UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .
Commission File No.: 000-50171

Travelzoo

(Exact name of registrant as specified in its charter)

Delaware	**36-4415727**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**
590 Madison Avenue, 35th Floor New York, New York	**10022**
(Address of principal executive offices)	**(Zip code)**

Registrant's telephone number, including area code: 1 (786) 668-5839

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	TZOO	The NASDAQ Stock Market

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revisited financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

The number of shares of Travelzoo common stock outstanding as of August 9, 2022 was 12,492,361 shares.

TRAVELZOO

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

TRAVELZOO
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except par value)

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,608	$ 43,815
Accounts receivable, less allowance for doubtful accounts of $1,943 and $2,094 as of June 30, 2022 and December 31, 2021, respectively	14,809	14,871
Prepaid income taxes	2,569	3,325
Prepaid expenses and other	1,603	1,891
Prepaid expenses—related party	—	1,150
Assets from discontinued operations	34	71
Total current assets	44,623	65,123
Deposits and other	6,815	6,784
Deferred tax assets	3,551	3,949
Restricted cash	1,061	1,142
Operating lease right-of-use assets	6,192	7,700
Property and equipment, net	550	659
Intangible assets, net	4,744	3,426
Goodwill	10,944	10,944
Total assets	$ 78,480	$ 99,727
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,231	$ 3,411
Merchant payables	47,899	68,678
Accrued expenses and other	7,566	10,212
Deferred revenue	2,106	1,733
Operating lease liabilities	2,589	3,180
Income tax payable	—	185
Liabilities from discontinued operations	448	485
Total current liabilities	61,839	87,884
Long-term operating lease liabilities	8,125	9,111
Other long-term liabilities	2,451	2,364
Total liabilities	72,415	99,359
Commitments and contingencies	—	—
Non-controlling interest	4,634	4,600
Stockholders' deficit:		
Common stock, $0.01 par value (20,000 shares authorized; 13,091 shares issued and 12,551 shares issued as of June 30, 2022 and December 31, 2021)	131	126
Treasury stock (at cost, 495 shares at June 30, 2022 and December 31, 2021)	(5,488)	(5,488)
Additional paid in capital	7,426	4,415
Retained earnings	3,895	508
Accumulated other comprehensive loss	(4,533)	(3,793)
Total stockholders' equity (deficit)	1,431	(4,232)
Total liabilities and stockholders' equity (deficit)	$ 78,480	$ 99,727

See accompanying notes to unaudited condensed consolidated financial statements.

TRAVELZOO
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenues	$ 17,689	$ 19,079	$ 36,142	$ 33,363
Cost of revenues	2,163	2,522	4,995	5,540
Gross profit	15,526	16,557	31,147	27,823
Operating expenses:				
Sales and marketing	8,480	7,340	17,061	14,130
Product development	454	685	907	1,368
General and administrative	4,811	5,056	9,479	9,616
Total operating expenses	13,745	13,081	27,447	25,114
Operating income	1,781	3,476	3,700	2,709
Other income, net	195	684	1,618	518
Income from continuing operations before income taxes	1,976	4,160	5,318	3,227
Income tax expense	928	1,136	1,896	1,878
Income from continuing operations	1,048	3,024	3,422	1,349
Income (loss) from discontinued operations, net of taxes	10	29	(1)	14
Net income	1,058	3,053	3,421	1,363
Net income (loss) attributable to non-controlling interest	30	39	34	(9)
Net income attributable to Travelzoo	$ 1,028	$ 3,014	$ 3,387	$ 1,372
Net income attributable to Travelzoo—continuing operations	$ 1,018	$ 2,985	$ 3,388	$ 1,358
Net income (loss) attributable to Travelzoo—discontinued operations	$ 10	$ 29	$ (1)	$ 14
Income per share—basic				
Continuing operations	$ 0.08	$ 0.26	$ 0.28	$ 0.12
Discontinued operations	$ —	$ —	$ —	$ —
Net income per share —basic	$ 0.08	$ 0.26	$ 0.28	$ 0.12
Income per share—diluted				
Continuing operations	$ 0.08	$ 0.22	$ 0.27	$ 0.10
Discontinued operations	$ —	$ —	$ —	$ —
Income per share—diluted	$ 0.08	$ 0.22	$ 0.27	$ 0.10
Shares used in per share calculation from continuing operations—basic	12,513	11,488	12,285	11,440
Shares used in per share calculation from discontinued operations—basic	12,513	11,488	12,285	11,440
Shares used in per share calculation from continuing operations—diluted	12,637	13,408	12,591	13,248
Shares used in per share calculation from discontinued operations—diluted	12,637	13,408	12,591	13,248

See accompanying notes to unaudited condensed consolidated financial statements.

TRAVELZOO
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	$ 1,058	$ 3,053	$ 3,421	$ 1,363
Other comprehensive income (loss):				
Foreign currency translation adjustment	(602)	162	(740)	572
Total comprehensive income	$ 456	$ 3,215	$ 2,681	$ 1,935

See accompanying notes to unaudited condensed consolidated financial statements.

TRAVELZOO
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities:		
Net income	$ 3,421	$ 1,363
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,118	960
Stock-based compensation	1,131	1,817
Deferred income tax	550	1,140
Loss on long-lived assets	38	—
Gain on PPP notes payable forgiveness	—	(429)
Gain on equity investment in WeGo	(196)	—
Net foreign currency effect	214	(255)
Reversal of loss on accounts receivable, refund reserve and other	(2,246)	(871)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(131)	(4,781)
Prepaid income taxes	670	(713)
Prepaid expenses and other	(138)	(2,775)
Accounts payable	(2,056)	1,415
Merchant payables	(19,784)	25,185
Accrued expenses and other	172	(320)
Income tax payable	(186)	(228)
Other liabilities	433	442
Net cash provided by (used in) operating activities	(16,990)	21,950
Cash flows from investing activities:		
Purchases of intangible assets	(1,049)	—
Proceeds from sale of equity investment in WeGo	196	—
Purchases of property and equipment	(175)	(84)
Net cash used in investing activities	(1,028)	(84)
Cash flows from financing activities:		
Repurchase of common stock	—	(1,583)
Payment of notes payables	—	(110)
Exercise of stock options, net of taxes paid for net share settlement	1,885	(3,067)
Net cash used in financing activities	1,885	(4,760)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,176)	697
Net increase (decrease) in cash, cash equivalents and restricted cash	(18,309)	17,803
Cash, cash equivalents and restricted cash at beginning of period	44,989	64,385
Cash, cash equivalents and restricted cash at end of period	$ 26,680	$ 82,188
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net	$ 771	$ 1,443
Right-of-use assets obtained in exchange for lease obligations—operating leases	$ —	$ 1,777
Cash paid for amounts included in the measurement of lease liabilities	$ 1,715	$ 2,281
Non-cash consideration for purchase of intangible asset	$ 1,150	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

TRAVELZOO

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)
(In thousands)

	Common Stock		Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount					
Balances, March 31, 2022	12,551	$ 126	$ (5,488)	$ 4,957	$ 2,867	$ (3,931)	$ (1,469)
Stock-based compensation expense	—	—		589	—	—	589
Exercise of stock options and taxes paid for net share settlement of equity awards	540	5	—	1,880		—	1,885
Foreign currency translation adjustment	—	—		—	—	(602)	(602)
Net income–Travelzoo	—	—		—	1,028	—	1,028
Balances, June 30, 2022	13,091	$ 131	$ (5,488)	$ 7,426	$ 3,895	$ (4,533)	$ 1,431

	Common Stock		Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
	Shares	Amount					
Balances, March 31, 2021	11,570	$ 115	$ (1,583)	$ 4,279	$ (2,045)	$ (3,649)	$ (2,883)
Stock-based compensation expense	—	—		935	—	—	935
Exercise of stock options and taxes paid for net share settlement of equity awards	24			(226)			(226)
Foreign currency translation adjustment	—	—		—	—	162	162
Net income–Travelzoo	—	—		—	3,014	—	3,014
Balances, June 30, 2021	11,594	$ 115	$ (1,583)	$ 4,988	$ 969	$ (3,487)	$ 1,002

	Common Stock		Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
	Shares	Amount					
Balances, January 1, 2022	12,551	$ 126	$ (5,488)	$ 4,415	$ 508	$ (3,793)	$ (4,232)
Stock-based compensation expense	—	—	—	1,131	—	—	1,131
Exercise of stock options and taxes paid for net share settlement of equity awards	540	5	—	1,880	—	—	1,885
Foreign currency translation adjustment	—	—	—	—	—	(740)	(740)
Net income–Travelzoo	—	—	—	—	3,387	—	3,387
Balances, June 30, 2022	13,091	$ 131	$ (5,488)	$ 7,426	$ 3,895	$ (4,533)	$ 1,431

	Common Stock		Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
	Shares	Amount					
Balances, January 1, 2021	11,365	$ 114	$ —	$ 6,239	$ (403)	$ (4,059)	$ 1,891
Stock-based compensation expense	—	—	—	1,817	—	—	1,817
Treasury stock	—	—	(1,583)	—	—	—	(1,583)
Exercise of stock options and taxes paid for net share settlement of equity awards	229	1	—	(3,068)	—	—	(3,067)
Foreign currency translation adjustment	—	—	—	—	—	572	572
Net income–Travelzoo	—	—	—	—	1,372	—	1,372
Balances, June 30, 2021	11,594	$ 115	$ (1,583)	$ 4,988	$ 969	$ (3,487)	$ 1,002

See accompanying notes to unaudited condensed consolidated financial statements.

