



Second Quarter 2017 Performance and Business Update

July 27, 2017

Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's second quarter 2017 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.

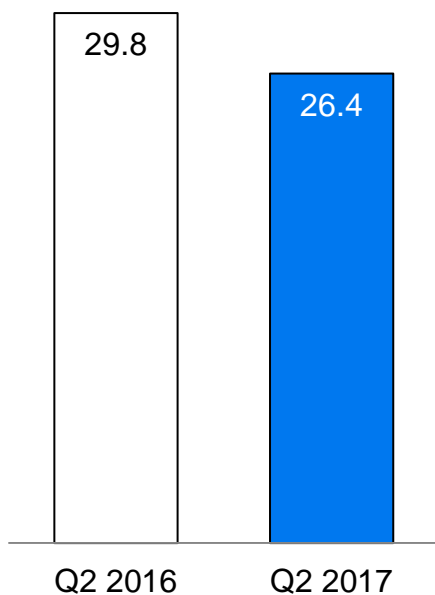
Part 1:
Second Quarter 2017 Performance

Part 2:
Business Update

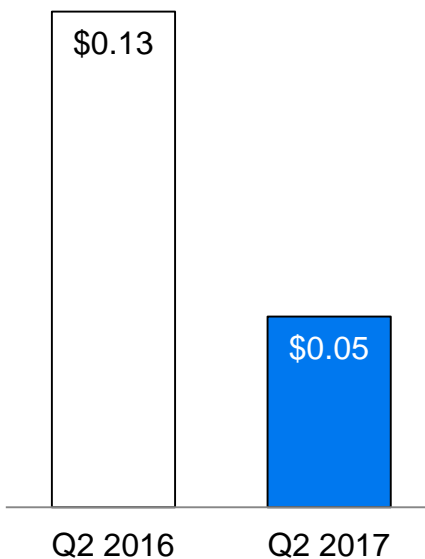
A combination of lower revenues, a higher effective tax rate* and unfavorable F/X trends led to lower net earnings.

Q2 2017 Financial Performance

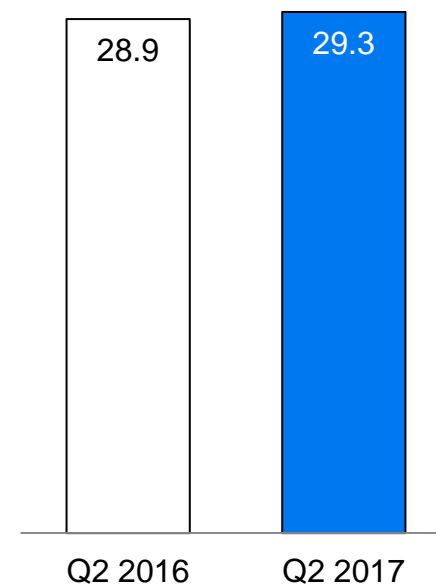
Revenue
(continuing operations)
\$ millions



