



Second Quarter 2018 Performance and Business Update

July 25, 2018

Important Notice

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

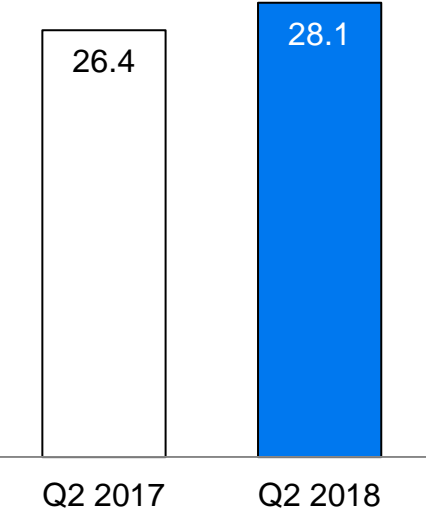
Part 1:
Second Quarter 2018 Performance

Part 2:
Business Update

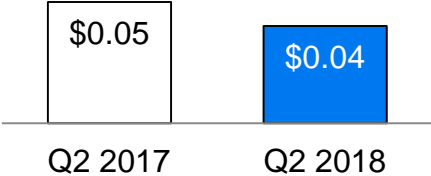
Revenues grew year-over-year for a third consecutive quarter.
As we invested more in marketing, earnings remained flat.

Q2 2018 Financial Performance

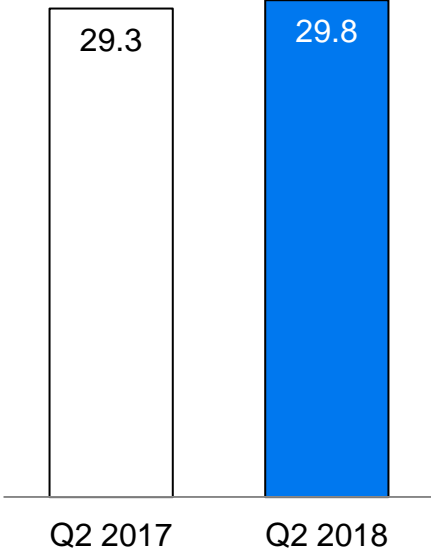
Revenue
(continuing operations)
\$ millions