TRAVELZOO
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Summary of Significant Accounting Policies

(a) The Company and Basis of Presentation

Travelzoo® is a global Internet media company. We provide our more than 30 million members insider deals and one-of-a-kind experiences personally reviewed by one of our deal experts around the globe. We have our finger on the pulse of outstanding travel, entertainment, and lifestyle experiences. For over 20 years we have worked in partnership with more than 5,000 top travel suppliers—our long-standing relationships give Travelzoo members access to irresistible deals. Travelzoo's revenues are generated primarily from advertising fees.

Travelzoo (the “Company” or "we") attracts a high-quality audience of travel enthusiasts across multiple digital platforms, including email, web, social media and mobile applications. Our insider deals and email newsletters are published by Travelzoo and its licensees worldwide. Our publications and products include the *Travelzoo* website (travelzoo.com), the *Travelzoo* iPhone and Android apps, the *Travelzoo Top 20*® email newsletter, the *Newsflash* email alert service, and the *Travelzoo Network*. Our *Travelzoo* website includes *Local Deals* and *Getaways* listings that allow our members to purchase vouchers for deals from local businesses such as spas, hotels and restaurants.

We also license the use of these products and our intellectual property in various countries in Asia Pacific, including but not limited to Australia, New Zealand, Japan, South Korea and Southeast Asia. We are also the majority shareholder of JFC Travel Group Co. (“Jack’s Flight Club”), which operates *Jack’s Flight Club*.

For our voucher products, we receive a percentage of the face value of the voucher from the local businesses.

Jack’s Flight Club

In January 2020, Travelzoo acquired JFC Travel Group Co. (“Jack’s Flight Club”), which operates *Jack’s Flight Club*, a subscription service that provides members with information about exceptional airfares. As of June 30, 2022, Jack’s Flight Club had 1.8 million subscribers. Jack’s Flight Club’s revenues are generated by subscription fees paid by members. See Note 3 to the unaudited condensed consolidated financial statements for further information.

APAC Exit and Pivot to Licensing Model

In March 2020, Travelzoo exited its loss-making Asia Pacific business and pivoted to a licensing model. The Company’s Asia Pacific business was classified as discontinued operations at March 31, 2020. Prior periods have been reclassified to conform with the current presentation.

Travelzoo currently has license agreements in Japan and South Korea, as well as Australia, New Zealand and Singapore. The license agreement for Japan provides a license to the licensee to use the intellectual property of Travelzoo exclusively in Japan in exchange for quarterly royalty payments based on net revenue over a 5 year term, with an option to renew. The territory subject to the license was amended to also include South Korea. An interest free loan was provided to the licensee for JPY 46 million (approximately $430,000) to be repaid over 3 years, of which $133,000 was repaid in 2021. The Company recorded this loan as long-term other assets on the condensed consolidated balance sheet as of June 30, 2022.

The license agreement for Australia, New Zealand and Singapore provides a license to the licensee to use the intellectual property of Travelzoo exclusively in Australia, New Zealand and Singapore for quarterly royalty payments based upon net revenue over a 5 year term, with an option to renew. The Company records royalties for its licensing arrangements on a one-quarter lag basis. The Company did not recognize any royalty from Travelzoo Japan for the six months ended June 30, 2022. The Company recognized royalties of $9,000 from Travelzoo Japan for the six months ended June 30, 2021. The Company recognized royalties of $5,000 and $12,000 for its licensing arrangements from AUS Buyer for the three and six months ended June 30, 2022, respectively. The Company did not recognize any royalty from AUS Buyer for the six months ended June 30, 2021. We expect the royalty payments to increase over time as the effects of the pandemic subside.

WeGo Investment

The Company previously held a minority share equal to 33.7% in weekengo GmbH ("WeGo"), which the Company sold to trivago N.V. (“trivago”) on December 23, 2020.

Per the Share Purchase Agreement, by and among Travelzoo (Europe) Limited, trivago, and the other shareholders of WeGo (the “trivago SPA”), the Company sold all of its shares in WeGo to trivago for a total purchase price of approximately $2.9 million, of which $196,000 was placed in escrow for one year. The Company recorded $468,000 gain in Other income (loss), net for the sale of WeGo shares in 2020. The Company received the full escrow payment in January 2022 and recorded the gain in Other income (loss), net for the six months ended June 30, 2022.

WeGo agreed to pay in a lump sum the remaining amount outstanding pursuant to the Insertion Order equal to approximately $200,000. The payment was made and recorded in the first quarter of 2021. The Second Insertion Order and any obligation for additional payments from WeGo for marketing were terminated.

Government funding

In January 2022, the Company's German branch of Travelzoo (Europe) Limited, a wholly-owned subsidiary of the Company ("Travelzoo Germany"), received the notification and payment of approximately $1.2 million from the German Federal Government Bridging Aid III plan. This program was for companies that suffered a Corona-related decrease in sales of at least 30% in one month compared to the reference month in 2019. Travelzoo Germany applied for the funding in 2021 and was approved by the German government in January 2022. The Company has to submit a final declaration in connection to this grant by December 31, 2022. The Company believes it was eligible to participate in the plan and is entitled to the payment and does not expect significant changes to the amount already received from the final submission. The Company recorded $1.2 million gain in Other income, net in the first quarter of 2022.

The Company also received other government fundings for the three and six months ended June 30, 2022 and 2021. Job retention related funding from Canada was approximately $85,000 and $149,000 for the three months ended June 30, 2022 and 2021, respectively, and was approximately $153,000 and $317,000 for the six months ended June 30, 2022 and 2021, respectively. Job retention related funding from European locations was $10,000 and $31,000 for the three and six months ended June 30, 2021. These fundings were recorded against salary and related expenses. The Company did not receive any job retention related funds from European locations for the six months ended June 30, 2022.

Liquidity

Travelzoo funds its operations primarily with revenues generated from advertising fees. The global pandemic has had and is expected to continue to have, a significant adverse effect on the Company and many of our advertisers. In the Company's financial statements presented in this 10-Q report, following GAAP accounting principles, we classified all merchant payables as current. When all merchant payables are classified as current, there is negative net working capital (which is defined as current assets minus current liabilities) of $17.2 million as of June 30, 2022. Cash used in operating activities was $17.0 million for the six months ended June 30, 2022. In order to appeal to its members, Travelzoo adjusted its refund policy in the second quarter of 2020 so that vouchers were fully refundable until expiration or redemption by the customer. This refund policy has mostly been adjusted as of April 1, 2022, back to fully refundable within seven days of purchase unless a surcharge is paid at the time of the voucher purchase for the right to be fully refundable. As of June 30, 2022, the Company has recorded merchant payables of $47.9 million related to unredeemed vouchers with the majority of vouchers expiring at the end of 2022 and the remaining primarily expiring in 2023. Management understands that these conditions could raise doubt over the Company's ability to meet all of its obligations over the next twelve months, however, management has evaluated these conditions and concluded that management's plans alleviate these concerns. Management's plans include, among others, a focus on managing operating expenses while increasing revenues, as well as obtaining additional financing if required.

Revenue and net income increased for six months ended June 30, 2022 compared to the same period of last year. The Company is expecting revenue and net income to increase for the remaining of 2022 based on improving conditions for travel in 2022. The cash and cash equivalents were $25.6 million as of June 30, 2022. Although as mentioned above all merchant payables are classified as current, the expiration dates of these vouchers range between July 2022 through December 2025 with the majority of the vouchers expiring at the end of 2022 and the remaining primarily expiring in 2023; provided, that these expiration dates may sometimes be extended on a case-by-case basis. The Company will manage its costs and obtain additional financing if required. Management therefore believes that it could raise funds through the issuance of equity securities or through debt securities if necessary. Management therefore concluded that these actions and plans have alleviated the doubt of the Company's ability to continue as a going concern. However, the Company cannot predict, with certainty, the outcome of its action to generate liquidity, including the availability of additional financing on reasonable terms and conditions, or whether such actions would generate the expected liquidity as planned.

Ownership

Ralph Bartel, who founded Travelzoo and who is the Chairman of the Board of Directors of the Company, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro Capital Inc. ("Azzurro"). As of June 30, 2022, Ralph Bartel is the Company's largest shareholder, holding approximately 35.7% of the Company's outstanding shares. Holger Bartel, the Company's Global Chief Executive Officer, is Ralph Bartel's brother and holds approximately 3.9% of the Company's outstanding shares.

Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial position of the Company and its results of operations and cash flows. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes as of and for the year ended December 31, 2021, included in the Company’s Form 10-K filed with the SEC on March 30, 2022.

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The financial results of Jack’s Flight Club have been included in our condensed consolidated financial statements from the date of acquisition. Investments in entities where the Company does not have control, but does have significant influence, are accounted for as equity method investments.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the U.S. Significant estimates included in the consolidated financial statements and related notes include revenue recognition, refund liability, income taxes, stock-based compensation, loss contingencies, useful lives of property and equipment, purchase price allocation for the business combination and related impairment assessment, relating to the projections and assumptions used. Actual results could differ materially from those estimates. The results of operations for the six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022 or any other future period, and the Company makes no representations related thereto.

(b) Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which provides new guidance on the measurement of credit losses for financial assets measured at amortized cost, which includes accounts receivable. The new guidance replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. This update is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For Smaller Reporting Companies (as such term is defined by the SEC), such as Travelzoo, the standard will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Entities are required to apply this update on a modified retrospective basis with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact on its financial position and results of operations.

(c) Significant Accounting Policies

Below are a summary of the Company's significant accounting policies. For a comprehensive description of our accounting policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2021.

Revenue Recognition

The Company follows Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (Topic 606).

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The Company's revenues are primarily advertising fees generated from the publishing of travel and entertainment deals on the *Travelzoo* website, in the *Top 20* email newsletter, in *Newsflash* and through the *Travelzoo Network*. The Company also generates transaction-based revenues from the sale of vouchers through our *Local Deals* and *Getaways* products and operation of a hotel booking platform and limited offerings of vacation packages and subscription revenues from Jack's Flight Club. The Company's disaggregated revenues are included in “Note 9: Segment Reporting and Significant Customer Information”.