EPS
(continuing operations)
\$ per share



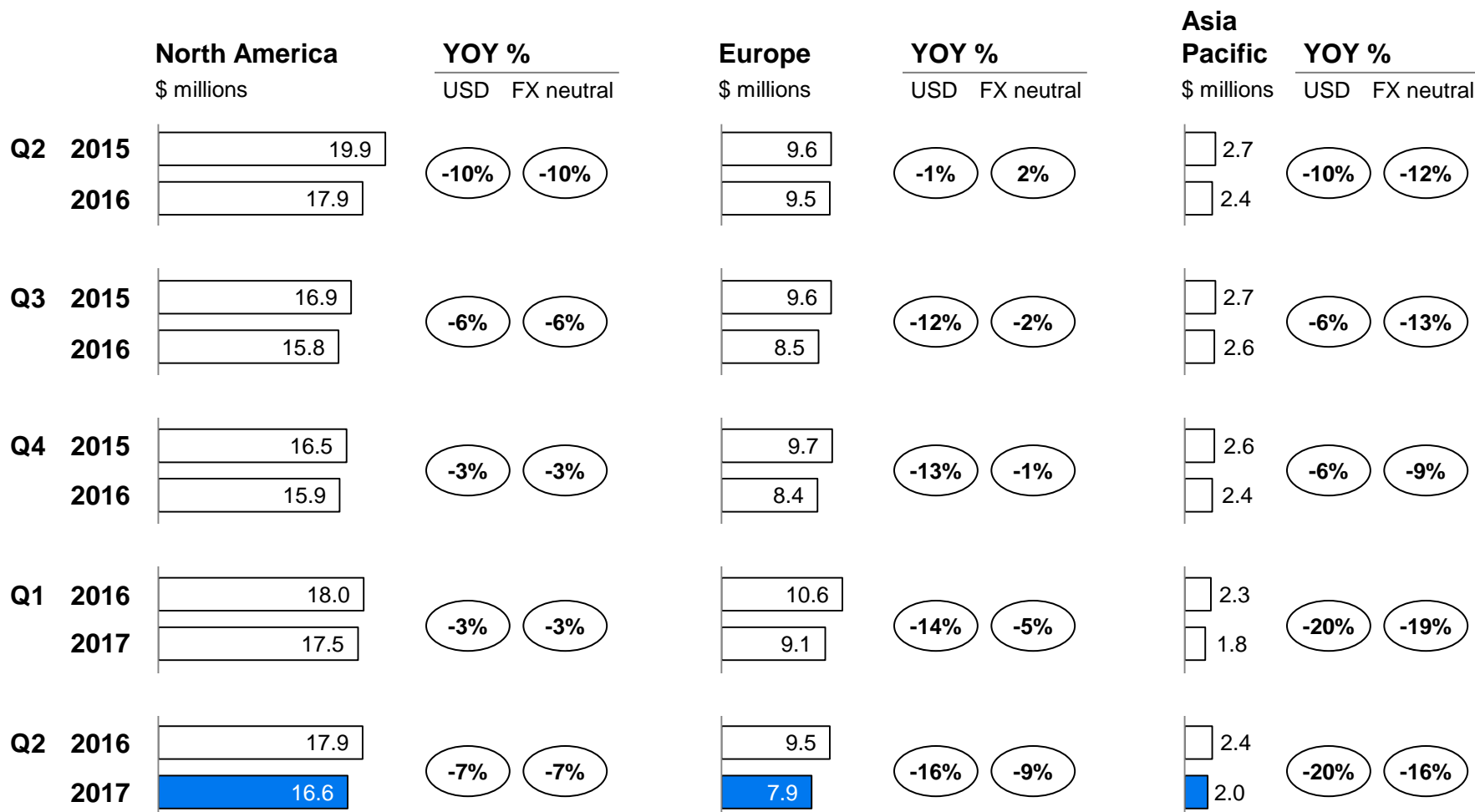
Members
Millions



* Higher effective tax rate, due to geographic mix of income, was 55% in Q2 2017 vs. 46% in Q2 2016

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

Quarterly Revenue by Segment*

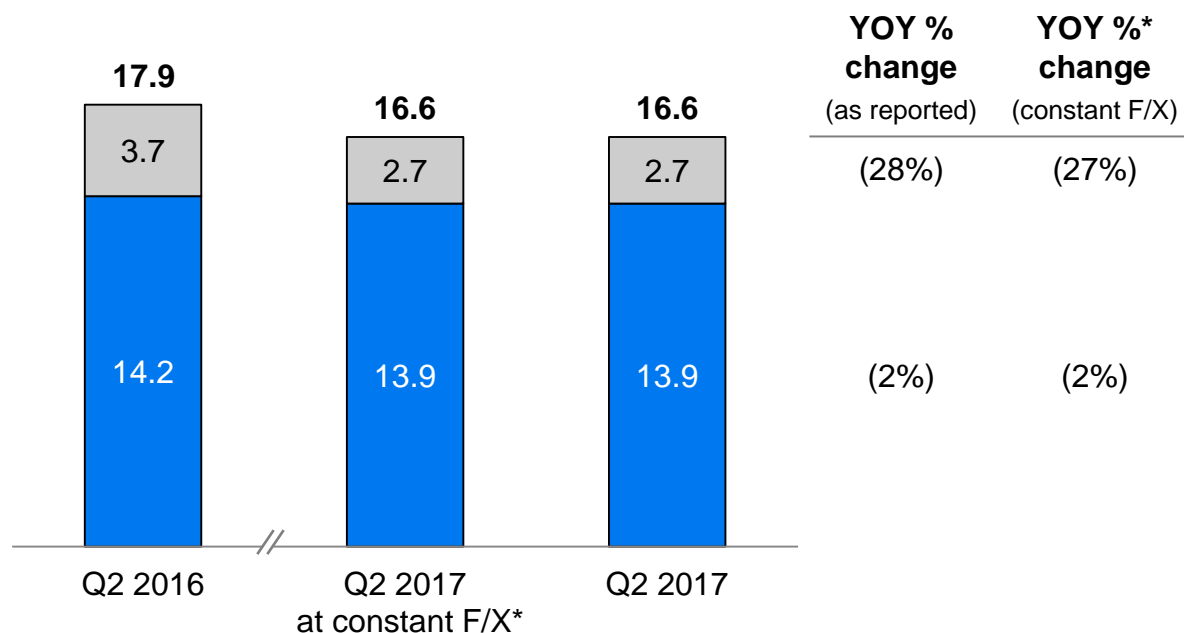


* Overall impact of unfavorable F/X trends during Q2 2017 is \$785,000

In North America, revenues from our core Travel products and the hotel platform continued to increase year-over year

North America Revenue by Type

\$ millions



Highlights*

- **Travel** – YOY 2% decrease driven primarily by lower Newsflash revenues of \$0.8 million.
- **Local** – YOY 27% decrease driven by focusing on fewer cities and elimination of unprofitable activities.