EPS
(continuing operations)
\$ per share

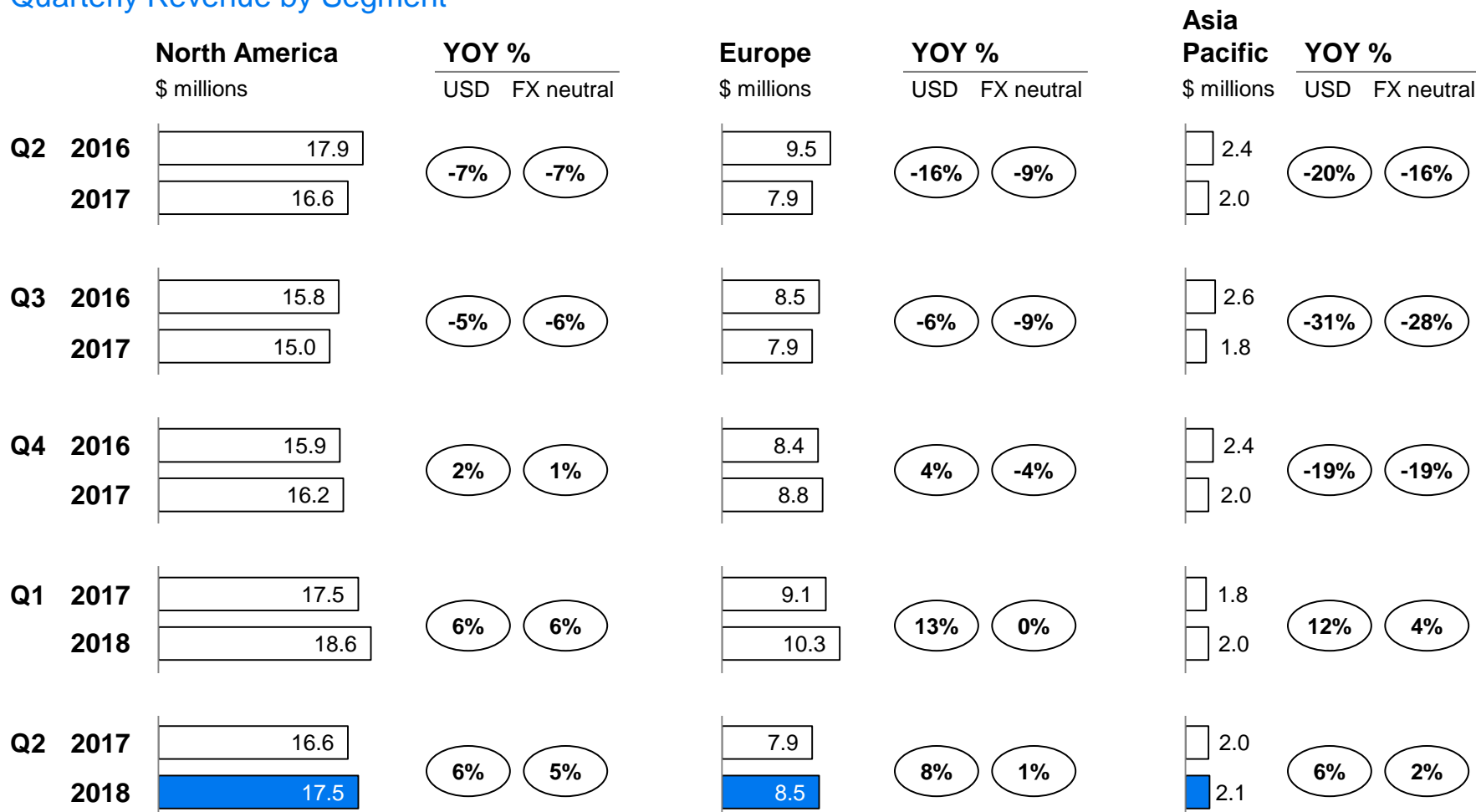


Members
Millions



Revenue growth in all three regions in both USD and local currencies.

Quarterly Revenue by Segment*



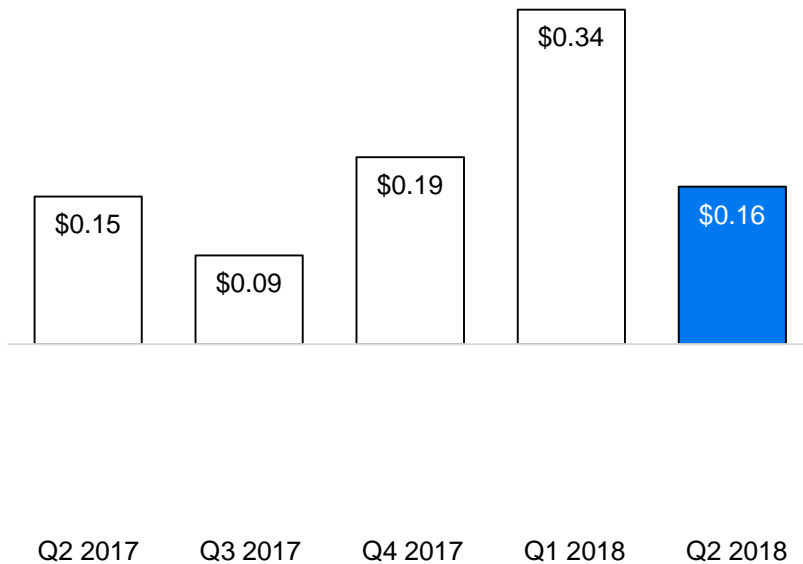
- Overall impact of favorable F/X trends during Q2 2018 is \$717,000.

Financial performance and profitability is increasing in North America and Europe, while Asia Pacific is still in investment mode.

