



The Deal Experts. Over 29 Million Members Worldwide.

Third Quarter 2016 Performance and Growth Strategy Overview

October 27, 2016

Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's third quarter 2016 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 Inc. undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this presentation.

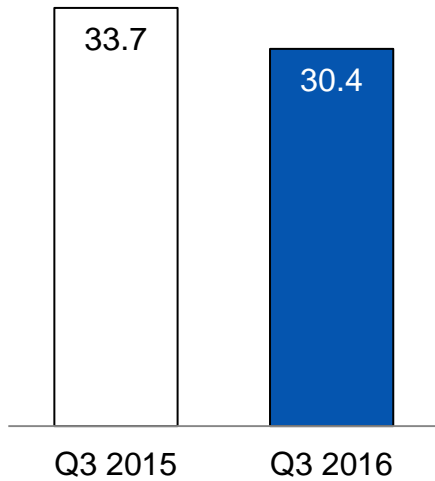
Part 1:
Third Quarter 2016 Performance

Part 2:
Growth Strategy Overview

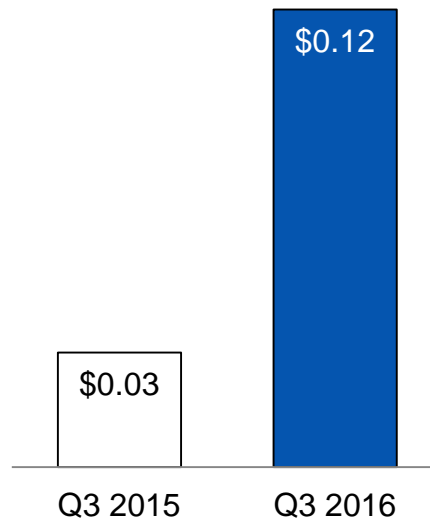
We improved earnings significantly as we operated smarter and continued to invest in member growth.

Q3 2016 Financial Performance

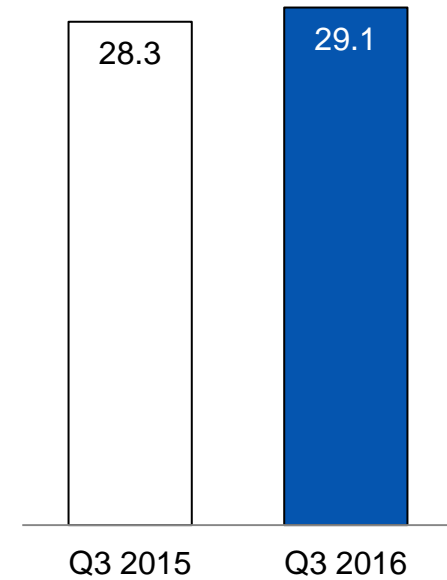
Revenue
\$ millions



Non-GAAP EPS*
\$ per share



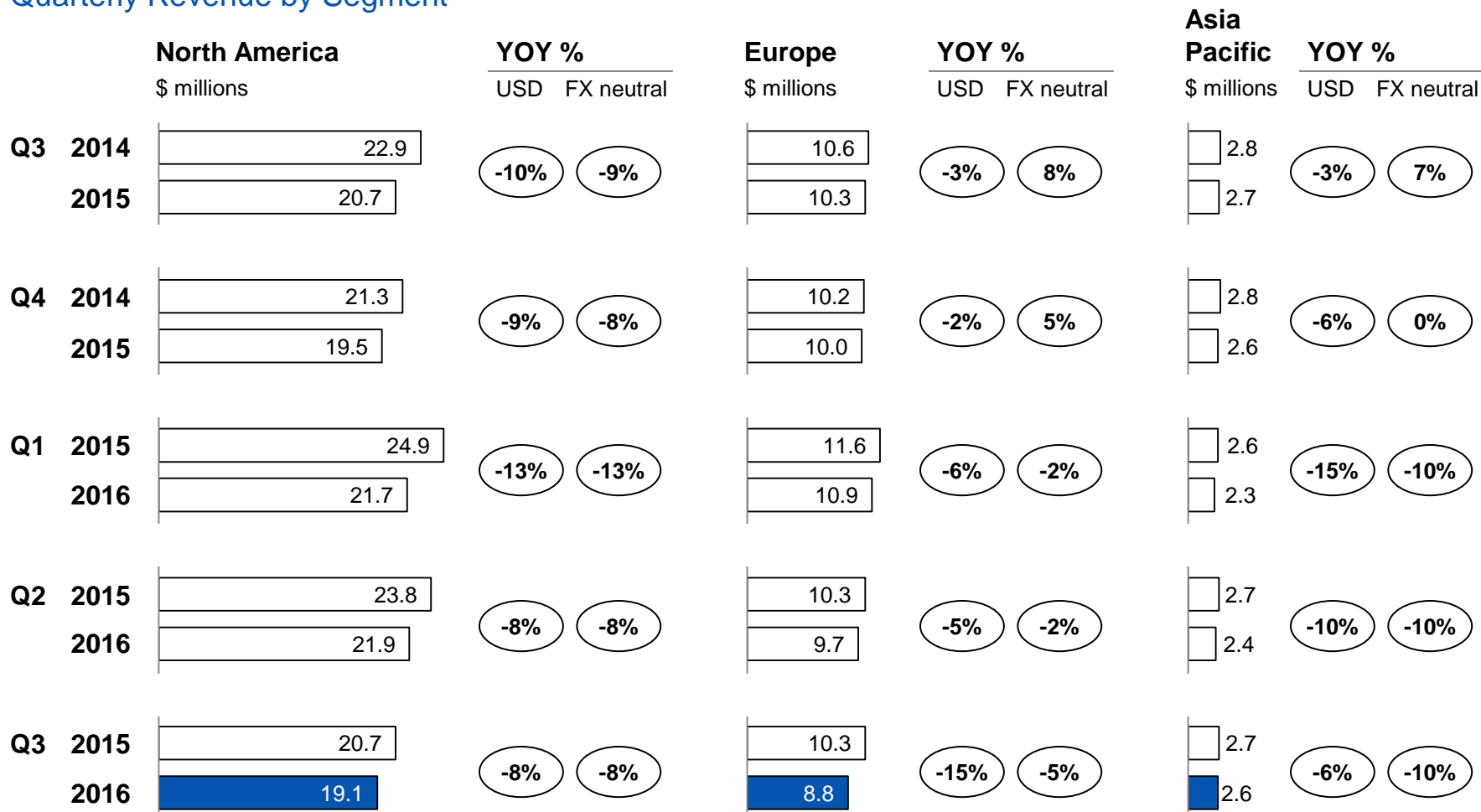
Members
Millions



* See appendix for non-GAAP reconciliation

Reported revenues in USD were impacted by unfavorable F/X trends mostly due to effect of Brexit on the GBP.