For fixed-fee website advertising, the Company recognizes revenues ratably over the contracted placement period.

For the *Top 20* email newsletter and other email products, the Company recognizes revenues when the emails are delivered to its members.

The Company offers advertising on a cost-per-click basis, which means that an advertiser pays the Company only when a user clicks on an advertisement on Travelzoo properties or *Travelzoo Network* members' properties. For these customers, the Company recognizes revenues each time a user clicks on the ad.

The Company also offers advertising on other bases, such as cost-per-impression, which means that an advertiser pays the Company based on the number of times their advertisement is displayed on Travelzoo properties, email advertisements, *Travelzoo Network* properties, or social media properties. For these customers, the Company recognizes revenues each time an advertisement is shown or email delivered.

For transaction based revenues, including products such as *Local Deals, Getaways*, hotel platform and vacation packages, the Company evaluates whether it is the principal (i.e., report revenue on a gross basis) versus an agent (i.e., report revenue on a net basis). The Company reports transaction revenue on a net basis because the supplier is primarily responsible for providing the underlying service, and we do not control the service provided by the supplier prior to its transfer to the customer.

For *Local Deals* and *Getaways* products, the Company earns a fee for acting as an agent for the sale of vouchers that can be redeemed for services with third-party merchants. Revenues are presented net of the amounts due to the third-party merchants for fulfilling the underlying services and an estimated amount for future refunds. Since the second quarter of 2020, the Company expanded its vouchers refund policy in order to entice customers given the current economic climate to fully refundable until the voucher expires or is redeemed by the customer. Certain merchant contracts allow the Company to retain the proceeds from unredeemed vouchers. With these contracts, the Company estimates the value of vouchers that will ultimately not be redeemed and records the estimate as revenues in the same period

Jack's Flight Club revenue is generated from paid subscriptions by members. Subscription options are quarterly, semi-annually, and annually. We recognize the revenue on a pro-rated basis based upon the subscription option.

Commission revenue related to hotel platform is recognized ratably over the period of guest stay, net of an allowance for cancellations based upon historical patterns. For arrangements for booking non-cancelable reservations where the Company's performance obligation is deemed to be the successful booking of a hotel reservation, we record revenue for the commissions upon completion of the hotel booking.

The Company's contracts with customers may include multiple performance obligations in which the Company allocates revenues to each performance obligation based upon its standalone selling price. The Company determines standalone selling price based on its overall pricing objectives, taking into consideration the type of services, geographical region of the customers, normal rate card pricing and customary discounts. Standalone selling price is generally determined based on the prices charged to customers when the product is sold separately.

The Company relies upon the following practical expedients and exemptions allowed for in the ASC 606. The Company expenses sales commissions when incurred because the amortization period would be one year or less. These costs are recorded in sales and marketing expenses. In addition, the Company does not disclose the value of unsatisfied performance obligations for (a) contracts with an original expected length of one year or less and (b) contracts for which it recognizes revenues at the amount to which it has the right to invoice for services performed.

Deferred revenue primarily consists of customer prepayments and undelivered performance obligations related to the Company's contracts with multiple performance obligations. As of December 31, 2021, $1.3 million was recorded as deferred revenue for Jack's Flight Club, of which $329,000 and $904,000 was recognized in the three and six months ended June 30, 2022, respectively, $473,000 was recorded as deferred revenue for Travelzoo North America and Travelzoo Europe, of which $5,000 and $216,000 was recognized as revenue in the three and six months ended June 30, 2022, respectively. As of June 30, 2022, the deferred revenue balance was $2.1 million, of which $1.4 million was for Jack's Flight Club and the remaining $736,000 was for Travelzoo North America and Travelzoo Europe.

Reserve for Refunds to Members

The Company records an estimated reserve for refunds to members based on our historical experience at the time revenue is recorded for *Local Deals* and *Getaways* voucher sales. We consider many key factors such as the historical refunds based upon the time lag since the sale, historical reasons for refunds, time period that remains until the deal expiration date, any changes in refund procedures and estimates of redemptions and breakage.

For publishing revenue, we recognize revenue upon delivery of the emails and delivery of the clicks, over the period of the placement of the advertising. Insertion orders for publishing revenue are typically for periods between one month and twelve months and are not automatically renewed. For *Getaways* vouchers, we recognize a percentage of the face value of the vouchers upon the sale of the vouchers. Merchant agreements for *Getaways* advertisers are typically for periods between twelve months and twenty-four months and are not automatically renewed. Since the second quarter of 2020, the Company expanded its voucher refund policy to fully refundable until the voucher expires or is redeemed by the customer. The expiration dates of vouchers range between July 2022 through December 2025 with the majority of vouchers expiring at the end of 2022 and the remaining primarily expiring in 2023; provided, that these expiration dates may sometimes be extended on a case-by-case basis. The revenues generated from *Local Deals* vouchers and entertainment offers are based upon a percentage of the face value of the vouchers, commission on actual sales or a listing fee based on audience reach. For *Local Deals* vouchers, we recognize a percentage of the face value of vouchers upon the sale of the vouchers. The Company estimated the refund reserve by using historical and current refund rates by product and by merchant location to calculate the estimated future refunds. As of June 30, 2022, the Company had approximately $12.0 million of unredeemed vouchers that had been sold through June 30, 2022, representing the Company's commission earned from the sale. The Company had estimated a refund liability of $2.9 million for these unredeemed vouchers as of June 30, 2022, which is recorded as a reduction of revenues and is reflected as a current liability in Accrued expenses and other on the condensed consolidated balance sheet. As of December 31, 2021, the Company had approximately $17.2 million of unredeemed vouchers that had been sold through 2021 representing the Company's commission earned from the sale and estimated a refund liability of $5.2 million for these unredeemed vouchers as of December 31, 2021, which was recorded as a reduction of revenues and was reflected as a current liability in Accrued expenses and other on the condensed consolidated balance sheet. The Company has recorded Merchant Payables of $47.9 million as of June 30, 2022 related to unredeemed vouchers. Insertion orders and merchant agreements for *Local Deals* are typically for periods between one month and twelve months and are not automatically renewed except for merchant contracts in foreign locations. Should any of these factors change, the estimates made by management will also change, which could impact the level of our future reserve for refunds to member. Specifically, if the financial condition of our advertisers, the business that is providing the vouchered service, were to deteriorate, affecting their ability to provide the services to our members, additional reserves for refunds to members may be required and may adversely affect future revenue as the liability is recorded against revenue.

We record a liability associated with estimated future refunds in accrued expenses on the condensed consolidated balance sheets. Estimated member refunds that are determined to be recoverable from the merchant are recorded in the condensed consolidated statements of operations as a reduction to revenue. Estimated member refunds that are determined not to be recoverable from the merchant are presented as a cost of revenue. If our judgments regarding estimated member refunds are inaccurate, reported results of operations could differ from the amount we previously accrued.

Business Combinations

The purchase price of an acquisition is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is allocated to goodwill. The Company determines the estimated fair values after review and consideration of relevant information, including discounted cash flows, quoted market prices and estimates made by management. The Company records the net assets and results of operations of an acquired entity from the acquisition date and adjusts the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the acquisition closing date as it obtains more information as to facts and circumstances existing at the acquisition date impacting asset valuations and liabilities assumed. Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

Identifiable intangible assets

Upon acquisition, identifiable intangible assets are recorded at fair value and are carried at cost less accumulated amortization. Identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The carrying values of all intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The Company performed its annual test as of October 31, 2021 and no impairment charge was identified in connection with the annual impairment test. The Company did not identify any indicators of impairment during the six months ended June 30, 2022 and 2021.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets. Goodwill is evaluated for impairment annually, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. In testing goodwill for impairment, the Company first uses a qualitative assessment to evaluate whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount. If the qualitative assessment indicates that goodwill impairment is more likely than not, the Company performs an impairment test by comparing the book value of net assets to the fair value of the reporting units. The Company performed its annual impairment test as of October 31, 2021 and no impairment charge was identified in connection with the annual impairment test. The Company did not identify any indicators of impairment during the six months ended June 30, 2022 and 2021.

Operating Leases

The Company determines if an arrangement contains a lease at inception. Operating lease right-of-use ("ROU") assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The lease payments used to determine the operating lease assets may include lease incentives and stated rent increases. The Company does not include options to extend or terminate until it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company's leases generally do not provide an implicit rate. The Company elected not to recognize leases with an initial term of 12 months or less on its unaudited condensed consolidated balance sheets.

The Company's leases are reflected in operating lease ROU assets, operating lease liabilities and long-term operating lease liabilities in our unaudited condensed consolidated balance sheets. The lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company also has a real estate lease agreement which is subleased to a third party. The Company recognizes sublease income in "Other income (loss), net", on a straight-line basis over the lease term in its condensed consolidated statements of income.

Certain Risks and Uncertainties

The Company's business is subject to risks associated with its ability to attract and retain advertisers and offer products or services on compelling terms to our members. The global pandemic is having an unprecedented impact on the global travel and hospitality industries. Governmental authorities have implemented numerous measures to try to contain the virus, including restrictions on travel, quarantines, shelter-in-place orders, business restrictions and complete shut-downs. The measures implemented to contain the global pandemic have had, and are expected to continue to have, a significant negative effect on our business, financial condition, results of operations and cash flows.

The Company's cash, cash equivalents and accounts receivable are potentially subject to concentration of credit risk. Cash and cash equivalents are placed with financial institutions that the management believes are of high credit quality. The accounts receivables are derived from revenue earned from customers located in the U.S. and internationally. As of June 30, 2022 and December 31, 2021, the Company did not have any customers that accounted for 10% or more of accounts receivable.