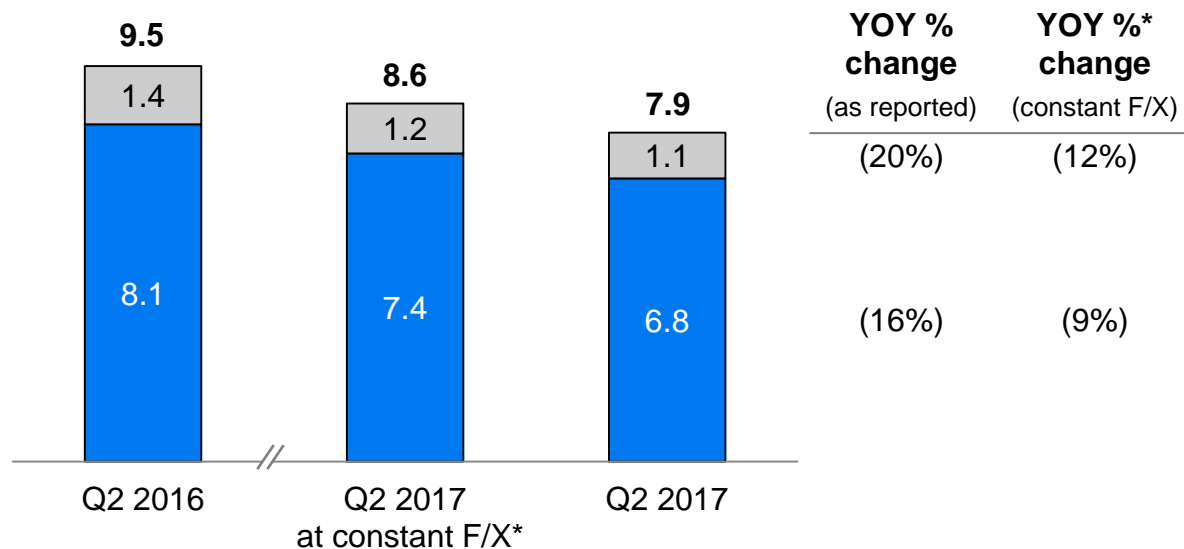


* Based on constant F/X rates for CAD

In Europe, revenue continued to be impacted by unfavorable foreign currency rates and a difficult environment for sourcing deals.

Europe Revenue by Type

\$ millions



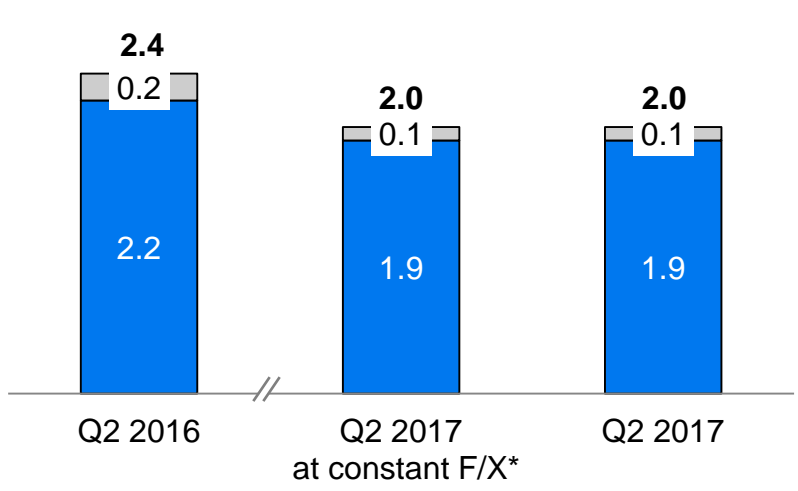
Highlights*

- **Travel** – YOY 9% decrease due to a difficult industry environment for sourcing deals.
- **Local** – YOY 12% decrease driven by lower voucher sales.

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

In Asia Pacific, understaffed sales teams in some countries and offices impacted revenues again in the quarter.

Asia Pacific Revenue by Type
\$ millions



- Local
- Travel

YOY % change	YOY %* change
(as reported)	(constant F/X)
(54%)	(52%)
(15%)	(13%)

Highlights*

- **Travel** – YOY 13% decrease driven by unfilled sales positions in various countries
- **Local** – YOY 52% decrease driven by focusing on most attractive local opportunities.