Quarterly Revenue by Segment*

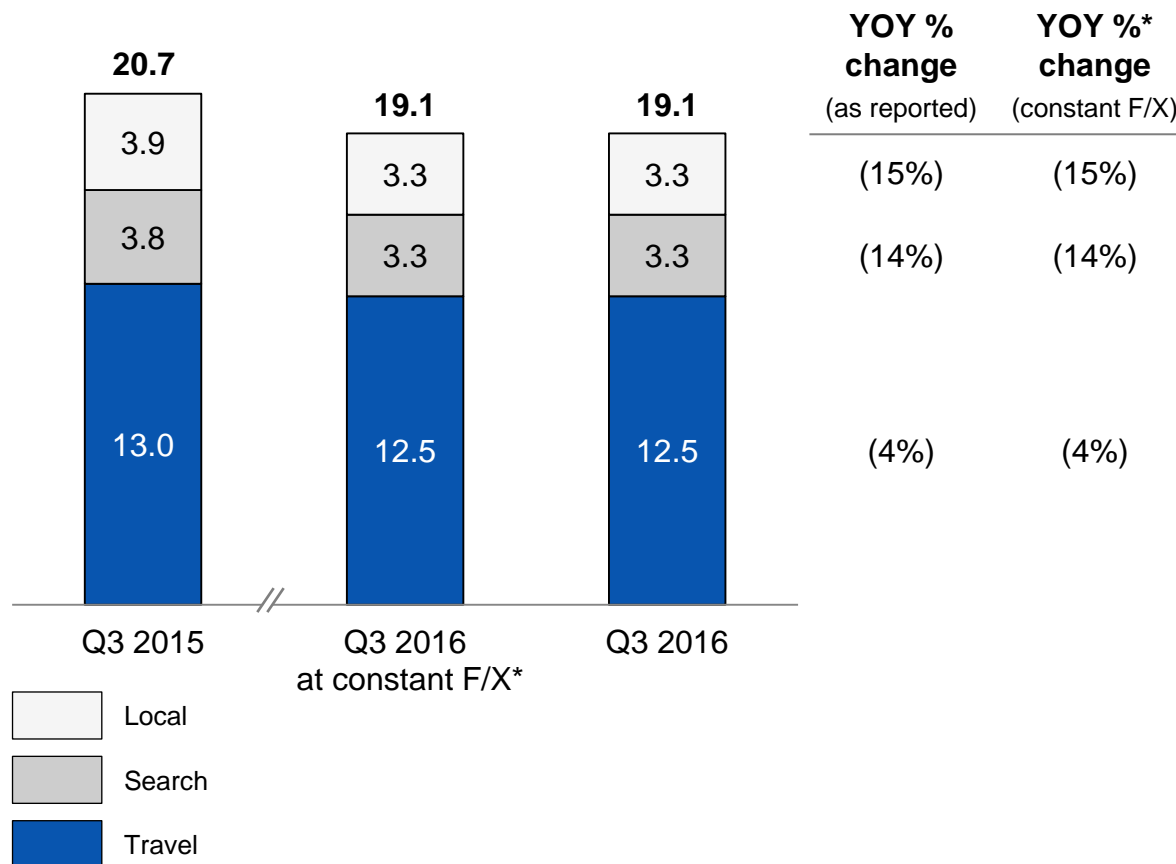


* Overall impact of unfavorable F/X trends is 0.8 million

North America revenue decreased as we continued to focus and streamline our business.

North America Revenue by Type

\$ millions



Highlights*

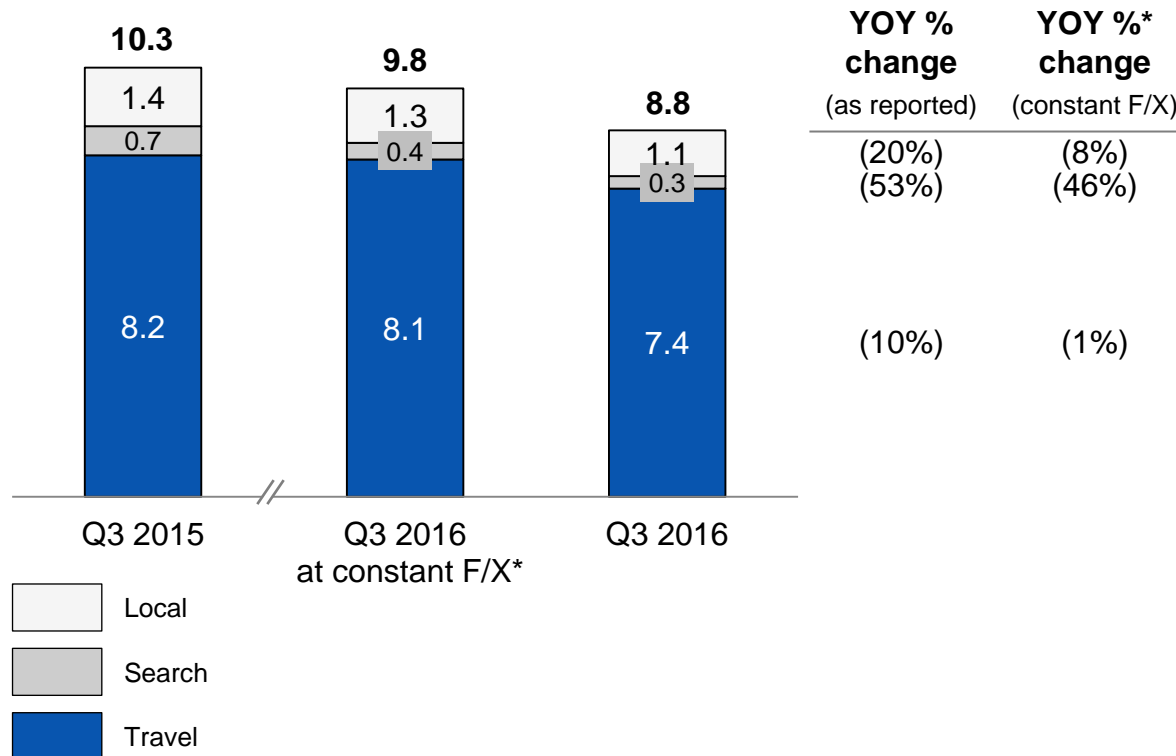
- **Travel** –YOY 4% decrease driven primarily by elimination of unprofitable business activities partially offset by growth in revenue from hotels.
- **Search** –YOY 14% decrease due to reduced traffic acquisition during the quarter.
- **Local** –YOY 15% decrease driven by focusing on fewer cities and elimination of unprofitable activities.

* Based on constant F/X rates for CAD

Revenue in Europe was down as we are facing significant currency and travel industry headwinds in the region.