Many of the Company's advertisers and partners are part of the global travel and hospitality industry. The measures implemented to contain COVID have had, and are expected to continue to have, a significant negative effect on the Company's business, financial condition, results of operations, and cash flows. The measures implemented led to many of the Company's advertisers pausing, canceling, or stopping advertising with us, as well as a high level of cancellations for our hotel partners and travel package partners, and refund requests for vouchers sold by Travelzoo for restaurant and spa partners. It is difficult to estimate the impact of the COVID pandemic on the Company's future revenues, results of operations, cash flows, liquidity, or financial condition.

As of June 30, 2022, the Company had merchant payables of $47.9 million related to the sale of vouchers. In the Company's financial statements presented in this 10-Q report, following GAAP accounting principles, we classified all merchant payables as current. When all merchant payables are classified as current, there is negative net working capital (which is defined as current assets minus current liabilities) of $17.2 million. Payables to merchants are generally due upon redemption of vouchers. The vouchers have maturities from July 2022 through December 2025 with the majority of vouchers expiring at the end of 2022 and the remaining primarily expiring in 2023; provided, that these expiration dates may sometimes be extended on a case-by-case basis. Management believes that redemptions may be delayed for international vouchers in the current environment. Based on current projections of redemption activity, management expect that cash on hand as of June 30, 2022 will be sufficient to provide for working capital needs for at least the next twelve months. However, if redemption activity is more accelerated, if the Company's business is not profitable, or if the Company's planned targets for cash flows from operations are not met, the Company may need to obtain additional financing to meet its working capital needs in the future. The Company believes that it could obtain additional financing if needed, but there can be no assurance that financing will be available on terms that are acceptable to the Company, if at all.

Cash, Cash Equivalents and Restricted Cash

Cash equivalents consist of highly liquid investments with maturities of three months or less on the date of purchase. Restricted cash includes cash and cash equivalents that is restricted through legal contracts, regulations or our intention to use the cash for a specific purpose. Our restricted cash primarily relates to refundable for leases.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the unaudited condensed consolidated balance sheets to the total amounts shown in the unaudited condensed consolidated statements of cash flows:

	June 30, 2022	December 31, 2021
Cash and cash equivalents	$ 25,608	$ 43,815
Restricted cash	1,061	1,142
Cash, cash equivalents and restricted cash–discontinued operations	11	32
Total cash, cash equivalents and restricted cash in the condensed consolidated statements of cash flows	$ 26,680	$ 44,989

The Company’s restricted cash was included in noncurrent assets as of June 30, 2022 and December 31, 2021.

Note 2: Net Income Per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed by adjusting the weighted-average number of common shares outstanding for the effect of dilutive potential common shares outstanding during the period. Potential common shares included in the diluted calculation consist of incremental shares issuable upon the exercise of outstanding stock options calculated using the treasury stock method.

The following table sets forth the calculation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income attributable to Travelzoo—continuing operations	$ 1,018	$ 2,985	$ 3,388	$ 1,358
Net loss attributable to Travelzoo—discontinued operations	$ 10	$ 29	$ (1)	$ 14
Denominator:				
Weighted average common shares—basic	12,513	11,488	12,285	11,440
Effect of dilutive securities: stock options	124	1,920	306	1,808
Weighted average common shares—diluted	12,637	13,408	12,591	13,248
Income per share—basic				
Continuing operations	$ 0.08	$ 0.26	$ 0.28	$ 0.12
Discontinued operations	—	—	—	—
Net income per share —basic	$ 0.08	$ 0.26	$ 0.28	$ 0.12
Income per share—diluted				
Continuing operations	$ 0.08	$ 0.22	$ 0.27	$ 0.10
Discontinued operations	—	—	—	—
Net income per share—diluted	$ 0.08	$ 0.22	$ 0.27	$ 0.10

For the three and six months ended June 30, 2022 and 2021, options to purchase 750,000 shares and 50,000 shares of common stock, respectively, were not included in the computation of diluted net income per share because the effect would have been anti-dilutive.

Note 3: Acquisitions

Travelzoo (Europe) Limited, Sucursal en España Acquired Secret Escapes Limited's Spanish Business Unit

On March 3, 2022, Travelzoo (Europe) Ltd, Sucursal en Espana, the Spanish branch of Travelzoo (Europe) Limited, a wholly-owned subsidiary of the Company ("Travelzoo Spain"), entered into a Business Unit Purchase Agreement ("BUPA") with Secret Escapes Limited ("Secret Escapes") for the purchase of its Spanish business unit, which included, among other things, a database of approximately 940,000 members. The purchase price was 400,000 Euros, with an earn-out opportunity of an additional 100,000 Euros payable by the Company upon the achievement of certain metrics by the business unit in six months (September 2022). Travelzoo was granted the right to use the Secret Escapes name exclusively in Spain for a continuity period of six (6) months. The BUPA contained typical representations and warranties and indemnification protections, as well as a restrictive covenant, whereby Secret Escapes agreed to leave the Spanish market for at least three (3) years, subject to a right to purchase a waiver.

Asset Purchase Agreement between Metaverse Travel Experiences, Inc. f/k/a Azzurro Brands Inc. and Travelzoo

On March 17, 2022, the Company, as Buyer, entered into an Asset Purchase Agreement (the "APA") with Metaverse Travel Experiences, Inc. f/k/a Azzurro Brands Inc., a New York corporation (the "Seller") and a wholly-owned subsidiary of Azzurro Capital Inc., the Company's largest shareholder. Pursuant to the APA, the Company acquired certain assets, primarily comprised of all U.S. members of Secret Escapes Limited, which Seller acquired in March 2021 and licensed exclusively to Travelzoo pursuant to the previously disclosed License Agreement, dated as of March 12, 2021 (the "License Agreement"), in accordance with data privacy and other applicable laws. The License Agreement allowed the Company to exclusively utilize the assets in exchange for a license fee of $412,500 per quarter with a one-year term that automatically renewed. The License Agreement was reviewed and unanimously approved by the Audit Committee of the Board of Directors, which consists solely of independent directors. The purchase price for the transaction was $1.75 million, with $600,000 paid in cash upon closing in March 2022 and the remaining $1.15 million payable in the form of a credit with Seller relating to prepaid license fees, under the License Agreement. The remaining commitment of the Company under the License Agreement for the then-current remaining term (equal to $825,000) were eliminated.

The Company recorded the transactions with both Secret Escape Limited and Metaverse Travel Experiences Inc. as asset acquisitions as the assets acquired and liabilities assumed do not meet the definition of a business in Accounting Standards Codification ("ASC") 805-10. Cost accumulation model was used to account for the cost of the acquisition and the 100,000 Euros earn-out was considered as contingent consideration based on ASC 805-50. Travelzoo acquired the database of members and recorded $2.2 million intangible assets from both agreements.

Acquisition of Jack's Flight Club

Travelzoo acquired 60% of the Jack's Flight Club for an aggregate purchase price of $12.0 million in January 2020. The strategic rationale for the Jack's Flight Club acquisition was to expand *Jack's Flight Club*'s membership to Travelzoo members worldwide, so the members from Travelzoo could also sign up to receive offers from Jack's Flight Club. The Company renegotiated with Jack's Flight Club in June 2020 and reached a negotiated settlement which resulted a gain in "General and administrative expenses" for the partial forgiveness for the promissory note issued for the acquisition.

The acquisition has been accounted for using the acquisition method in accordance with ASC 805, Business Combinations. Under the acquisition method of accounting, the total purchase consideration of the acquisition is allocated to the tangible assets and identifiable intangible assets and liabilities assumed based on their relative fair values. The excess of the purchase consideration over the net tangible and identifiable intangible assets is recorded as goodwill. Accordingly, the Company allocated $3.5 million to customer relationships, $2.5 million to trade name and $660,000 to non-compete agreements and the remaining $13.1 million to goodwill. The acquisition related costs were not significant and were expensed as incurred. Jack's Flight Club's result have been included in the accompanying financial statements from their the dates of acquisition. The Company recorded a goodwill impairments of $2.1 million and a Trade name impairment of $810,000 due to the pandemic in the first quarter of 2020. The Company performed an annual impairment test in October did not identify any further indicators of impairment as of December 31, 2021. The Company also did not identify any indicators of impairment during the six months ended June 30, 2022.

Intangible Assets

The following table represents the fair value and estimated useful lives of intangible assets from the above acquisitions (in thousands):

	Fair Value	Estimated Life (Years)
Customer relationships (Jack's Flight Club)	$ 3,500	5.0
Trade name (Jack's Flight Club)	2,460	indefinite
Non-compete agreements	660	4.0
Intangible assets (Secret Escape Spain member database)	445	3.0
Intangible assets (Metaverse Travel member database)	1,751	2.3

The following table represents the activities of intangible assets for the three and six months ended June 30, 2022 (in thousands):

	Jack's Flight Club	Secret Escape Spain	Metaverse Travel
Intangible assets—January 1, 2021	$ 4,534		
Amortization of intangible assets with definite lives	(284)		
Intangible assets—March 31, 2021	4,250		
Amortization of intangible assets with definite lives	(275)		
Intangible assets—June 30, 2021	3,975		
Amortization of intangible assets with definite lives	(275)		
Intangible assets—September 30, 2021	3,700		
Amortization of intangible assets with definite lives	(274)		
Intangible assets—December 31, 2021	3,426		
Acquisitions—March 2022	—	445	1,751
Amortization of intangible assets with definite lives	(226)	(12)	(195)
Intangible assets—March 31, 2022	3,200	433	1,556
Amortization of intangible assets with definite lives	(217)	(34)	(194)
Intangible assets—June 30, 2022	$ 2,983	$ 399	$ 1,362

Amortization expense for acquired intangibles was $445,000 and $275,000 for the three months ended June 30, 2022 and 2021, respectively, and was $878,000 and $559,000 for the six months ended June 30, 2022 and 2021, respectively. Expected future amortization expense of acquired intangible assets, excluding the $1.65 million for the indefinite-lived trade name asset,
as of June 30, 2022 is as follows (in thousands):

Years ending December 31,	
2022 remainder	$ 896
2023	1,568
2024	593
2025	37
	$ 3,094

Note 4: Commitments and Contingencies

From time to time, the Company is subject to various claims and legal proceedings, either asserted or unasserted, that arise in the ordinary course of business. The Company accrues for legal contingencies if the Company can estimate the potential liability and if the Company believes it is probable that the case will be ruled against it. Accruals for legal contingencies were not material as of June 30, 2022 and December 31, 2021. If a legal claim for which the Company did not accrue is resolved against it, the Company would record the expense in the period in which the ruling was made. The Company believes that the likelihood of an ultimate amount of liability, if any, for any pending claims of any type (alone or combined) that will materially affect the Company’s financial position, results of operations or cash flows is remote. The ultimate outcome of any litigation is uncertain, however, and unfavorable outcomes could have a material negative impact on the Company’s financial condition and operating results. Regardless of outcome, litigation can have an adverse impact on the Company because of defense costs, negative publicity, diversion of management resources and other factors.