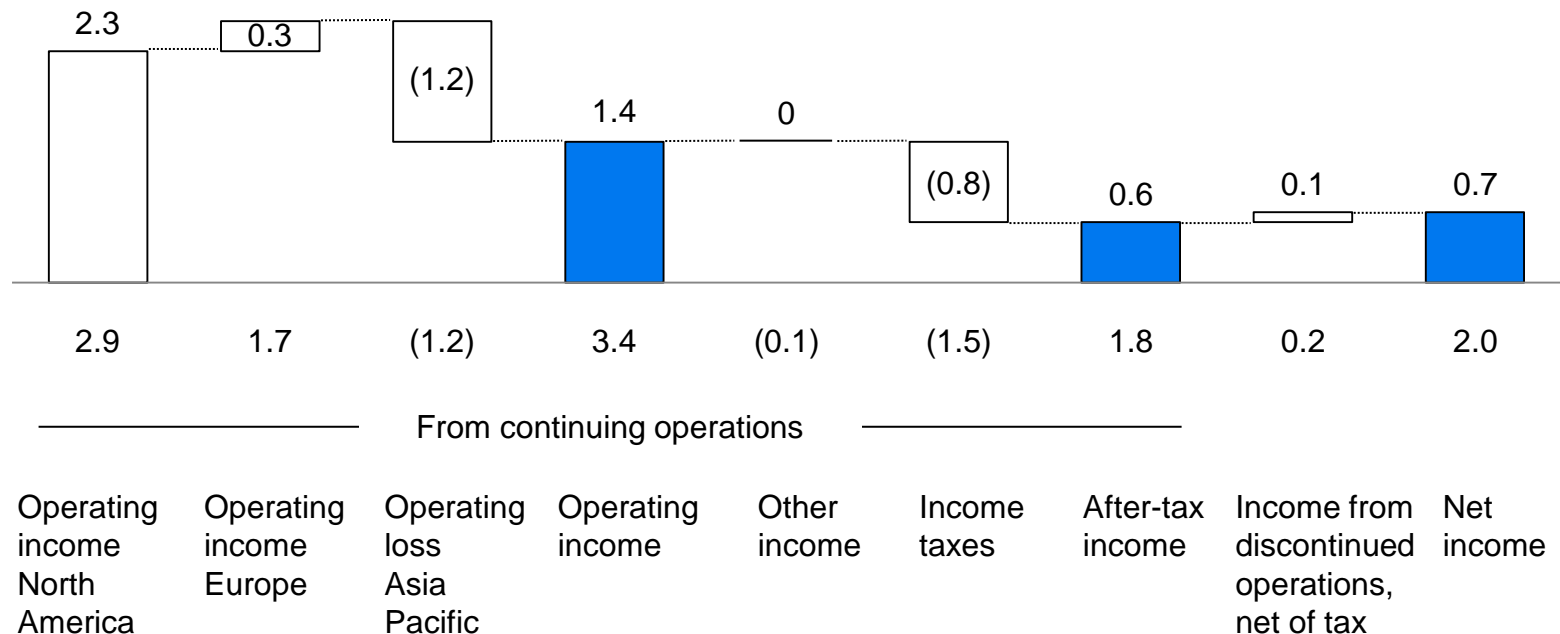
* Based on constant F/X rates for Asian currencies

North America continued strong profitability while lower revenue in Europe and investment losses in Asia led to lower profit.

Year-Over-Year Comparison

Q2 2017
(\$ millions)

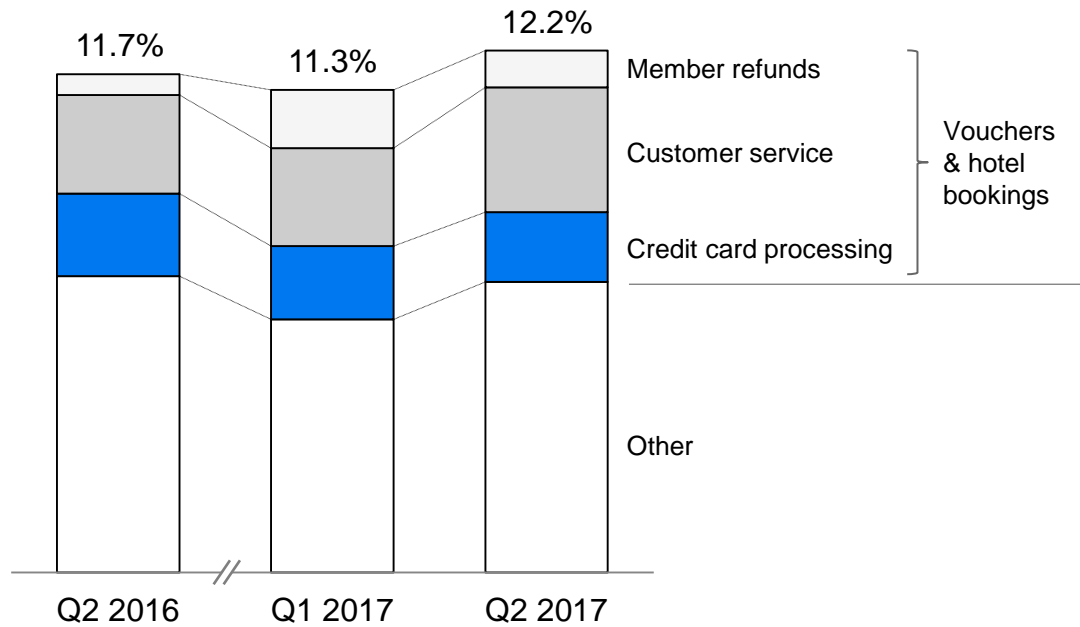
**Comparison:
Q2 2016**
(\$ millions)



Cost of revenues fluctuated slightly year-over-year.