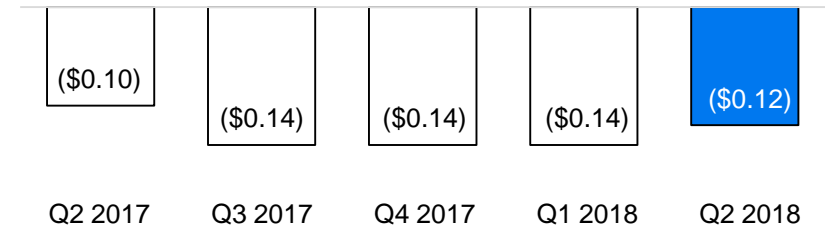
EPS trends

Net earnings (after tax)*
\$ per share

North America and Europe



Asia Pacific

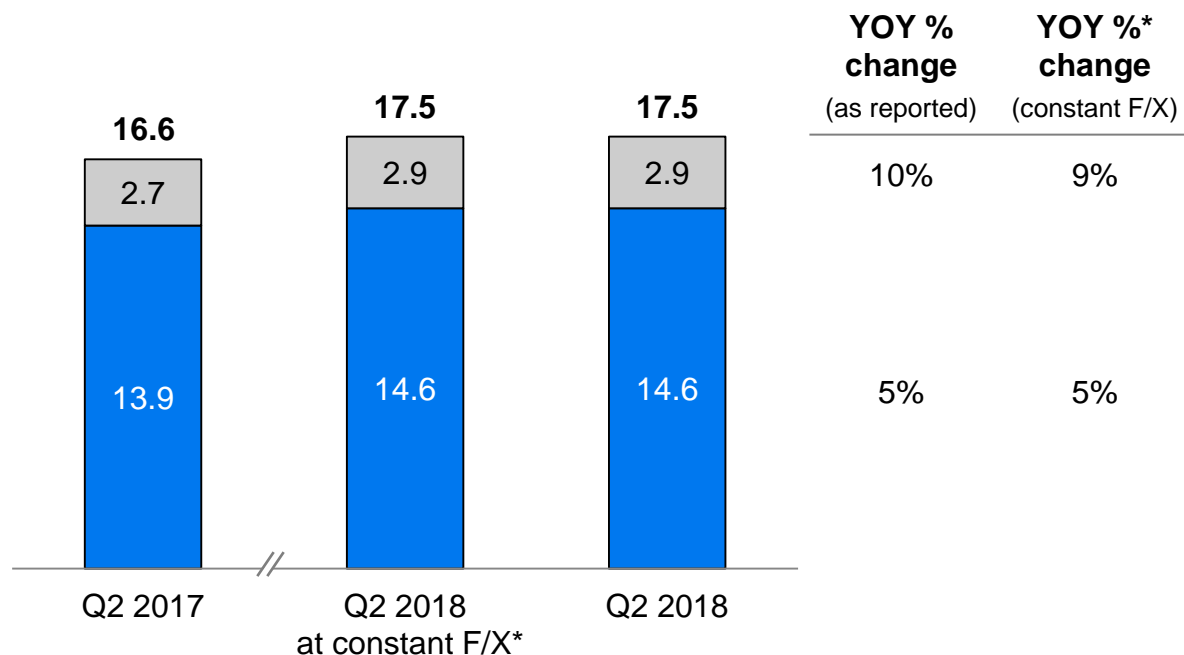


* The EPS amounts for Asia Pacific are derived using the Asia Pacific segment operating loss divided by the shares used in the diluted EPS calculation. The EPS amounts for North America and Europe combined are derived by subtracting the Asia Pacific derived EPS from the total company continuing operations EPS.

In North America, revenues increased in both Travel and Local with increasing activity from our members, advertisers and partners.

North America Revenue by Type

\$ millions



Highlights*

- **Travel** – YOY 5% increase due to increasing activity across vacation packages, cruises and airlines.
- **Local** – YOY 9% increase.

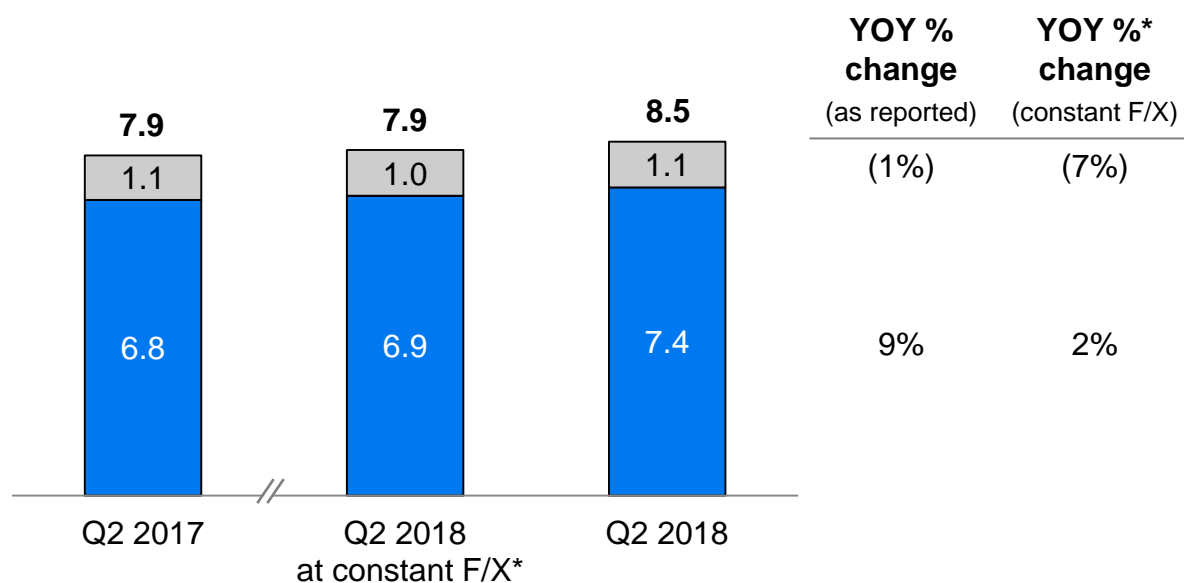


* Based on constant F/X rates for CAD

In Europe, revenues increased in local currencies for first time in two years.

Europe Revenue by Type

\$ millions



Highlights*

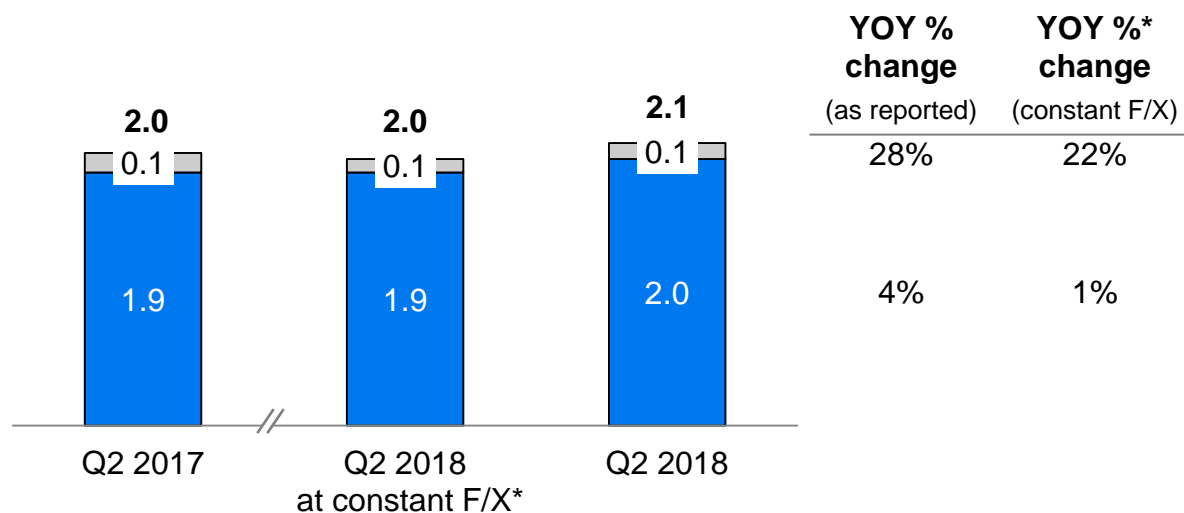
- **Travel** – YOY 2% third quarter of YOY improvement from core travel products.
- **Local** – YOY 7% decrease.