The Company was formed as a result of a combination and merger of entities founded by the Company’s principal shareholder, Ralph Bartel. In 2002, Travelzoo.com Corporation (“Netsurfers”) was merged into the Company. Under and subject to the terms of the merger agreement, holders of promotional shares of Netsurfers who established that they had satisfied certain prerequisite qualifications were allowed a period of 2 years following the effective date of the merger to receive one share of the Company in exchange for each share of common stock of Netsurfers. In 2004, two years following the effective date of the merger, certain promotional shares remained unexchanged. As the right to exchange these promotional shares expired, no additional shares were reserved for issuance. Thereafter, the Company began to offer a voluntary cash program for those who established that they had satisfied certain prerequisite qualifications for Netsurfers promotional shares as further described below.

From 2010 through 2014, the Company became subject to unclaimed property audits of various states in the United States related to the above unexchanged promotional shares and completed settlements with all states. Although the Company has settled the unclaimed property claims with all states, the Company may still receive inquiries from certain potential Netsurfers promotional shareholders that had not provided their state of residence to the Company by April 25, 2004. Therefore, the Company is continuing its voluntary program under which it makes cash payments to individuals related to the promotional shares for individuals whose residence was unknown by the Company and who establish that they satisfy the original conditions required for them to receive shares of Netsurfers, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period. This voluntary program is not available for individuals whose promotional shares have been escheated to a state by the Company, except those individuals for which their residence was unknown to the Company. The Company did not make any payments for the three and six months ended June 30, 2022 and 2021.

The total cost of this program cannot be reliably estimated because it is based on the ultimate number of valid requests received and future levels of the Company’s common stock price. The Company’s common stock price affects the liability because the amount of cash payments under the program is based in part on the recent level of the stock price at the date valid requests are received. The Company does not know how many of the requests for shares originally received by Netsurfers in 1998 were valid, but the Company believes that only a portion of such requests were valid. In order to receive payment under this voluntary program, a person is required to establish that such person validly held shares in Netsurfers.

The Company leases office space in Canada, France, Germany, Spain, the U.K., and the U.S. under operating leases. Our leases have remaining lease terms ranging from less than one year to up to eight years. Refer to Note 11 for Leases as of June 30, 2022. The Company maintains several standby letters of credit (“LOC”) to serve as collateral issued to certain landlords. The LOCs are collateralized with cash which is included in the line item “Restricted cash” in the Condensed Consolidated Balance Sheets.

The Company has purchase commitments aggregating approximately $3.0 million as of June 30, 2022, which represent the minimum obligations the Company has under agreements with certain suppliers. These minimum obligations are less than the Company's projected use for those periods. Payments may be more than the minimum obligations based on actual use.

Note 5: Income Taxes

In determining the quarterly provisions for income taxes, the Company uses an estimated annual effective tax rate, which is generally based on our expected annual income and statutory tax rates in the U.S., Canada, and the U.K. The Company's effective tax rate from continuing operations was 47% and 27%, respectively, for the three months ended June 30, 2022 and 2021. The Company’s effective tax rate for the three months ended June 30, 2022, changed from the three months ended June 30, 2021, primarily due to other income recorded for PPP Loan forgiveness in the three months ended June 30, 2021 that is exempt from tax and changes in deferred tax assets from limitations on deductible stock-based compensation. The Company's effective tax rate from continuing operations was 36% and 58%, respectively, for the six months ended June 30, 2022 and 2021. The Company’s effective tax rate for the six months ended June 30, 2022 changed from the six months ended June 30, 2021 primarily due to a decrease in non-tax deductible stock compensation in the six months ended June 30, 2022.

As of June 30, 2022, the Company is permanently reinvested in certain of its non-U.S. subsidiaries and does not have a deferred tax liability related to its undistributed foreign earnings. The estimated amount of the unrecognized deferred tax liability attributed to future withholding taxes on dividend distributions of undistributed earnings for certain non-U.S. subsidiaries, which the Company intends to reinvest the related earnings indefinitely in its operations outside the U.S., is approximately $666,000.

The Company maintains liabilities for uncertain tax positions. As of June 30, 2022, the Company had approximately $1.0 million in total unrecognized tax benefits, which if recognized, would favorably affect the Company’s effective income tax rate.

The Company’s policy is to include interest and penalties related to unrecognized tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction in the overall income tax provision in the period that such determination is made. As of June 30, 2022 and December 31, 2021, the Company had approximately $500,000 and $424,000 in accrued interest and penalties, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. states and foreign jurisdictions. The Company is subject to U.S. federal and certain state tax examinations for certain years after 2017 and forward and is subject to California tax examinations for years after 2016.

We do not know what our income taxes will be in future periods. There may be fluctuations that have a material impact on our results of operations. Our income taxes are dependent on numerous factors such as the geographic mix of our taxable income, federal and state and foreign country tax law and regulations and changes thereto, the determination of whether valuation allowances for certain tax assets are required or not, audits of prior years' tax returns resulting in adjustments, resolution of uncertain tax positions and different treatment for certain items for tax versus books. We expect fluctuations in our income taxes from year to year and from quarter to quarter. Some of the fluctuations may be significant and have a material impact on our results of operations.

On March 27, 2020, President Trump signed into law the CARES Act, which, along with earlier issued IRS guidance, provides for deferral of certain taxes. The CARES Act, among other things, also contains numerous other provisions which may benefit the Company. We continue to assess the effect of the CARES Act and ongoing government guidance related to the global pandemic that may be issued.

Note 6: Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Beginning balance	$ (3,931)	$ (3,649)	$ (3,793)	$ (4,059)
Other comprehensive income (loss) due to foreign currency translation, net of tax	(602)	162	(740)	572
Ending balance	$ (4,533)	$ (3,487)	$ (4,533)	$ (3,487)

There were no amounts reclassified from accumulated other comprehensive loss for the three and six months ended June 30, 2022 and 2021. Accumulated other comprehensive income (loss) consists of foreign currency translation gain or loss.

Note 7: Stock-Based Compensation and Stock Options

The Company accounts for its employee stock options under the fair value method, which requires stock-based compensation to be estimated using the fair value on the date of grant using an option-pricing model. The value of the portion of the award that is expected to vest is recognized on a straight-line basis as expense over the related employees' requisite service periods in the Company's condensed consolidated statements of operations.

In September 2015, pursuant to an executed Nonqualified Stock Option Agreement, the Company granted its Global Chief Executive Officer, Holger Bartel, options to purchase 400,000 shares of common stock of the Company, with an exercise price of $8.07 and quarterly vesting beginning on March 31, 2016 (the "2015 Option Agreement"). The 2015 Option Agreement expires in September 2025. The options are now fully vested and the stock-based compensation related to these options was fully expensed. In October 2017, pursuant to an executed Option Agreement, the Company granted Mr. Bartel options to purchase 400,000 shares of common stock, with an exercise price of $6.95 and quarterly vesting beginning on March 31, 2018 (the "2017 Option Agreement"). The 2017 Option Agreement expires in 2027. During 2019, 250,000 options granted pursuant to the 2017 Option Agreement were exercised by Mr. Bartel. The remaining 150,000 options are fully vested and the stock-based compensation related to these options was fully expensed. In September 2019, the Company granted Mr. Bartel options to purchase 400,000 shares of common stock subject to shareholder approval, with an exercise price of $10.79 and quarterly vesting beginning on March 31, 2020 and ending on December 31, 2021 (the "2019 Option Agreement" and together with the 2015 Option Agreement and the 2017 Option Agreements, the "Bartel Option Agreements"). The 2019 Option Agreement expires in 2024.