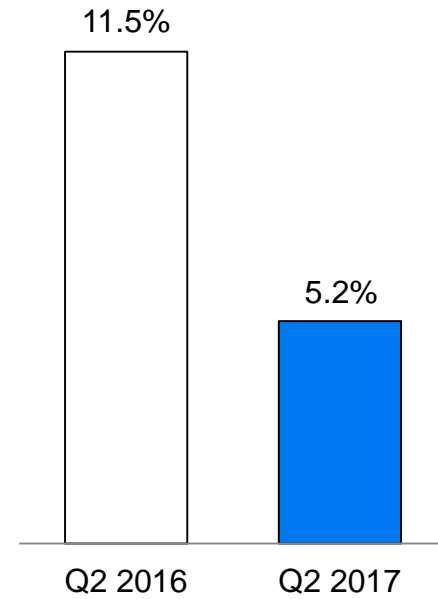
Cost of Revenue

as percentage of revenue



Operating Margin

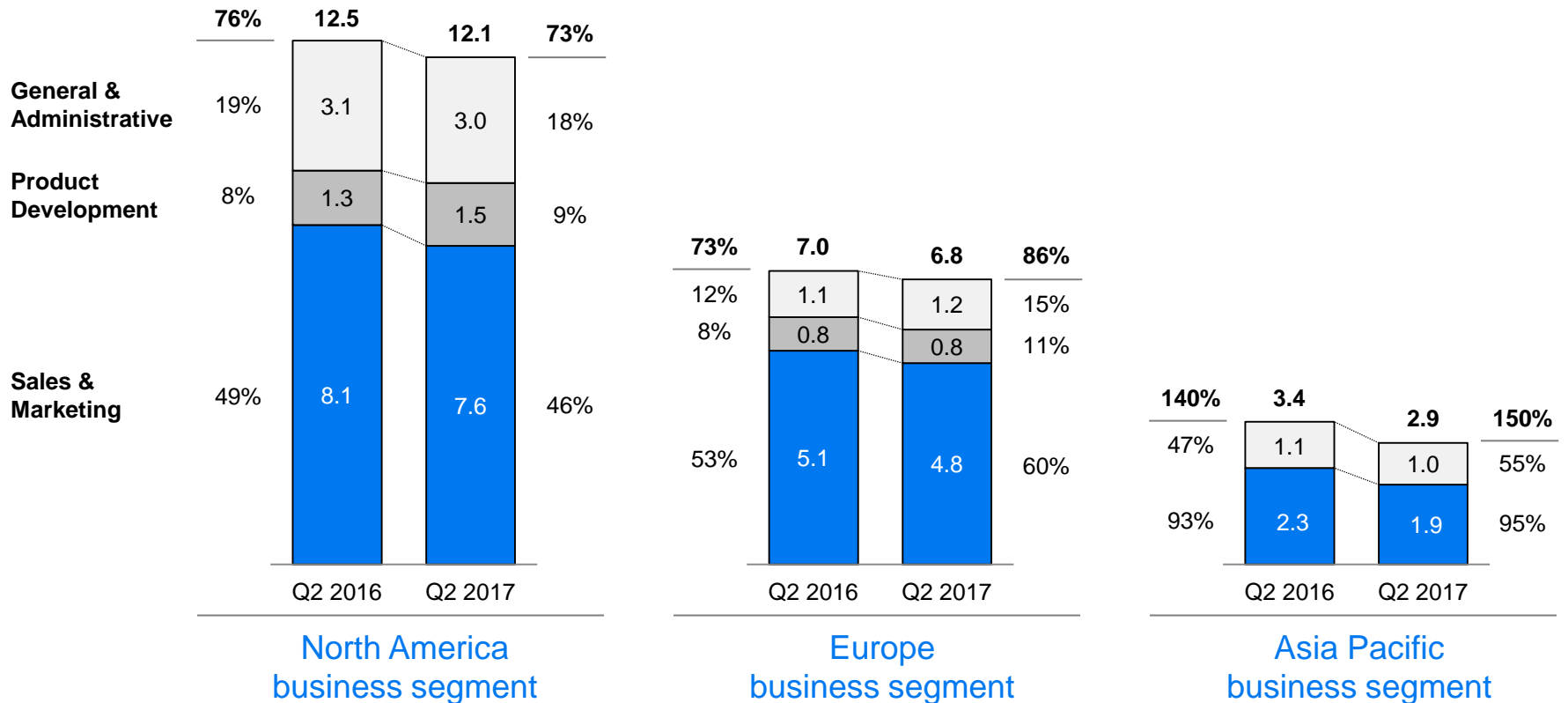
as percentage of revenue



Operating expenses were lower in all segments.