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

Asia Pacific revenues increased year-over-year for a second consecutive quarter.

Asia Pacific Revenue by Type

\$ millions



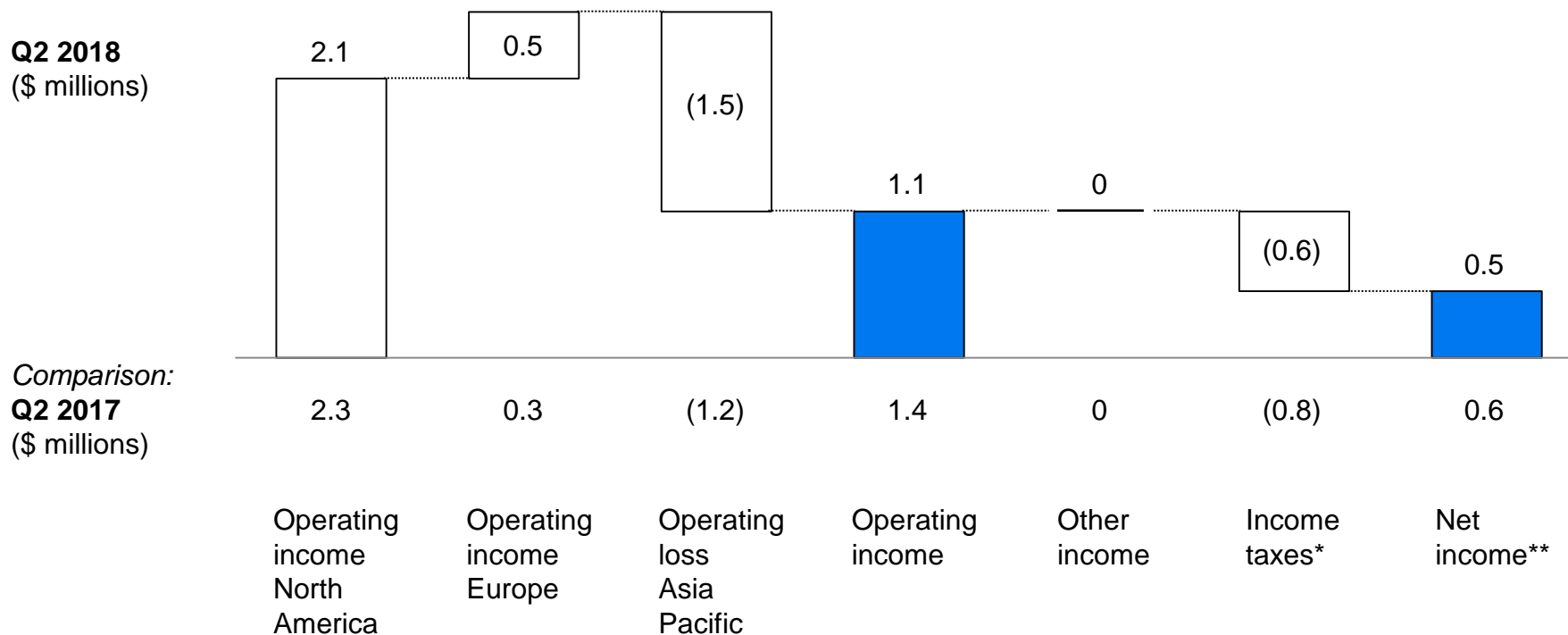
Highlights*

- **Travel** – YOY 1% increase
- **Local** – YOY 22% increase

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

North America and Europe generated profits of \$2.6 million, which were partially offset by investments in Asia Pacific.