On May 29, 2020, the shareholders of the Company approved certain amendments to the Bartel Option Agreements, which increased and repriced all outstanding, unexercised options granted to Mr. Bartel (the "Option Agreement Amendments"). Pursuant to the Option Agreement Amendments and subject to shareholder approval, the exercise price for the options was repriced to the official NASDAQ closing share price on March 30, 2020 (the date of execution of the Option Agreement Amendments, which immediately followed the date of approval of the grants from the Board of Directors of the Company), which was $3.49. Additionally, the Option Agreement Amendments made the following increases: (a) 400,000 additional options to purchase the Company's common stock pursuant to the 2015 Option Agreement, (b) 150,000 additional options to purchase the Company's common stock pursuant to the 2017 Option Agreement, and (c) 400,000 additional options to purchase the Company's common stock pursuant to the 2019 Option Agreement, which resulted in a total of 1,900,000 options granted to Mr. Bartel pursuant to the Option Agreement Amendments. Mr. Bartel's amended options pursuant to the 2015 Option Agreement and the 2017 Option Agreement were fully vested upon the execution of the applicable Option Agreement Amendment. Therefore, stock-based compensation related to these options was fully expensed in second quarter of 2020. In 2021, 800,000 options granted pursuant to the 2015 Option Agreement, 300,000 options granted pursuant to the 2017 Option Agreement and 260,000 options granted pursuant to the 2019 Option Agreement were exercised by Mr. Bartel, 681,902 shares of common stock were issued as the result of a cashless exercise or net settlement with respect to the option exercise price or taxes which were approved by Travelzoo's Board of Directors. As of December 31, 2021, stock-based compensation related to the 2019 Option Agreement and applicable Option Agreement Amendment was fully expensed. Mr. Bartel exercised the remaining 540,000 options granted pursuant to the 2019 Option Agreement during the three months ended June 30, 2022. The Company received an aggregate cash proceeds of $1.9 million.

In September 2019, pursuant to executed Option Agreements, the Company granted six employees stock options to purchase 50,000 shares of common stock each (300,000 in the aggregate) with an exercise price of $10.79, of which 75,000 options vest in total and become exercisable annually starting on September 5, 2020 and ending on December 31, 2023. The options expire in September 2024. On May 29, 2020, the shareholders of the Company approved the grants, as well as certain amendments to the Option Agreements, which increased and repriced all outstanding, unexercised options granted to such employees. Pursuant to the applicable amendments, the exercise price for the options was repriced to the official NASDAQ closing share price on March 30, 2020 (the date of execution of the amendments to the Option Agreements, which immediately followed the date of approval of the grants from the Board of Directors of the Company), which was $3.49, the option grants were each increased to 100,000 each, resulting in 300,000 additional options in the aggregate. In 2020, 100,000 unvested options were forfeited upon an employee's departure, 75,000 options were exercised and 54,258 shares of common stock were issued as the result of a cashless exercise approved by Travelzoo's Board of Directors. In 2021, 125,000 unvested options were forfeited upon employees' departure, 150,000 options were exercised and 88,917 shares of common stock were issued as the result of the cashless exercises or net settlement with respect to the option exercise price which were approved by Travelzoo's Board of Directors. As of June 30, 2022, 150,000 options were outstanding and none of these options were vested. Total stock-based compensation related to these option grants of $72,000 and $41,000 was recorded in general and administrative expenses for the three months ended June 30, 2022 and 2021. Total stock-based compensation related to these option grants of $145,000 and $96,000 was recorded in general and administrative expenses for the six months ended June 30, 2022 and 2021. As of June 30, 2022, there was approximately $338,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over the next 1.2 years.

On May 29, 2020, pursuant to an executed Option Agreement, the shareholders of the Company approved the grant of stock options to purchase 800,000 shares of common stock to Mr. Ralph Bartel, Chairman of the Board of Directors of the Company, with an exercise price of $3.49 and quarterly vesting beginning June 30, 2020 and ending on March 31, 2022. The options expire in March 2025. This grant was approved at the 2020 Annual Meeting of the shareholders. As of June 30, 2022, 200,000 options were outstanding and all of these options were vested. Total stock-based compensation related to this option grant of $385,000 and $771,000 was recorded in general and administrative expenses for the six months ended June 30, 2022 and 2021. Stock-based compensation related to this grant was fully expensed by the end of the first quarter of 2022.

On May 29, 2020, pursuant to an executed Option Agreement, the shareholders of the Company approved the grant of stock options to purchase 200,000 shares of common stock to two key employees, with an exercise price of $3.49 with annual vesting starting March 30, 2021 and ending on March 31, 2024. The options expire in March 2025. In 2021, 50,000 options were exercised, and 24,474 shares of common stock were issued as the result of the cashless exercises which were approved by Travelzoo's Board of Directors. As of June 30, 2022, 150,000 options were outstanding and 50,000 of these options were vested. Total stock-based compensation related to these option grants of $49,000 was recorded in general and administrative expenses for each of the three months ended June 30, 2022 and 2021. Total stock-based compensation related to these option grants of $98,000 and $108,000 was recorded in general and administrative expenses for the six months ended June 30, 2022 and 2021. As of June 30, 2022, there was approximately $344,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over the next 1.8 years.

On June 1, 2021, pursuant to an executed Option Agreement, the shareholders of the Company approved the grant of stock options to purchase 50,000 shares of common stock to one employee, with an exercise price of $9.44, with annual vesting starting January 1, 2022 and ending on January 1, 2025. The options expire in January 2026. As of June 30, 2022, 50,000 options were outstanding and 12,500 of these options were vested. Total stock-based compensation related to this option grant of $36,000 and $21,000 was recorded in general and administrative expenses for the three months ended June 30, 2022 and 2021. Total stock-based compensation related to this option grant of $72,000 and $21,000 was recorded in general and administrative expenses for the six months ended June 30, 2022 and 2021. As of June 30, 2022, there was approximately $359,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over the next 2.5 years.

In March 2022, pursuant to an executed Option Agreement, the Company granted its Global Chief Executive Officer, Holger Bartel, options to purchase 600,000 shares of common stock of the Company, with an exercise price of $8.14 and vesting 25% every six months over two years beginning on June 30, 2022 and ending on December 31, 2023. The options expire in March 2027. This grant was approved at the 2022 Annual Meeting of the shareholders. As of June 30, 2022, 600,000 options were outstanding and 150,000 of these options were vested. Total stock-based compensation related to this option grant of $433,000 was recorded in general and administrative expenses for the three and six months ended June 30, 2022. As of June 30, 2022, there was approximately $1.3 million of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over 1.5 years.

In June 2022, the Company granted an employee options to purchase 100,000 shares of common stock with an exercise price of $6.78 and quarterly vesting beginning on September 30, 2022 and ending on June 30, 2025 with vesting based on both time-based service condition and also performance conditions. However, if the performance targets are not met as of the first date on which the time condition is met, the time condition may be extended by one quarter up to three times. The options expire in June 2027. As of June 30, 2022, 100,000 options were outstanding and none of these options was vested. The Company did not recognize any stock-based compensation expense for this grant in the three and six months ended June 30, 2022 as achievement of the performance condition was not considered probable. As of June 30, 2022, there was approximately $368,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over 3 years.

Note 8: Stock Repurchase Program

The Company's stock repurchase programs assist in offsetting the impact of dilution from employee equity compensation and assist with capital allocation. Management is allowed discretion in the execution of the repurchase program based upon market conditions and consideration of capital allocation. There is currently no outstanding stock repurchase program.

In May 2019, the Company announced a stock repurchase program authorizing the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. The Company repurchased and retired 436,369 shares and 169,602 shares of common stock in 2019 and 2020, respectively. In 2021, the Company repurchased 395,029 shares of common stock for an aggregate purchase price of $3.9 million, which were recorded as part of treasury stock as of December 31, 2021. This stock repurchase program was completed in 2021.

In March 2021, the Company entered into a Stock Repurchase Agreement with Mr. Holger Bartel to privately repurchase an aggregate of 100,000 shares of the Company's common stock for an aggregate purchase price of $1.6 million, which were recorded as part of treasury stock as of December 31, 2021. This transaction was approved by the Compensation Committee of the Board of Directors.

In June 2022, the Company announced its board of directors has approved a stock repurchase program authorizing the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. As of June 30, 2022, the Company has not repurchased shares of common stock related to this program.

Note 9: Segment Reporting and Significant Customer Information

The Company determines its reportable segments based upon the Company's chief operating decision maker managing the performance of the business. Historically, the Company managed its business geographically and operated in three reportable segments including Asia Pacific, Europe and North America. During the six months ended June 30, 2022, the Company classified the results of its Asia Pacific segment as discontinued operations in its condensed consolidated financial statements for current and prior periods presented. On January 13, 2020, Travelzoo agreed to the SPA with the Sellers of Jack's Flight Club to purchase 60% of the Shares. Upon acquisition, the Company's chief operating decision maker reviewed and evaluated Jack's Flight Club as a separate segment. The Company currently has three reportable operating segments: Travelzoo North America, Travelzoo Europe and Jack's Flight Club. Travelzoo North America consists of the Company's operations in Canada and the U.S. Travelzoo Europe consists of the Company's operations in France, Germany, Spain, and the U.K. Jack's Flight Club consists of subscription revenue from premium members to access and receive flight deals from Jack's Flight Club via email or via Android or Apple mobile applications.

Management relies on an internal management reporting process that provides revenue and segment operating profit (loss) for making financial decisions and allocating resources. Management believes that segment revenues and operating profit (loss) are appropriate measures of evaluating the operational performance of the Company's segments.

The following is a summary of operating results by business segment (in thousands):

Three Months Ended June 30, 2022	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated
Revenues from unaffiliated customers	$ 12,342	$ 4,395	$ 952	$ —	$ 17,689
Intersegment revenues (expenses)	41	(41)	—	—	—
Total net revenues	12,383	4,354	952	—	17,689
Operating profit (loss)	$ 3,092	$ (1,472)	$ 161	$ —	$ 1,781

Three Months Ended June 30, 2021	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated
Revenues from unaffiliated customers	$ 13,650	$ 4,569	$ 860	$ —	$ 19,079
Intersegment revenues (expenses)	335	(335)	—	—	—
Total net revenues	13,985	4,234	860	—	19,079
Operating profit (loss)	$ 3,533	$ (227)	$ 170	$ —	$ 3,476

Six Months Ended June 30, 2022	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated
Revenues from unaffiliated customers	$ 23,845	$ 10,522	$ 1,775	$ —	$ 36,142
Intersegment revenues (expenses)	234	(234)	—	—	—
Total net revenues	24,079	10,288	1,775	—	36,142
Operating profit (loss)	$ 4,810	$ (1,294)	$ 184	$ —	$ 3,700

Six Months Ended June 30, 2021	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated
Revenues from unaffiliated customers	$ 23,478	$ 8,138	$ 1,747	$ —	$ 33,363
Intersegment revenues (expenses)	326	(326)	—	—	—
Total net revenues	23,804	7,812	1,747	—	33,363
Operating profit (loss)	$ 3,572	$ (923)	$ 60	$ —	$ 2,709

Property and equipment are attributed to the geographic region in which the assets are located. Revenues from unaffiliated customers excludes intersegment revenues and represents revenue with parties unaffiliated with the Company and its wholly owned subsidiaries.