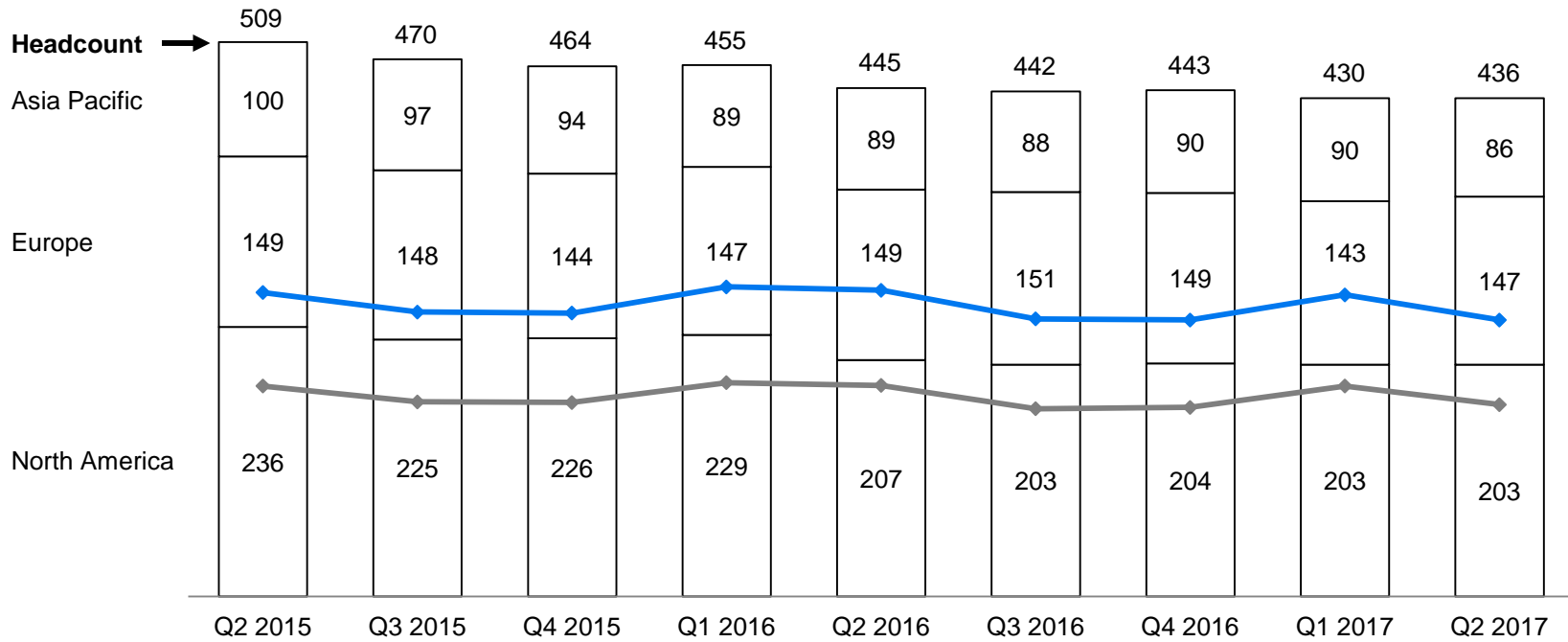
Operating Expenses

\$ millions and as percentage of revenue



Productivity was down as we invest in headcount in certain areas.

Headcount and Average Annualized Revenue per Employee



Revenue per employee (\$ thousands)

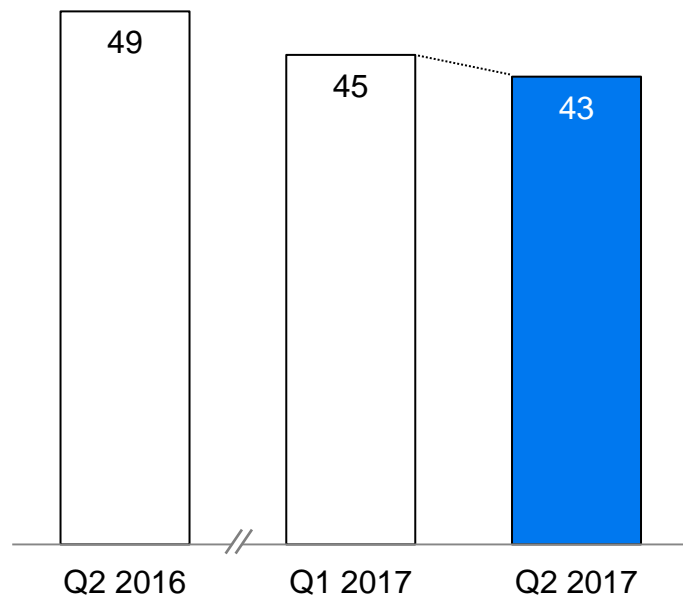
	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Without Asia	\$307	\$284	\$283	\$313	\$308	\$274	\$276	\$307	\$280
With Asia	\$266	\$249	\$248	\$271	\$268	\$243	\$242	\$264	\$242

Cash position decreased from continued stock repurchases and DSO is improved with discontinued Search business.