Year-Over-Year Comparison

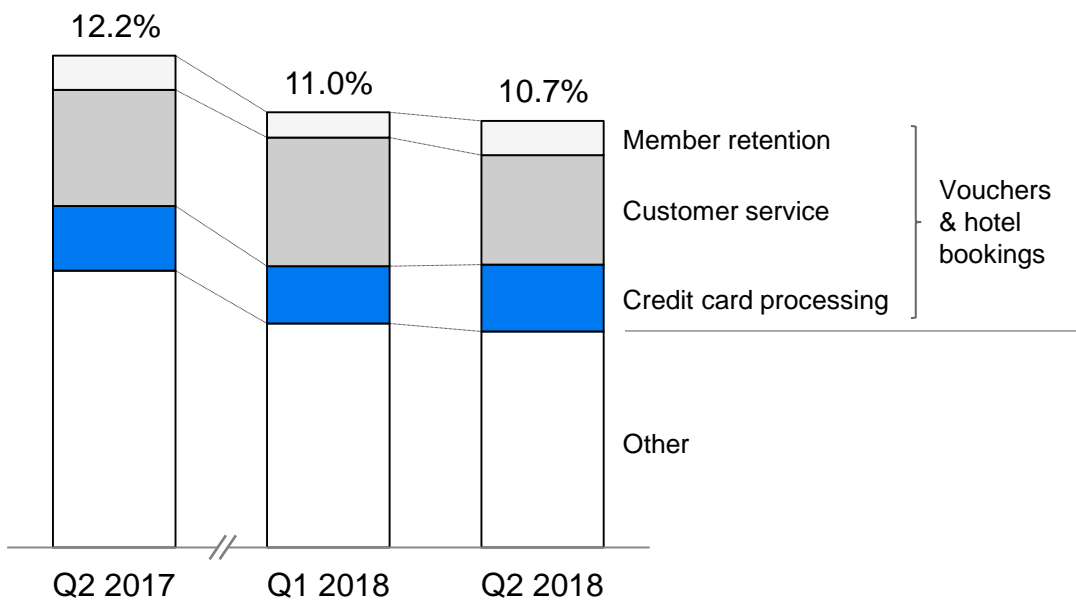


* Income taxes reflect taxes on North America and Europe income without any offsetting tax benefit from the separate tax jurisdiction Asia Pacific losses.

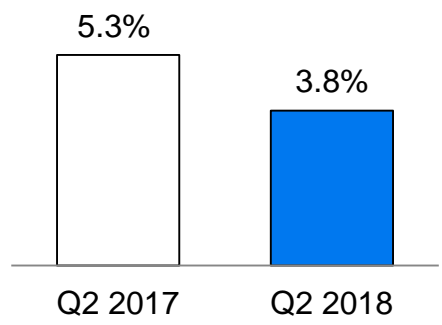
** Represents income from continuing operations for Q2 2017 and 2018 and net income for Q2 2018. Net income for Q2 2017 was \$700,000.

Cost of revenues decreased due to lower syndication revenue costs. Operating margin decreased due to increased marketing.

Cost of Revenue
as percentage of revenue



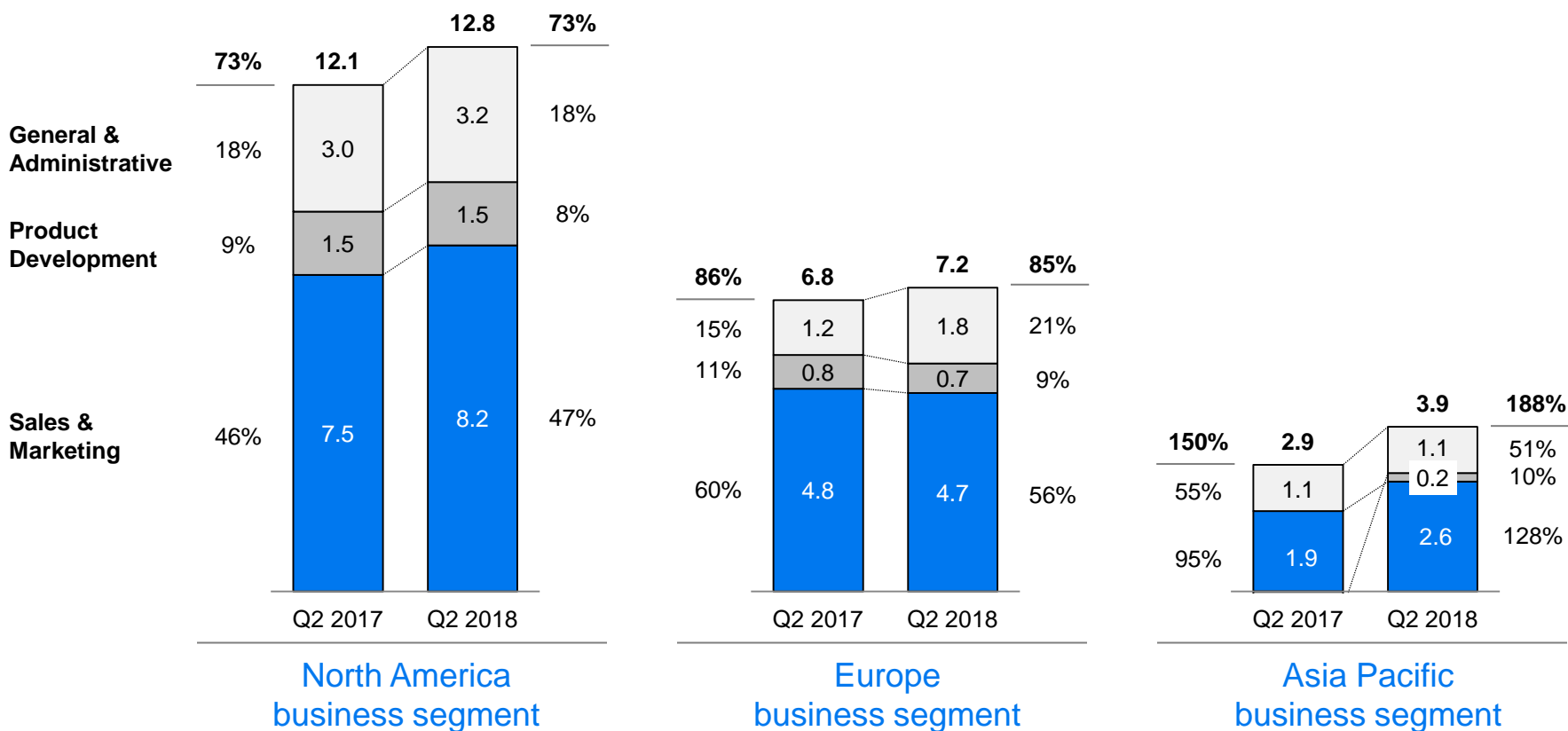
Operating Margin
as percentage of revenue