The following is a summary of assets by business segment (in thousands):

As of June 30, 2022	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated
Long-lived assets	$ 316	$ 234	$ —	$ —	$ 550
Total assets excluding discontinued operations	$ 105,331	$ 18,307	$ 18,746	$ (63,938)	$ 78,446

As of December 31, 2021	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated
Long-lived assets	$ 573	$ 86	$ —	$ —	$ 659
Total assets excluding discontinued operations	$ 116,700	$ 28,167	$ 18,436	$ (63,647)	$ 99,656

For the six months ended June 30, 2022 and 2021, the Company did not have any customers that accounted for 10% or more of revenue. As of June 30, 2022 and December 31, 2021, the Company did not have any customers that accounted for 10% or more of accounts receivable.

The following table sets forth the breakdown of revenues (in thousands) by category and segment. Travel revenue includes travel publications (*Top 20*, *Travelzoo* website, *Newsflash*, *Travelzoo Network*), *Getaways* vouchers, hotel platform and vacation packages. Local revenue includes *Local Deals* vouchers and entertainment offers (vouchers and direct bookings).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Travelzoo North America				
Travel	$ 11,449	$ 13,073	$ 22,499	$ 22,063
Local	934	912	1,580	1,741
Total Travelzoo North America revenues	12,383	13,985	24,079	23,804
Travelzoo Europe				
Travel	4,072	3,723	9,696	7,024
Local	282	511	592	788
Total Travelzoo Europe revenues	4,354	4,234	10,288	7,812
Jack's Flight Club	952	860	1,775	1,747
Consolidated				
Travelzoo Travel	15,521	16,796	32,195	29,087
Travelzoo Local	1,216	1,423	2,172	2,529
Jack's Flight Club	952	860	1,775	1,747
Total revenues	$ 17,689	$ 19,079	$ 36,142	$ 33,363

Revenue by geography is based on the billing address of the advertiser. Long-lived assets attributed to the U.S. and international geographies are based upon the country in which the asset is located or owned. The following table sets forth revenue for countries that exceed 10% of total revenue (in thousands):

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenue				
United States	$ 11,222	$ 13,214	$ 21,865	$ 22,435
United Kingdom	4,037	2,987	8,036	5,107
Germany	957	1,729	3,209	2,897
Rest of the world	1,473	1,149	3,032	2,924
Total revenues	$ 17,689	$ 19,079	$ 36,142	$ 33,363

The following table sets forth property and equipment by geographic area (in thousands):

	June 30, 2022	December 31, 2021
United States	$ 316	$ 409
Rest of the world	234	250
Total long-lived assets	$ 550	$ 659

Note 10: Discontinued Operations

On March 10, 2020, Travelzoo issued a press release announcing that it will exit its loss-making business in Asia Pacific. The decision supports the Company’s strategy to focus on value creation for shareholders by focusing on growing the businesses in North America and Europe.

The Asia Pacific business ceased operations as of March 31, 2020, except for the Company’s Japan and Singapore units, which were held for sale. The Company has classified Asia Pacific as discontinued operations at March 31, 2020. Prior periods have been reclassified to conform with the current presentation. The following table provides a summary of amounts included in discontinued operations for the three and six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenues	$ —	$ —	$ —	$ —
Cost of revenues	—	—	—	—
Gross profit	—	—	—	—
Operating expenses:				
Sales and marketing	—	—	—	—
Product development	—	—	—	—
General and administrative	—	—	8	12
Total operating expenses	—	—	8	12
Loss from operations	—	—	(8)	(12)
Other income, net	10	29	7	26
Income (loss) before income taxes	10	29	(1)	14
Income tax expense	—	—	—	—
Net income (loss)	$ 10	$ 29	$ (1)	$ 14

On June 16, 2020, in connection with its Asia Pacific exit plan, the Company completed a sale of 100% of the outstanding capital stock of Travelzoo Japan K.K. ("Travelzoo Japan") to Mr. Hajime Suzuki, the former General Manager of Japan of the Company (the "Japan Buyer") for consideration of 1 Japanese Yen. The Company recognized a pre-tax loss of $128,000. The parties also entered into a License Agreement, whereby Travelzoo Japan obtained a license to use the intellectual property of Travelzoo exclusively in Japan and South Korea in exchange for quarterly royalty payments based on revenue over a 5-year term, with an option to renew. However, Travelzoo Japan is only obligated to pay Travelzoo if Travelzoo Japan has a positive EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted pro forma before royalty expenses, according to Travelzoo Japan's income statement. Travelzoo was not able to estimate whether Travelzoo Japan will generate positive EBITDA based on the uncertainties, and no amount has been recorded for future royalties under this agreement. Licensing revenue is booked with a lag of one quarter. The Company did not record royalties from Travelzoo Japan for 2020. The Company records royalties for its licensing arrangements on a one-quarter lag basis. An interest free loan was provided to the Japan Buyer for JPY 46.0 million (approximately $430,000) to be repaid over 3 years. The Japan Buyer repaid $133,000 in 2021. The Company recognized royalties of $0 and $9,000 from Travelzoo Japan for the three months ended June 30, 2022 and 2021, respectively.

On August 24, 2020, the Company completed a sale of 100% of the outstanding capital stock of Travelzoo (Singapore) Pty Ltd ("Travelzoo Singapore"), to an unaffiliated entity, Finest Hotels Pty Ltd d/b/a Travelzoo ("AUS Buyer"), which is fully owned by Mr. Julian Rembrandt, the former General Manager of Southeast Asia and Australia of the Company for consideration of 1 Singapore Dollar. The parties also entered into a License Agreement, whereby the AUS Buyer obtained a license to use the intellectual property of Travelzoo exclusively in Australia, New Zealand and Singapore and non-exclusively in China and Hong Kong for quarterly royalty payments based upon revenue over a 5 year term, with an option to renew. Travelzoo was not able to estimate whether the AUS Buyer will generate revenues based on the current uncertainties, and no amount has been recorded for future royalties under this agreement. Licensing revenue is booked with a lag of one quarter. The Company also recorded $7,000 and $0 in licensing revenue from the licensee in Australia, New Zealand, and Singapore for the three months ended June 30, 2022 and 2021, respectively.

The following table presents information related to the major classes of assets and liabilities that were classified as assets and liabilities from discontinued operations in the Condensed Consolidated Balance Sheets (in thousands):

	June 30, 2022	December 31, 2021
ASSETS		
Cash, cash equivalents and restricted cash	$ 11	$ 32
Accounts receivable, net	—	—
Prepaid expenses and other	23	39
Total assets from discontinued operations	$ 34	$ 71
LIABILITIES		
Accounts payable	$ 437	$ 473
Accrued expenses and other	—	—
Deferred revenue	11	12
Total liabilities from discontinued operations	$ 448	$ 485

The net cash used in operating activities for the discontinued operations for the six months ended June 30, 2022 and 2021, were as follows (in thousands):

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net cash used in operating activities	$ (21)	$ (85)

Note 11: Leases

The Company has operating leases for real estate and certain equipment. The Company leases office space in Canada, France, Germany, Spain, the U.K., and the U.S. under operating leases. Our leases have remaining lease terms ranging from less than one year up to eight years. Certain leases include one or more options to renew. In addition, we sublease real estate to a third party. All of our leases qualify as operating leases.

The following table summarizes the components of lease expense for the three and six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease cost	$ 558	$ 920	$ 1,243	$ 1,802
Short-term lease cost	—	6	—	12
Variable lease cost	170	266	391	547
Sublease income	(88)	(84)	(174)	(168)
Total lease cost	$ 640	$ 1,108	$ 1,460	$ 2,193

For the six months ended June 30, 2022 and 2021, cash payments against the operating lease liabilities totaled $1.7 million and $2.3 million, respectively. ROU assets obtained in exchange for lease obligations was $0 and $1.8 million for six months ended June 30, 2022 and 2021, respectively.

The following table summarizes the presentation in our condensed consolidated balance sheets of our operating leases (in thousands):

	June 30, 2022	December 31, 2021
Assets:		
Operating lease right-of-use assets	$ 6,192	$ 7,700
Liabilities:		
Operating lease liabilities	$ 2,589	$ 3,180
Long-term operating lease liabilities	8,125	9,111
Total operating lease liabilities	$ 10,714	$ 12,291
Weighted average remaining lease term (years)	6.64	6.68
Weighted average discount rate	3.3 %	3.6 %

Maturities of lease liabilities were as follows (in thousands):

Years ending December 31,	
2022 (excluding the six months ended June 30, 2022)	$ 1,426
2023	2,119
2024	1,426
2025	1,350
2026	1,350
Thereafter	4,275
Total lease payments	11,946
Less interest	(1,232)
Present value of operating lease liabilities	$ 10,714

Note 12: Debt

On April 24, 2020 and May 5, 2020, the Company received $3.1 million and $535,000, respectively, pursuant to loans under the Paycheck Protection Program (the “PPP”) of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the Small Business Association. The loans have a maturity of two (2) years from the disbursement of the funds and an annual interest rate of 1%. The Company used the funds from these loans only for the purposes included in the PPP, including payroll, employee benefits, and rent, and also intends to apply for forgiveness of a portion of the loans in compliance with the CARES Act. Interest expense of $25,000 for the PPP notes payable in 2020 was recorded in Other income (loss), net.