Europe Revenue by Type

\$ millions



Highlights*

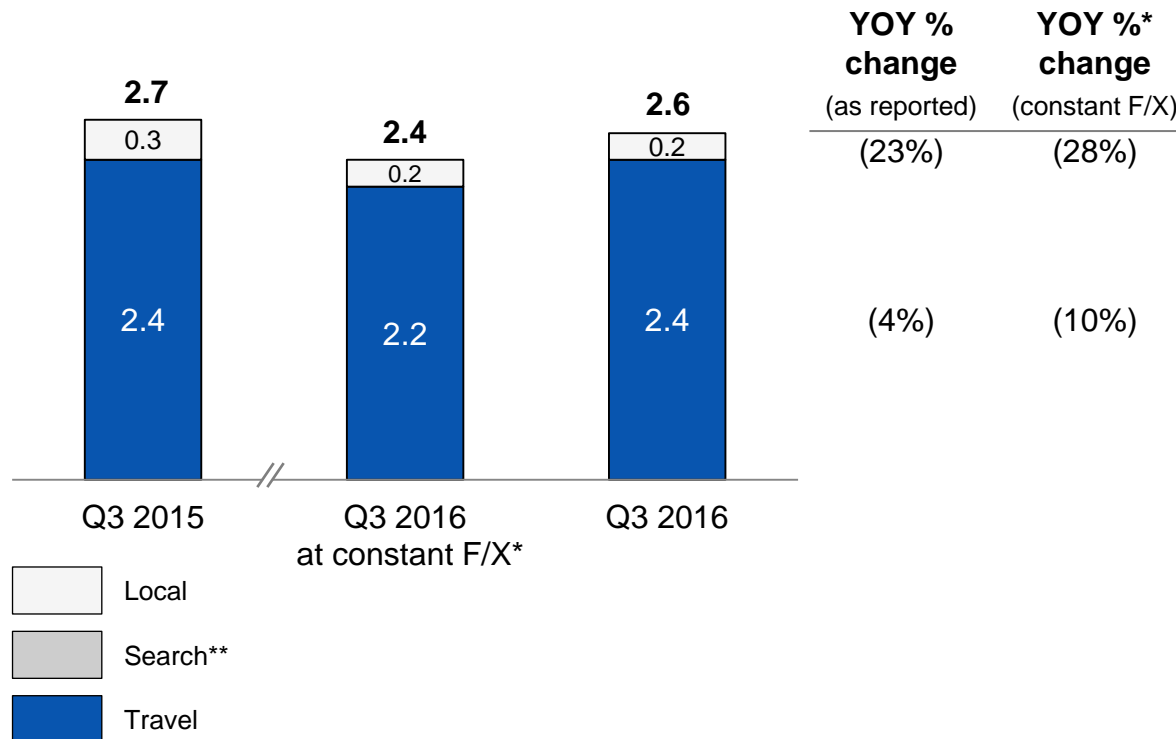
- **Travel** – YOY 1% decrease due to industry headwinds.
- **Search** – YOY 46% decrease driven by reduced traffic acquisition spend.
- **Local** – YOY 8% decrease driven by seasonally lower voucher sales.

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

Asia Pacific revenue down as we are restructuring our sales operations to become more effective.

Asia Pacific Revenue by Type

\$ millions



Highlights*

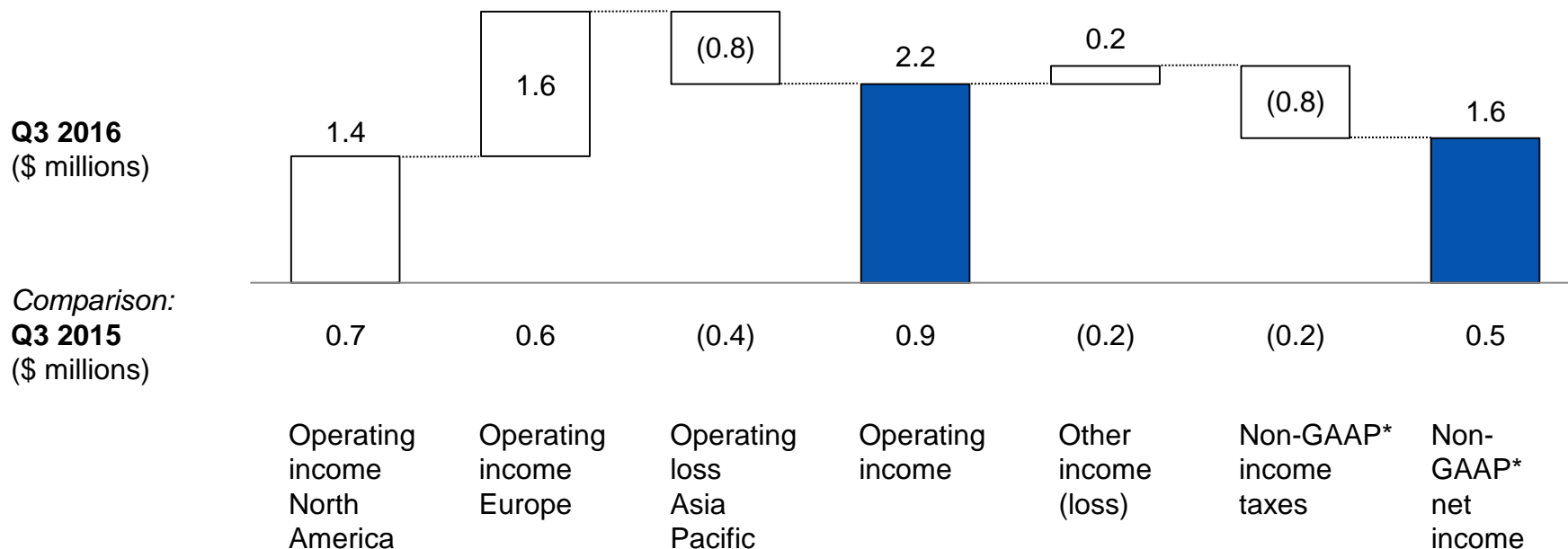
- **Travel** –YOY 10% decrease driven by reorganization of sales teams in various countries.
- **Local** –YOY 28% decrease driven by focusing on most attractive local opportunities.

* Based on constant F/X rates for Asian currencies

** Asia Pacific has limited Search revenues

Operating income doubled year-over-year in Europe and North America. APAC operating loss was up due to increased investments in member acquisition.