We increased advertising in North America and APAC. Yet, operating expenses as a percent of revenue remained mostly flat.

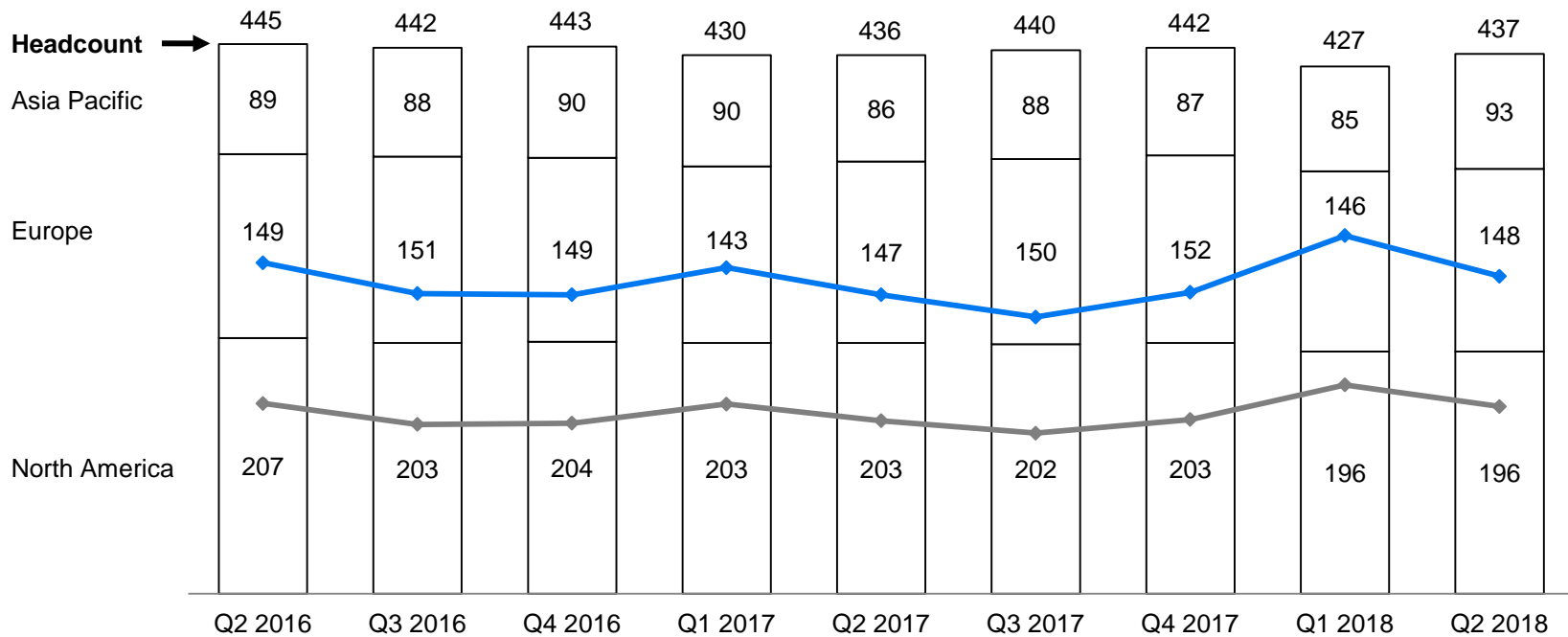
Operating Expenses

\$ millions and as percentage of revenue



Productivity improved year over year.