DSO and Cash Balances

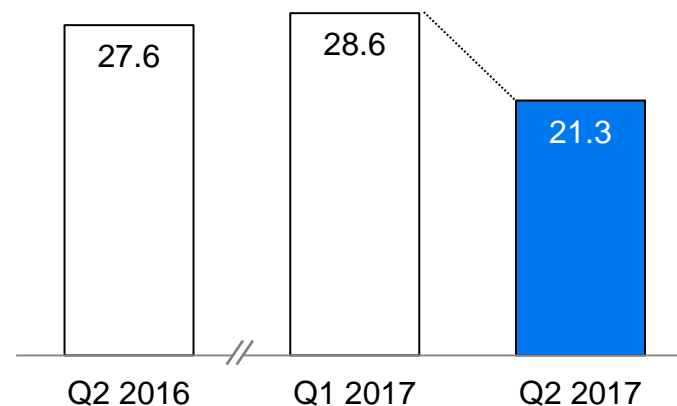
DSO (Days Sales Outstanding)

of days



Cash Balance at End of Quarter*

\$ millions



* Includes cash and cash equivalents

Second Quarter 2017 Performance Summary

- Financial performance stable in North America.
- Asia Pacific revenues impacted by understaffing of sales team.
- Improvements in operating costs came from our continued focus on operating smarter.
- Solid cash position despite cash outflow from large tax payments, reduction of payables and continued stock repurchases during the quarter.

Part 1:
Second Quarter 2017 Performance

Part 2:
Business Update

We are expanding offerings, improve products and launch new marketing programs, which we expect to increase purchases and bookings over the next 12 months.

Growth Initiatives

Offerings

- Stronger membership offering with exclusive benefits and member perks
- More distinctive hotel offering:
 - More exclusive offers
 - Globalization of hotel platform
- Exclusive vacation package offers via partnerships or acquisitions

Products

- New responsive site and hotel platform now rolled out to all countries.
- Enhance technology to make it easier for hotels and other partners to create exclusive member offers quickly and easily
- Personalized alert services
- Increased personalization of our app

Marketing

- More active communication of member benefits to existing and prospective new members
- Development of a loyalty program

- 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.
- Invest in technology to personalize products and make offers more easily accessible
- Resume top-line revenue growth by Q4 2017 or Q1 2018
- Invest for future growth while remaining profitable.

APPENDIX

North America		Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	YTD 2015	YTD 2016	YTD 2017
Travel		16,041	14,689	12,986	12,339	14,758	14,240	12,493	12,759	14,859	13,910	30,729	28,997	28,769
	Q/Q growth rate	26%	-8%	-12%	-5%	20%	-4%	-12%	2%	16%	-6%			
	Y/Y growth rate	-7%	-3%	-7%	-3%	-8%	-3%	-4%	3%	1%	-2%	-5%	-6%	-1%
Local		4,157	5,232	3,891	4,141	3,257	3,664	3,298	3,190	2,687	2,653	9,388	6,921	5,340
	Q/Q growth rate	-18%	26%	-26%	6%	-21%	13%	-10%	-3%	-16%	-1%			
	Y/Y growth rate	-21%	-14%	-18%	-19%	-22%	-30%	-15%	-23%	-18%	-28%	-17%	-26%	-23%
Total North America Revenues		20,198	19,920	16,876	16,480	18,014	17,904	15,791	15,949	17,546	16,563	40,118	35,919	34,108
	Q/Q growth rate	13%	-1%	-15%	-2%	9%	-1%	-12%	1%	10%	-6%			
	Y/Y growth rate	-10%	-6%	-10%	-8%	-11%	-10%	-6%	-3%	-3%	-7%	-8%	-10%	-5%
Europe		Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	YTD 2015	YTD 2016	YTD 2017
Travel		9,449	8,154	8,191	7,810	9,007	8,075	7,357	6,646	8,005	6,796	17,603	17,082	14,802
	Q/Q growth rate	19%	-14%	0%	-5%	15%	-10%	-9%	-10%	20%	-15%			
	Y/Y growth rate	-11%	-8%	-3%	-2%	-5%	-1%	-10%	-15%	-11%	-16%	-9%	-3%	-13%
Local		1,473	1,406	1,402	1,852	1,551	1,382	1,117	1,770	1,066	1,102	2,879	2,933	2,168
	Q/Q growth rate	-22%	-5%	0%	32%	-16%	-11%	-19%	59%	-40%	3%			
	Y/Y growth rate	-12%	-25%	-16%	-2%	5%	-2%	-20%	-4%	-31%	-20%	-19%	2%	-26%
Total Europe Revenues		10,922	9,560	9,592	9,662	10,559	9,457	8,474	8,417	9,071	7,898	20,482	20,016	16,969
	Q/Q growth rate	11%	-12%	0%	1%	9%	-10%	-10%	-1%	8%	-13%			
	Y/Y growth rate	-11%	-11%	-5%	-2%	-3%	-1%	-12%	-13%	-14%	-16%	-11%	-2%	-15%
Asia		Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	YTD 2015	YTD 2016	YTD 2017
Travel		2,259	2,345	2,425	2,326	2,027	2,220	2,335	2,263	1,668	1,858	4,604	4,247	3,526
	Q/Q growth rate	-6%	4%	3%	-4%	-13%	10%	5%	-3%	-26%	11%			
	Y/Y growth rate	-4%	4%	4%	-3%	-10%	-5%	-4%	-3%	-18%	-16%	0%	-8%	-17%
Local		377	353	289	274	228	218	223	184	146	92	730	446	238
	Q/Q growth rate	1%	-6%	-18%	-5%	-17%	-5%	2%	-17%	-21%	-37%			
	Y/Y growth rate	-17%	-11%	-35%	-27%	-40%	-38%	-23%	-33%	-36%	-58%	-14%	-39%	-47%
Total Asia Revenues		2,637	2,697	2,714	2,600	2,255	2,438	2,558	2,447	1,813	1,950	5,334	4,693	3,763
	Q/Q growth rate	-5%	2%	1%	-4%	-13%	8%	5%	-4%	-26%	8%			
	Y/Y growth rate	-6%	2%	-2%	-6%	-14%	-10%	-6%	-6%	-20%	-20%	-2%	-12%	-20%
Consolidated		Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	YTD 2015	YTD 2016	YTD 2017
Travel		27,749	25,187	23,601	22,475	25,792	24,535	22,185	21,668	24,532	22,564	52,936	50,327	47,096
	Q/Q growth rate	20%	-9%	-6%	-5%	15%	-5%	-10%	-2%	13%	-8%			
	Y/Y growth rate	-8%	-4%	-5%	-3%	-7%	-3%	-6%	-4%	-5%	-8%	-6%	-5%	-6%
Local		6,007	6,991	5,582	6,267	5,036	5,264	4,638	5,145	3,898	3,847	12,998	10,300	7,745
	Q/Q growth rate	-18%	16%	-20%	12%	-20%	5%	-12%	11%	-24%	-1%			
	Y/Y growth rate	-19%	-16%	-19%	-15%	-16%	-25%	-17%	-18%	-23%	-27%	-18%	-21%	-25%
Total Consolidated Revenues		33,756	32,178	29,183	28,742	30,828	29,799	26,823	26,813	28,429	26,411	65,933	60,627	54,841
	Q/Q growth rate	11%	-5%	-9%	-2%	7%	-3%	-10%	0%	6%	-7%			
	Y/Y growth rate	-10%	-7%	-8%	-6%	-9%	-7%	-8%	-7%	-8%	-11%	-9%	-8%	-10%