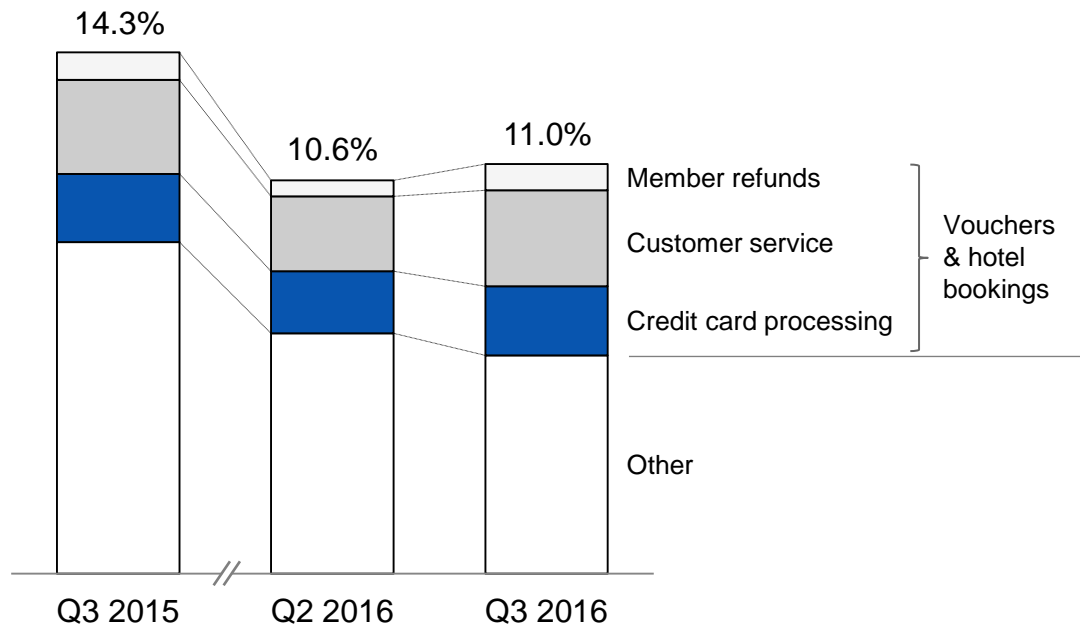
Year-Over-Year Comparison



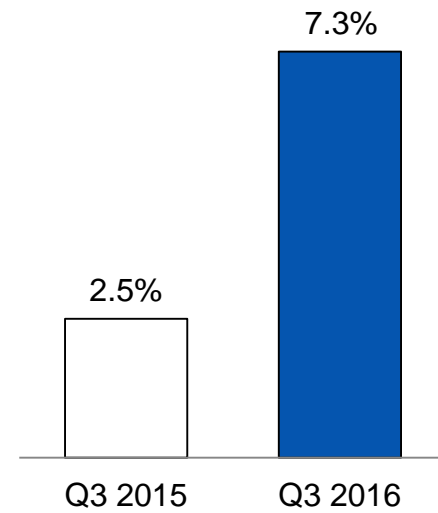
* See appendix for non-GAAP reconciliation

With a smaller portion of voucher sales and syndication, cost of revenues decreased YoY. Operating margin more than doubled year-over-year.

Cost of Revenue
as percentage of revenue



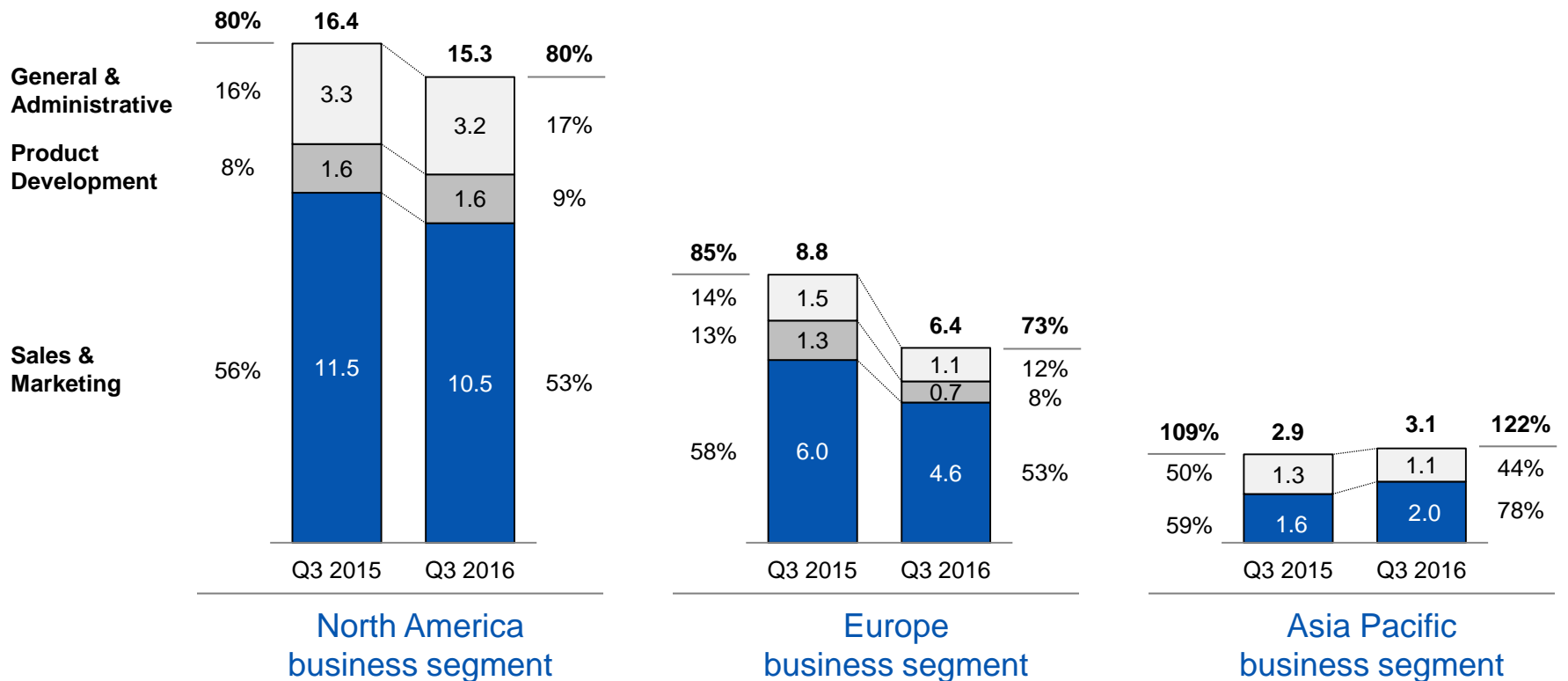
Operating Margin
as percentage of revenue



Total operating expenses decreased in North America and Europe as a result of operating smarter. Asia Pacific increase in expense due to member acquisition.