Headcount and Average Annualized Revenue per Employee



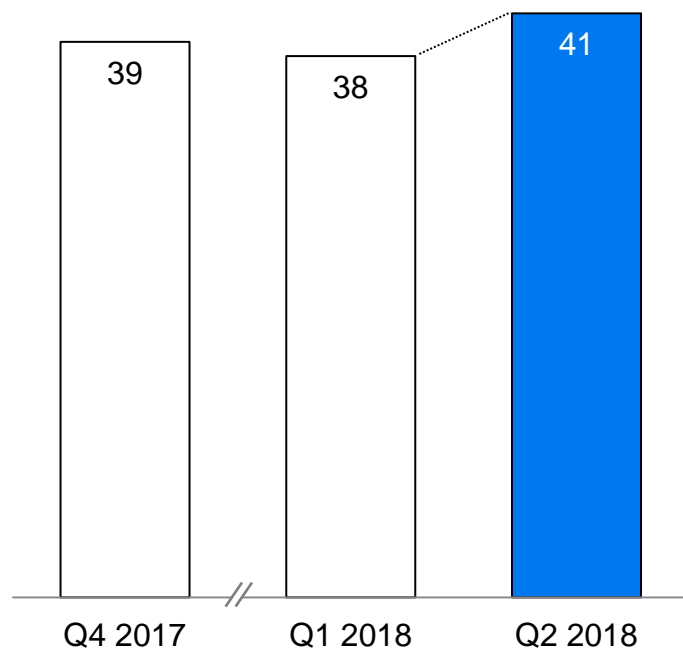
Revenue per employee (\$ thousands)

Without Asia	\$308	\$274	\$276	\$307	\$280	\$260	\$282	\$338	\$303
With Asia	\$268	\$243	\$242	\$264	\$242	\$224	\$244	\$290	\$257

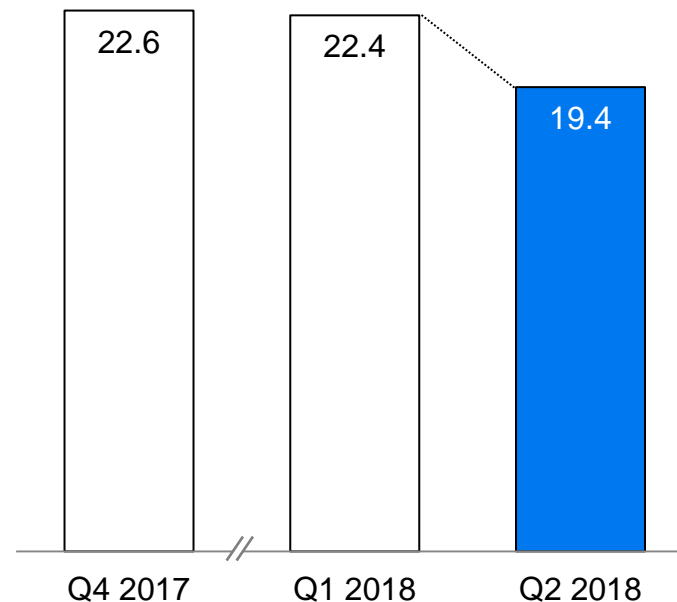
Solid cash position helped us fund an equity investment into a weekend-oriented travel app.

DSO and Cash Balances

DSO (Days Sales Outstanding)
of days



Cash Balance at End of Quarter*
\$ millions



* Includes cash and cash equivalents

Second Quarter 2018 Performance Summary

- Overall revenue growth continued, and revenue increased across all regions.
- Operating profit generated despite step-up of marketing spend and continued investments in Asia Pacific and products.
- Solid cash position maintained with positive operating cash flow.

