b>	<b>\$ 26,411</b>	<b>\$ 24,687</b>	<b>\$ 26,997</b>	<b>\$ 30,884</b>	<b>\$ 28,075</b>	<b>\$ 25,301</b>	<b>\$ 27,062</b>	<b>\$ 30,825</b>
Cost of revenues	3,207	3,222	3,018	3,462	3,385	3,016	3,055	2,880	2,946
Gross profit	25,222	23,189	21,669	23,535	27,499	25,059	22,246	24,182	27,879
Operating expenses:									
Sales and marketing	15,355	14,213	13,973	13,746	15,542	15,628	13,375	13,974	15,606
Product development	2,357	2,344	2,315	2,208	2,511	2,386	2,230	1,799	1,703
General and administrative	5,447	5,246	5,363	6,502	5,789	5,967	5,927	5,620	5,599
Total operating expenses	23,160	21,803	21,651	22,456	23,842	23,981	21,532	21,393	22,908
Income from continuing operations	2,062	1,386	18	1,079	3,657	1,078	714	2,789	4,971
Other income (loss), net	7	18	86	62	161	30	(91)	(52)	(99)
Income from continuing operations before income taxes	2,069	1,404	104	1,141	3,818	1,108	623	2,737	4,872
Income tax expense	1,209	771	680	466	1,316	631	499	1,173	1,752
Income from continuing operations	860	633	(576)	675	2,502	477	124	1,564	3,120
Income from discontinued operations, net of income taxes	1,884	54	-	-	-	-	-	-	-
<b>Net income</b>	<b>\$ 2,744</b>	<b>\$ 687</b>	<b>\$ (576)</b>	<b>\$ 675</b>	<b>\$ 2,502</b>	<b>\$ 477</b>	<b>\$ 124</b>	<b>\$ 1,564</b>	<b>\$ 3,120</b>
Income (loss) per share - basic:									
Continuing operations	\$ 0.07	\$ 0.05	\$ (0.05)	\$ 0.05	\$ 0.20	\$ 0.04	\$ 0.01	\$ 0.13	\$ 0.26
Discontinued operations	0.14	0.00	-	-	-	-	-	-	-
<b>Net income per share - basic</b>	<b>\$ 0.21</b>	<b>\$ 0.05</b>	<b>\$ (0.05)</b>	<b>\$ 0.05</b>	<b>\$ 0.20</b>	<b>\$ 0.04</b>	<b>\$ 0.01</b>	<b>\$ 0.13</b>	<b>\$ 0.26</b>
Income (loss) per share - diluted:									
Continuing operations	\$ 0.07	\$ 0.05	\$ (0.05)	\$ 0.05	\$ 0.20	\$ 0.04	\$ 0.01	\$ 0.13	\$ 0.26
Discontinued operations	0.14	0.00	-	-	-	-	-	-	-
<b>Net income per share - diluted</b>	<b>\$ 0.21</b>	<b>\$ 0.05</b>	<b>\$ (0.05)</b>	<b>\$ 0.05</b>	<b>\$ 0.20</b>	<b>\$ 0.04</b>	<b>\$ 0.01</b>	<b>\$ 0.13</b>	<b>\$ 0.26</b>
Weighted average shares:									
Basic	13,288	13,030	12,628	12,462	12,462	12,462	12,314	12,059	11,914
Diluted	13,288	13,058	12,628	12,462	12,462	12,622	12,629	12,151	12,224