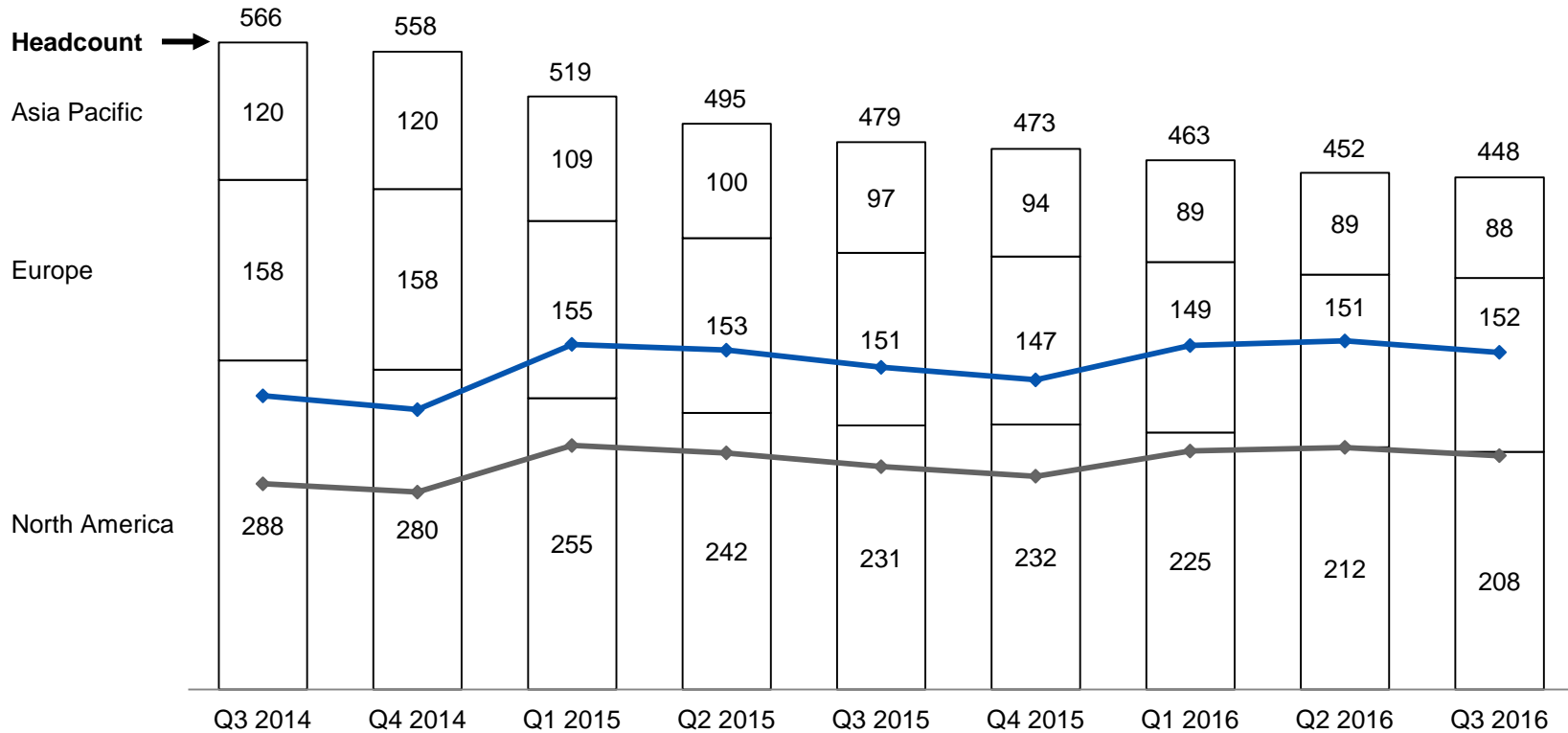
Operating Expenses

\$ millions and as percentage of revenue



Productivity is up year-over-year.

Headcount and Average Annualized Revenue per Employee



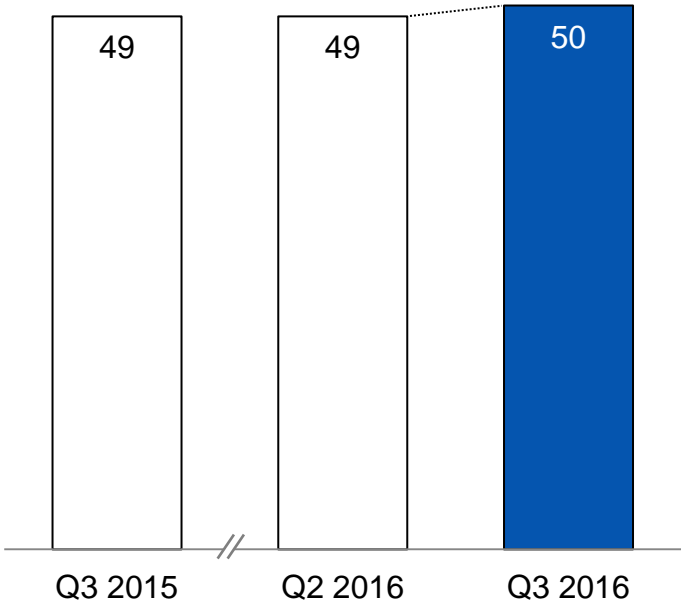
Revenue per employee (\$ thousands)

	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Without Asia	\$300	\$288	\$356	\$345	\$325	\$311	\$348	\$353	\$341
With Asia	\$257	\$245	\$302	\$297	\$282	\$271	\$301	\$305	\$295

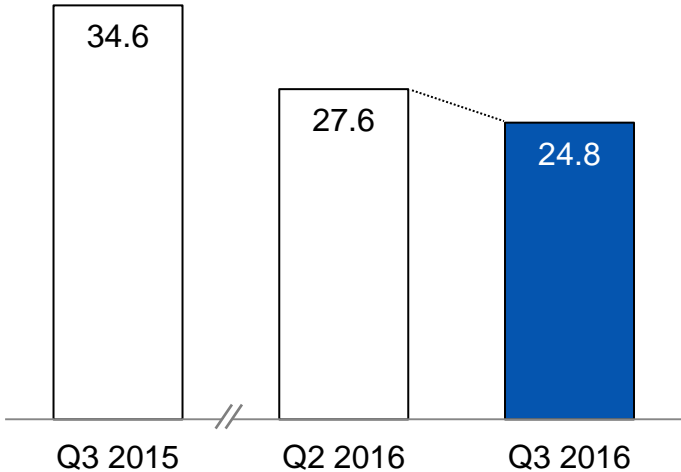
DSO relatively flat and cash position solid after continued stock repurchases.