Part 1:
Second 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.
- 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	YTD 2017	YTD 2018
Travel		14,240	12,493	12,759	14,859	13,910	12,146	12,964	16,036	14,596	28,769	30,632
	Q/Q growth rate	-4%	-12%	2%	16%	-6%	-13%	7%	24%	-9%		
	Y/Y growth rate	-3%	-4%	3%	1%	-2%	-3%	2%	8%	5%	-1%	6%
Local		3,664	3,298	3,190	2,687	2,653	2,822	3,283	2,546	2,915	5,340	5,461
	Q/Q growth rate	13%	-10%	-3%	-16%	-1%	6%	16%	-22%	15%		
	Y/Y growth rate	-30%	-15%	-23%	-18%	-28%	-14%	3%	-5%	10%	-23%	2%
Total North America Revenues		17,904	15,791	15,949	17,546	16,563	14,968	16,247	18,582	17,511	34,108	36,093
	Q/Q growth rate	-1%	-12%	1%	10%	-6%	-10%	9%	14%	-6%		
	Y/Y growth rate	-10%	-6%	-3%	-3%	-7%	-5%	2%	6%	6%	-5%	6%
Europe		Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	YTD 2017	YTD 2018
Travel		8,075	7,357	6,646	8,005	6,796	7,052	7,328	9,053	7,409	14,802	16,462
	Q/Q growth rate	-10%	-9%	-10%	20%	-15%	4%	4%	24%	-18%		
	Y/Y growth rate	-1%	-10%	-15%	-11%	-16%	-4%	10%	13%	9%	-13%	11%
Local		1,382	1,117	1,770	1,066	1,102	894	1,439	1,227	1,091	2,168	2,318
	Q/Q growth rate	-11%	-19%	59%	-40%	3%	-19%	61%	-15%	-11%		
	Y/Y growth rate	-2%	-20%	-4%	-31%	-20%	-20%	-19%	15%	-1%	-26%	7%
Total Europe Revenues		9,457	8,474	8,417	9,071	7,898	7,946	8,767	10,280	8,500	16,969	18,780
	Q/Q growth rate	-10%	-10%	-1%	8%	-13%	1%	10%	17%	-17%		
	Y/Y growth rate	-1%	-12%	-13%	-14%	-16%	-6%	4%	13%	8%	-15%	11%
Asia		Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	YTD 2017	YTD 2018
Travel		2,220	2,335	2,263	1,668	1,858	1,645	1,823	1,901	1,930	3,526	3,831
	Q/Q growth rate	10%	5%	-3%	-26%	11%	-11%	11%	4%	2%		
	Y/Y growth rate	-5%	-4%	-3%	-18%	-16%	-30%	-19%	14%	4%	-17%	9%
Local		218	223	184	146	92	129	160	121	134	238	255
	Q/Q growth rate	-5%	2%	-17%	-21%	-37%	40%	24%	-25%	11%		
	Y/Y growth rate	-38%	-23%	-33%	-36%	-58%	-42%	-13%	-17%	46%	-47%	7%
Total Asia Revenues		2,438	2,558	2,447	1,813	1,950	1,773	1,983	2,022	2,064	3,763	4,086
	Q/Q growth rate	8%	5%	-4%	-26%	8%	-9%	12%	2%	2%		
	Y/Y growth rate	-10%	-6%	-6%	-20%	-20%	-31%	-19%	12%	6%	-20%	9%
Consolidated		Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	YTD 2017	YTD 2018
Travel		24,535	22,185	21,668	24,532	22,564	20,843	22,114	26,990	23,935	47,096	50,925
	Q/Q growth rate	-5%	-10%	-2%	13%	-8%	-8%	6%	22%	-11%		
	Y/Y growth rate	-3%	-6%	-4%	-5%	-8%	-6%	2%	10%	6%	-6%	8%
Local		5,264	4,638	5,145	3,898	3,847	3,845	4,883	3,893	4,140	7,745	8,034
	Q/Q growth rate	5%	-12%	11%	-24%	-1%	0%	27%	-20%	6%		
	Y/Y growth rate	-25%	-17%	-18%	-23%	-27%	-17%	-5%	0%	8%	-25%	4%
Total Consolidated Revenues		29,799	26,823	26,813	28,429	26,411	24,687	26,997	30,884	28,076	54,841	58,959
	Q/Q growth rate	-3%	-10%	0%	6%	-7%	-7%	9%	14%	-9%		
	Y/Y growth rate	-7%	-8%	-7%	-8%	-11%	-8%	1%	9%	6%	-10%	8%

(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

	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
	(In thousands, except per share amounts)								
Revenues	\$29,799	\$26,823	\$26,813	\$28,429	\$26,411	\$24,687	\$26,997	\$30,884	\$28,075
Cost of revenues	3,472	3,270	3,262	3,207	3,222	3,018	3,462	3,385	3,016
Gross profit	26,327	23,552	23,551	25,222	23,189	21,669	23,535	27,499	25,059
Operating expenses:									
Sales and marketing	15,455	14,075	13,368	15,355	14,213	13,973	13,746	15,542	15,628
Product development	2,001	2,230	2,077	2,357	2,344	2,315	2,208	2,511	2,386
General and administrative	5,434	5,373	6,077	5,447	5,246	5,363	6,502	5,789	5,967
Total operating expenses	22,890	21,678	21,522	23,160	21,803	21,651	22,456	23,842	23,981
Income (loss) from continuing operations	3,437	1,875	2,029	2,062	1,386	18	1,079	3,657	1,078
Other income (loss), net	(91)	251	(480)	7	18	86	62	161	30
Income (loss) from continuing operations before income taxes	3,346	2,126	1,549	2,069	1,404	104	1,141	3,818	1,108
Income tax expense (benefit)	1,548	748	542	1,209	771	680	466	1,316	631
Income (loss) from continuing operations	1,798	1,377	1,006	860	633	(576)	675	2,502	477
Income (loss) from discontinued operations, net of income taxes	222	241	(64)	1,884	54	-	-	-	-
Net income	\$2,020	\$1,619	\$943	\$2,744	\$687	\$(576)	\$675	\$2,502	\$477
Income (loss) per share - basic:									
Continuing operations	\$0.13	\$0.10	0.07	\$0.07	\$0.05	\$(0.05)	0.05	0.20	0.04
Discontinued operations	0.01	0.02	(0.00)	0.14	0.00	-	-	-	-
Net income per share - basic	\$0.14	\$0.12	\$0.07	\$0.21	\$0.05	\$(0.05)	\$0.05	\$0.20	\$0.04
Income (loss) per share - diluted:									
Continuing operations	\$0.13	\$0.10	\$0.07	\$0.07	\$0.05	\$(0.05)	\$0.05	\$0.20	\$0.04
Discontinued operations	\$0.01	\$0.02	(0.00)	0.14	0.00	-	-	-	-
Net income per share - diluted	\$0.14	\$0.12	\$0.07	\$0.21	\$0.05	\$(0.05)	\$0.05	\$0.20	\$0.04
Weighted average shares:									
Basic	14,066	13,839	13,665	13,288	13,030	12,628	12,462	12,462	12,462
Diluted for income per share **	14,066	13,867	13,714	13,288	13,058	12,628	12,462	12,462	12,780

* 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.