(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 Inc.
Quarterly Statements of Operations
Adjusted for Search Discontinued Operations

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
	(In thousands, except per share amounts)									
Revenues	\$33,756	\$32,178	\$29,183	\$28,742	\$30,828	\$29,799	\$26,823	\$26,813	\$28,429	\$26,411
Cost of revenues	4,352	5,049	4,577	4,170	3,851	3,472	3,270	3,262	3,207	\$3,222
Gross profit	29,404	27,129	24,607	24,572	26,978	26,327	23,552	23,551	25,222	23,189
Operating expenses:										
Sales and marketing	18,261	17,388	15,832	14,129	15,530	15,455	14,075	13,368	15,355	14,213
Product development	3,044	3,150	2,859	3,229	2,788	2,001	2,230	2,077	2,357	2,344
General and administrative	6,449	5,334	6,116	6,270	5,813	5,434	5,373	6,077	5,447	5,246
Total operating expenses	27,754	25,873	24,807	23,628	24,131	22,890	21,678	21,522	23,160	21,803
Income (loss) from continuing operations	1,650	1,256	(201)	944	2,846	3,437	1,875	2,029	2,062	1,386
Other income (loss), net	(446)	(218)	(202)	(376)	133	(91)	251	(480)	7	18
Income (loss) from continuing operations before income taxes	1,204	1,038	(403)	568	2,979	3,346	2,126	1,549	2,069	1,404
Income tax expense (benefit)	1,356	934	(8,525) *	186	1,154	1,548	748	542	1,209	771
Income (loss) from continuing operations	(151)	104	8,122	382	1,826	1,798	1,377	1,006	860	633
Income (loss) from discontinued operations, net of income taxes	881	738	735	53	224	222	241	(64)	1,884	54
Net income	\$730	\$842	\$8,857	\$435	\$2,049	\$2,020	\$1,619	\$943	\$2,744	\$687
Income (loss) per share - basic:										
Continuing operations	\$(0.01)	\$0.01	\$0.55	\$0.03	\$0.13	\$0.13	\$0.10	0.07	\$0.07	\$0.05
Discontinued operations	0.06	0.05	0.05	0.00	0.01	0.01	0.02	(0.00)	0.14	0.00
Net income per share - basic	\$0.05	\$0.06	\$0.60	\$0.03	\$0.14	\$0.14	\$0.12	\$0.07	\$0.21	\$0.05
Income (loss) per share - diluted:										
Continuing operations	\$(0.01)	\$0.01	\$0.55	\$0.03	\$0.13	\$0.13	\$0.10	\$0.07	\$0.07	\$0.05
Discontinued operations	0.06	0.05	0.05	0.00	\$0.01	0.01	\$0.02	(0.00)	0.14	0.00
Net income per share - diluted	\$0.05	\$0.06	\$0.60	\$0.03	\$0.14	\$0.14	\$0.12	\$0.07	\$0.21	\$0.05
Weighted average shares:										
Basic	14,730	14,730	14,730	14,699	14,425	14,066	13,839	13,665	13,288	13,030
Diluted for income per share **	14,730	14,730	14,730	14,699	14,425	14,066	13,867	13,714	13,288	13,058

* 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.