DSO and Cash Balances

DSO (Days Sales Outstanding)
of days



Cash Balance at End of Quarter*
\$ millions



* Includes cash and cash equivalents



Third Quarter 2016 Performance Summary

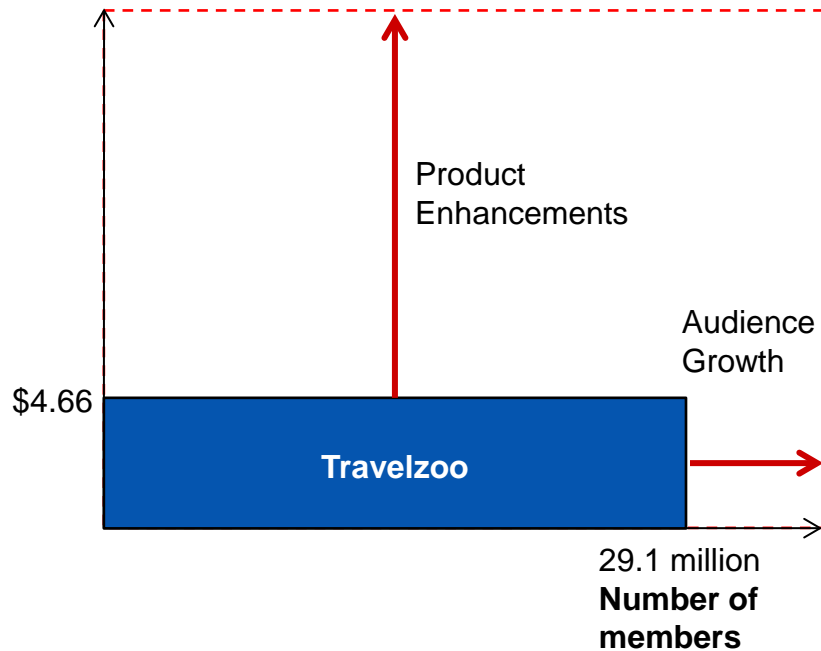
- Majority of revenue declines driven by planned reductions in Local, Search and syndication revenue as well as negative F/X.
- Improvements in profitability and operating costs given our continued focus on operating smarter.
- Solid cash position after continued stock repurchases.

Part 1:
Third Quarter 2016 Performance

Part 2:
Growth Strategy Overview

Our growth strategy continues to build on enhancing our products and growing our audience.

Annual revenue per member*
US\$ per member



Long-term growth in our business is driven by our audience, people, and products.

Strategic Elements

1. Audience:

Grow members, but also mobile users, Facebook fans, and Twitter followers.

2. Products:

Enhance our products to enable users to search "what", "where" and "when", particularly on mobile and for hotels.

* Defined as year-to-date annualized revenue divided by the number of members at beginning of year

Our strategic investments are focused on member growth, product enhancements, and enabling date-specific hotel search.

Strategic Priorities

Member Growth

- Add new members at faster pace than past 3-4 years
- Combine online marketing and referrals, and test off-line campaigns
- Leverage social media/marketing

Progress and Outlook

- Over 750,000 new members added during the quarter
- Current levels of quarterly spend to continue, subject to ROI goals
- Greater investments in Asia Pacific, particularly China

Product Enhancements

- Make all products more mobile-friendly
- Simplify user experience and functionality
- Enable searches for “what”, “where” and “when”

Progress and Outlook

- New, fully responsive website now live in the U.S.
- Members can now search for “what”, “where”, and “when” on both desktop and mobile.

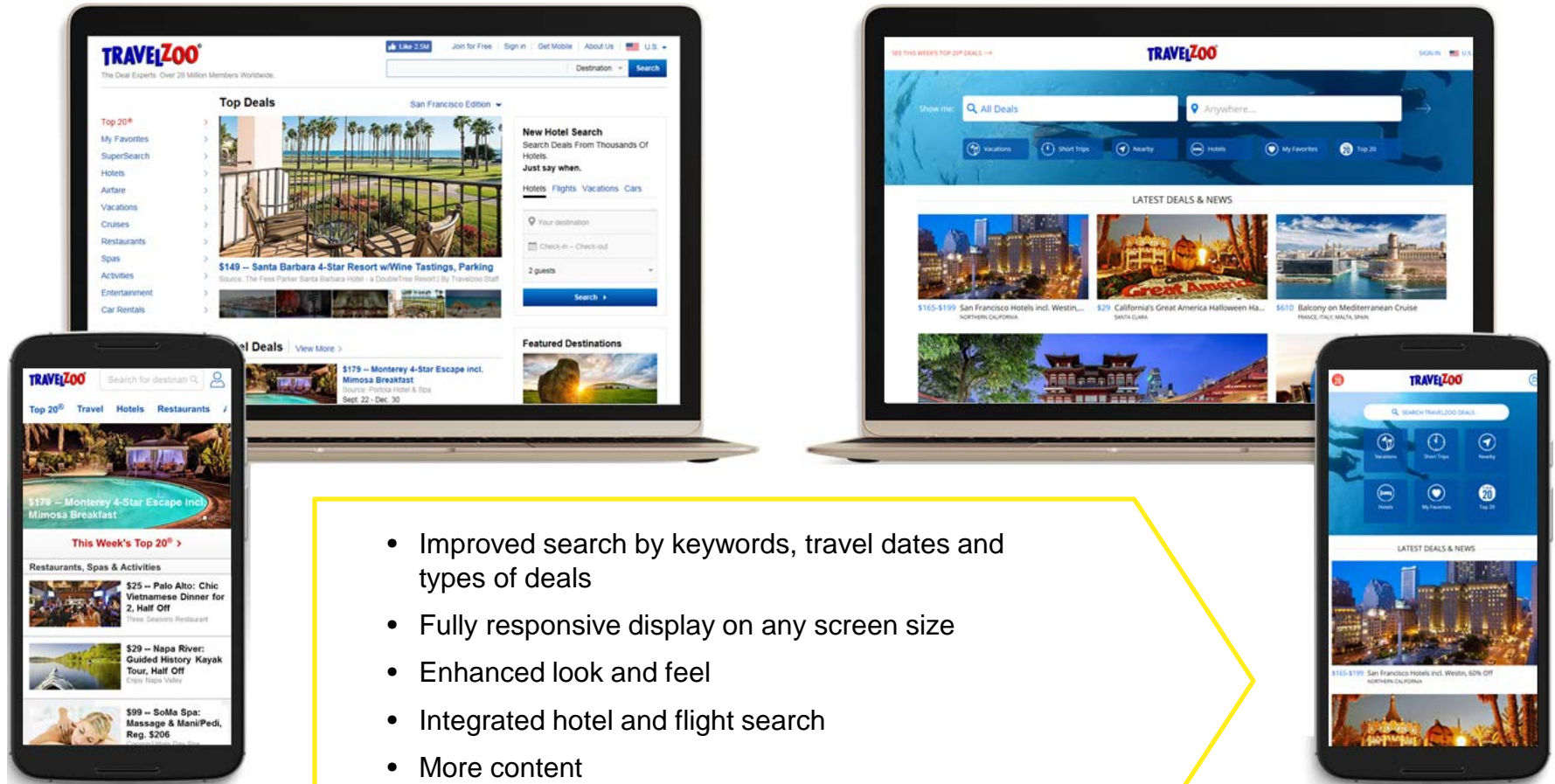
Date-specific Hotel Search

- Enable members and users to find hotel deals where and when they need them
- Enhance user experience and hotel relations via the global universal hotel platform

Progress and Outlook

- Hotel search live in U.S., Canada, UK and Germany.
- Number of hotels on platform increased 129% year-over-year.
- Hotel search functionality fully integrated in new responsive site

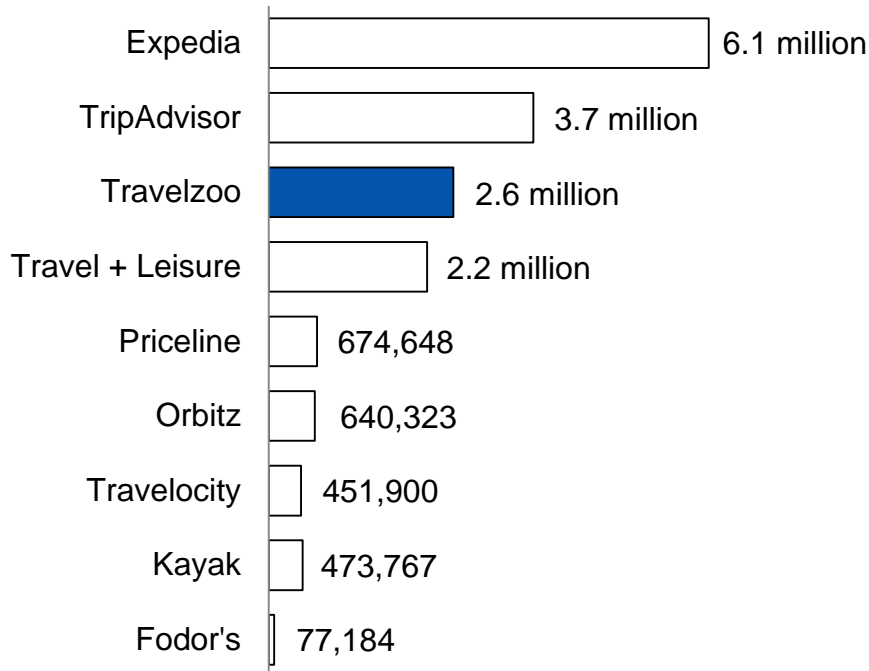
We launched a new responsive website to help our members find our high-quality deals more easily through improved search and look & feel.



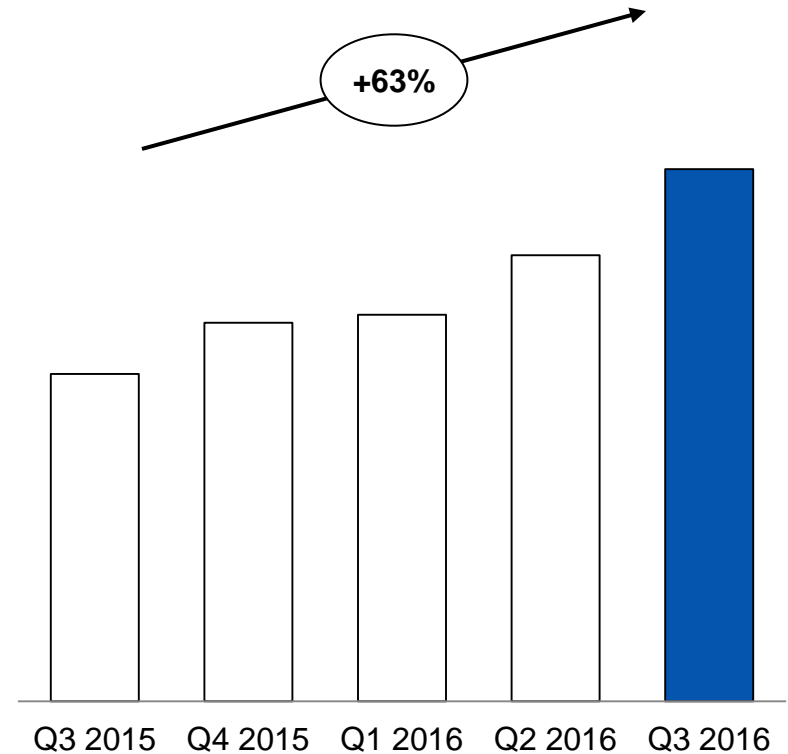
- Improved search by keywords, travel dates and types of deals
- Fully responsive display on any screen size
- Enhanced look and feel
- Integrated hotel and flight search
- More content
- Positive user feedback and improved usage metrics

We continue to increase engagement beyond email on social media and deliver content to our members in new ways.

Facebook Audience Compared to Other Travel Brands (as of October 3, 2016)
Million



Total Number of Visits from Facebook During the Quarter U.S.



We continue to believe that deal quality drives member loyalty and positions us well for long-term success.

High-Quality Local Deals

Highly rated restaurants, luxe spas, top shows and exciting local adventures.



Outstanding Travel Deals

We feature deals at Travel + Leisure's World's Best 500 and Conde Nast Traveler's Gold List.



Top 20® list

This week's most outstanding travel, entertainment and local deals, researched and tested.



Management Focus

- ✓ Maintain our quality leadership position by publishing high-quality deals and tightening brand control.
- ✓ Resume top-line revenue growth by investing in:
 - Products that make it easier for members and users to find deals when and where they need them, particularly on mobile and for hotels.
 - Audience growth and engagement, across email, web, social and mobile.
- ✓ Invest for future growth while remaining profitable.

APPENDIX

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

North America		Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	YTD 2014	YTD 2015	YTD 2016
Travel		17,265	15,149	13,944	12,747	16,041	14,689	12,986	12,340	14,757	14,240	12,493	46,358	43,715	41,490
	Q/Q growth rate	16%	-12%	-8%	-9%	26%	-8%	-12%	-5%	-20%	-4%	-12%			
	Y/Y growth rate	-1%	-7%	-6%	-15%	-7%	-3%	-7%	-3%	-8%	-3%	-4%	-5%	-6%	-5%
Search		4,071	4,154	4,216	3,447	4,738	3,900	3,816	2,973	3,638	3,996	3,268	12,441	12,453	10,902
	Q/Q growth rate	1%	2%	2%	-18%	37%	-2%	-18%	-22%	10%	10%	-18%			
	Y/Y growth rate	-30%	-33%	-23%	-14%	16%	-6%	-9%	-14%	-23%	2%	-14%	-29%	0%	-12%
Local		5,267	6,080	4,763	5,089	4,157	5,232	3,891	4,141	3,257	3,664	3,298	16,109	13,279	10,219
	Q/Q growth rate	-23%	15%	-22%	7%	-18%	26%	-26%	6%	-21%	13%	-10%			
	Y/Y growth rate	-22%	-22%	-22%	-25%	-21%	-14%	-18%	-19%	-22%	-30%	-15%	-22%	-18%	-23%
Total North America Revenues		26,602	25,383	22,922	21,283	24,935	23,820	20,693	19,454	21,652	21,900	19,059	74,907	69,448	62,611
	Q/Q growth rate	3%	-5%	-10%	-7%	17%	-4%	-13%	-6%	11%	1%	-13%			
	Y/Y growth rate	-11%	-16%	-13%	-17%	-6%	-6%	-10%	-9%	-13%	-8%	-8%	-14%	-7%	-10%
Europe		Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	YTD 2014	YTD 2015	YTD 2016
Travel		10,590	8,850	8,473	7,933	9,449	8,154	8,191	7,810	9,006	8,075	7,358	27,913	25,794	24,440
	Q/Q growth rate	22%	-16%	-4%	-6%	19%	-14%	0%	-5%	15%	-10%	-9%			
	Y/Y growth rate	15%	9%	4%	-9%	-11%	-8%	-3%	-2%	-5%	-1%	-10%	10%	-8%	-5%
Search		1,352	798	455	405	640	698	725	332	333	242	341	2,604	2,064	917
	Q/Q growth rate	78%	-41%	-43%	-11%	58%	9%	4%	-54%	0%	-27%	41%			
	Y/Y growth rate	40%	-18%	-46%	-47%	-53%	-12%	59%	-18%	-48%	-65%	-53%	-6%	-21%	-56%
Local		1,673	1,887	1,668	1,891	1,473	1,406	1,402	1,852	1,551	1,382	1,117	5,228	4,281	4,050
	Q/Q growth rate	-27%	13%	-12%	13%	-22%	-5%	0%	32%	-16%	-11%	-19%			
	Y/Y growth rate	-22%	-8%	-13%	-17%	-12%	-25%	-16%	-2%	5%	-2%	-20%	-14%	-18%	-5%
Total Europe Revenues		13,615	11,535	10,595	10,230	11,562	10,259	10,317	9,994	10,891	9,699	8,816	35,745	32,138	29,407
	Q/Q growth rate	16%	-15%	-8%	-3%	13%	-11%	1%	-3%	9%	-11%	-9%			
	Y/Y growth rate	11%	4%	-3%	-13%	-15%	-11%	-3%	-2%	-6%	-5%	-15%	4%	-10%	-8%
Asia		Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	YTD 2014	YTD 2015	YTD 2016
Travel		2,343	2,251	2,322	2,392	2,259	2,345	2,425	2,326	2,028	2,220	2,334	6,916	7,029	6,582
	Q/Q growth rate	-5%	-4%	3%	3%	-6%	4%	3%	-4%	-13%	9%	5%			
	Y/Y growth rate	-4%	-11%	-2%	-3%	-4%	4%	4%	-3%	-10%	-5%	-4%	-6%	2%	-6%
Search		30	34	25	12	11	16	3	4	5	9	8	88	30	22
	Q/Q growth rate	5%	14%	-27%	-51%	-5%	38%	-78%	6%	41%	72%	-8%			
	Y/Y growth rate	-51%	-61%	-56%	-58%	-62%	-53%	-86%	-70%	-55%	-44%	136%	-57%	-65%	-28%
Local		454	397	443	374	377	353	289	274	228	218	223	1,293	1,020	669
	Q/Q growth rate	-18%	-12%	11%	-16%	1%	-6%	-18%	-5%	-17%	-5%	2%			
	Y/Y growth rate	4%	-28%	-14%	-32%	-17%	-11%	-35%	-27%	-40%	-38%	-23%	-14%	-21%	-34%
Total Asia Revenues		2,826	2,681	2,790	2,778	2,648	2,713	2,718	2,604	2,261	2,447	2,565	8,297	8,079	7,273
	Q/Q growth rate	-7%	-5%	4%	0%	-5%	2%	0%	-4%	-13%	8%	5%			
	Y/Y growth rate	-4%	-15%	-5%	-9%	-6%	1%	-3%	-6%	-15%	-10%	-6%	-8%	-3%	-10%
Consolidated		Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	YTD 2014	YTD 2015	YTD 2016
Travel		30,198	26,250	24,739	23,072	27,749	25,187	23,601	22,476	25,791	24,535	22,185	81,187	76,537	72,512
	Q/Q growth rate	16%	-13%	-6%	-7%	20%	-9%	-6%	-5%	-5%	15%	-10%			
	Y/Y growth rate	4%	-3%	-2%	-12%	-8%	-4%	-5%	-3%	-7%	-3%	-6%	0%	-6%	-5%
Search		5,453	4,985	4,695	3,864	5,389	4,614	4,545	3,309	3,977	4,247	3,617	15,133	14,547	11,840
	Q/Q growth rate	13%	-9%	-6%	-18%	39%	-14%	-1%	-27%	20%	7%	-15%			
	Y/Y growth rate	-20%	-31%	-26%	-20%	-1%	-7%	-3%	-14%	-26%	-8%	-20%	-26%	-4%	-19%
Local		7,393	8,364	6,873	7,354	6,007	6,991	5,582	6,267	5,036	5,264	4,638	22,630	18,579	14,938
	Q/Q growth rate	-23%	13%	-18%	7%	-18%	16%	-20%	12%	-20%	5%	-12%			
	Y/Y growth rate	-20%	-20%	-19%	-24%	-19%	-16%	-19%	-15%	-16%	-25%	-17%	-20%	-18%	-20%
Total Consolidated Revenues		43,043	39,599	36,307	34,291	39,145	36,792	33,728	32,052	34,804	34,046	30,440	118,950	109,664	99,290
	Q/Q growth rate	6%	-8%	-8%	-6%	14%	-6%	-8%	-5%	9%	-2%	-11%			
	Y/Y growth rate	-5%	-11%	-10%	-15%	-9%	-7%	-7%	-7%	-11%	-7%	-10%	-9%	-8%	-9%

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

(1) Booking

(2) Search includes SuperSearch and Fly.com

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

Travelzoo Inc.
Reconciliation of GAAP to Non-GAAP Information
(Unaudited)
(In thousands, except per share amounts)

	Three months ended	
	September 30,	
	2016	2015
GAAP income tax expense (benefit)	\$ 837	\$ (8,199)
Non-GAAP adjustments (a)	—	8,413
Non-GAAP income tax expense	\$ 837	\$ 214
GAAP effective tax rate	34.1 %	(1,246.0) %
Non-GAAP adjustments (a)	— %	1,278.5 %
Non-GAAP effective tax rate	34.1 %	32.5 %
GAAP net income	\$ 1,619	\$ 8,857
Non-GAAP adjustments (a)	—	(8,413)
Non-GAAP net income	\$ 1,619	\$ 444
GAAP diluted earnings per share	\$ 0.12	\$ 0.60
Non-GAAP adjustments (a)	—	(0.57)
Non-GAAP earnings per share	\$ 0.12	\$ 0.03

(a) Includes an \$8.4 million release of a tax reserve for the three months ended September 30, 2015, related to the unexchanged promotional shares.