In the second quarter of 2021, the Company settled the $535,000 PPP loan, $429,000 was forgiven which was recorded as gain in "Other income (loss), net", the remaining outstanding balance of the loan and interest of $111,000 was paid off. On July 1, 2021, the principal and the interest of the $3.1 million PPP loan were forgiven and a gain was recorded in "Other income (loss), net", in the three months ended September 30, 2021. It is possible that the SBA could subsequently audit the forgiven loans. The Company believes it was eligible to participate in PPP, calculated the loan amount correctly, spent loan proceeds on allowable uses and is entitled to loan forgiveness. The Company will hold onto its financial documents relating to the PPP loans for six years as required.

Note 13: Related Party Transactions

Ralph Bartel, who founded Travelzoo and who is the Chairman of the Board of Directors of the Company, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro Capital Inc. ("Azzurro"). As of June 30, 2022, Ralph Bartel is the Company's largest shareholder, holding approximately 35.7% of the Company's outstanding shares. Holger Bartel, the Company's Global Chief Executive Officer, is Ralph Bartel's brother and holds approximately 3.9% of the Company's outstanding shares.

Asset Purchase Agreement between Metaverse Travel Experiences, Inc. f/k/a Azzurro Brands Inc. and Travelzoo

On March 17, 2022, the Company, as Buyer, entered into an Asset Purchase Agreement (the "APA") with Metaverse Travel Experiences, Inc. f/k/a Azzurro Brands Inc., a New York corporation (the "Seller") and a wholly-owned subsidiary of Azzurro Capital Inc., the Company's largest shareholder. Pursuant to the APA, the Company acquired certain assets, primarily comprised of all U.S. members of Secret Escapes Limited, which Seller acquired in March 2021 and licensed exclusively to Travelzoo pursuant to the previously disclosed License Agreement, dated as of March 12, 2021 (the "License Agreement"), in accordance with data privacy and other applicable laws. The License Agreement allowed the Company to exclusively utilize the assets in exchange for a license fee of $412,500 per quarter with a one-year term that automatically renewed. The License Agreement was reviewed and unanimously approved by the Audit Committee of the Board of Directors, which consists solely of independent directors. The purchase price for the transaction was $1.75 million, with $600,000 paid in cash upon closing in March 2022 and the remaining $1.15 million payable in the form of a credit with Seller relating to prepaid license fees, under the License Agreement. The remaining commitment of the Company under the License Agreement for the then-current remaining term (equal to $825,000) were eliminated.

Stock Repurchase Agreement

Travelzoo, from time to time, engages in share repurchases, and on March 27, 2021, the Company entered into a Stock Repurchase Agreement (the "SRA") with Holger Bartel, the Company's Global Chief Executive Officer, to repurchase an aggregate of 100,000 shares of the Company's common stock at a price of $15.83 per share. The SRA provides that the purchase price is based on the 10-day volume weighted average price calculated using the VWAP function on Bloomberg, from the dates of March 15, 2021 through and including March 26, 2021, less a 5% discount. The aggregate purchase price of $1.6 million was paid on the first business day following the execution of the SRA and because Mr. Bartel is an executive officer of the Company, the Company's Board of Directors and Audit Committee of the Board of Directors delegated to its Compensation Committee, which consists of independent and disinterested directors, the exclusive power and authority to determine whether any potential transaction to acquire shares from Mr. Bartel was advisable, fair to and in the best interests of the Company and its stockholders, other than Mr. Bartel. In connection with its determination, the Compensation Committee engaged independent legal counsel and an independent financial advisor and unanimously approved the SRA. The SRA contains customary terms for transactions of this type, including, but not limited to, representations and warranties made by the Company and Mr. Bartel.

WeGo Investment

The Company sold all of its shares in WeGo to trivago for a total purchase price of approximately $2.9 million, of which $196,000 was placed in escrow for one year. The Company received the full escrow payment in January 2022 and recorded the gain in Other income (loss), net in the first quarter of 2022.

Stock Option Agreement

In March 2022, the Company granted Holger Bartel 600,000 stock options that vest through December 31, 2023. This grant was approved by the shareholders of the Company at the 2022 annual meeting of shareholders. Holger Bartel is the brother of Ralph Bartel and is our Global Chief Executive Officer. See Note 3 to the unaudited condensed consolidated financial statements for further information.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information in this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations, assumptions, estimates and projections about Travelzoo and our industry. These forward-looking statements are subject to the many risks and uncertainties that exist in our operations and business environment that may cause actual results, performance or achievements of Travelzoo to be different from those expected or anticipated in the forward-looking statements. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as “may”, “will”, “should”, “estimates”, “predicts”, “potential”, “continue”, “strategy”, “believes”, “anticipates”, “plans”, “expects”, “intends”, and similar expressions are intended to identify forward-looking statements. Travelzoo’s actual results and the timing of certain events could differ significantly from those anticipated in such forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those discussed elsewhere in this report in the section entitled “Risk Factors” and the risks discussed in our other SEC filings. The forward-looking statements included in this report reflect the beliefs of our management on the date of this report. Travelzoo undertakes no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other circumstances occur in the future.

Overview

Travelzoo® is a global Internet media company. We provide our 30 million members insider deals and one-of-a-kind experiences personally reviewed by one of our deal experts around the globe. We have our finger on the pulse of outstanding travel, entertainment, and lifestyle experiences. For over 20 years we have worked in partnership with more than 5,000 top travel suppliers—our long-standing relationships give Travelzoo members access to irresistible deals.

Travelzoo (the “Company” or "we") attracts a high-quality audience of travel enthusiasts across multiple digital platforms, including email, web, social media and mobile applications. Our insider deals and email newsletters are published by Travelzoo and its licensees worldwide. Our publications and products include the *Travelzoo* website (travelzoo.com),, the *Travelzoo* iPhone and Android apps, the *Travelzoo Top 20®* email newsletter, the *Newsflash* email alert service, and the *Travelzoo Network.* Our *Travelzoo* website includes *Local Deals* and *Getaways* listings that allow our members to purchase vouchers for deals from local businesses such as spas, hotels and restaurants.

In January 2022, the Company’s German branch of Travelzoo (Europe) Limited received the payment for approximately $1.2 million from German federal government for companies suffered Corona-related slump. The Company recorded $1.2 million gain in Other income, net in the first quarter of 2022. The Company also received other government fundings for the three months ended June 30, 2022 and 2021. Job retention related funding from Canada was approximately $85,000 and $149,000 for the three months ended June 30, 2022 and 2021, respectively, and was approximately $153,000 and $317,000 for the six months ended June 30, 2022 and 2021, respectively. Job retention related funding from European locations was $10,000 and $31,000 for the three and six months ended June 30, 2021, respectively. These fundings were recorded against salary and related expenses. The Company did not receive any job retention related funding from European locations for the three and six months ended June 30, 2022.

The Company sold all of its shares in WeGo to trivago for a total purchase price of approximately $2.9 million, of which $196,000 was placed in escrow for one year. The Company received the full escrow payment in January 2022 and recorded the gain in Other income (loss), net for the first quarter of 2022.

Historically, the Company managed its business geographically and operated in three reportable segments including Asia Pacific, Europe and North America. In the first quarter of 2020, the Company classified the results of its Asia Pacific segment as discontinued operations in its consolidated financial statements for current and prior periods presented. On January 13, 2020, Travelzoo entered into a Sales Purchase Agreement with the Sellers of Jack’s Flight Club to purchase 60% of the Shares. Upon the acquisition, the Company's chief operating decision maker reviewed and evaluated Jack’s Flight Club as a separate segment. Travelzoo currently has three reportable operating segments: Travelzoo North America, Travelzoo Europe and Jack’s Flight Club. Travelzoo North America consists of the Company’s operations in Canada and the U.S. Travelzoo Europe consists of the Company’s operations in France, Germany, Spain, and the UK.

When evaluating the financial condition and operating performance of the Company, management focuses on financial and non-financial indicators such as growth in the number of members to the Company’s newsletters, operating margin, growth in revenues in the absolute and relative to the growth in reach of the Company’s publications measured as revenue per member and revenue per employee as a measure of productivity.

How We Generate Revenues

Travelzoo

Revenues from the Travelzoo brand and business are generated primarily from advertising fees from two categories of revenue: Travel and Local.

The “Travel” category consists of advertising or publishing revenues, primarily (a) listing fees paid by travel companies for the publishing of their offers on Travelzoo’s media properties and (b) commission from the sale of *Getaways* vouchers. Listing fees are based on audience reach, placement, number of listings, number of impressions, number of clicks, and actual sales. For publishing revenue, we recognize revenue upon delivery of the emails and delivery of the clicks, over the period of the placement of the advertising. Insertion orders for publishing revenue are typically for periods between one month and twelve months and are not automatically renewed. For *Getaways* vouchers, we recognize a percentage of the face value of the vouchers upon the sale of the vouchers. Merchant agreements for *Getaways* advertisers are typically for periods between twelve months and twenty-four months and are not automatically renewed. Since the second quarter of 2020, the Company expanded its vouchers refund policy in order to entice customers given the current economic climate to fully refundable until the voucher expires or is redeemed by the customer. The Company now offers full refunds for vouchers that have not been redeemed or expired. The expiration dates of vouchers range between July 2022 through December 2025 with the majority of vouchers expiring in 2022 and the remaining primarily expiring in 2023; provided, that these expiration dates may sometimes be extended on a case-by-case basis. The revenues generated from Local Deals vouchers and entertainment offers are based upon a percentage of the face value of the vouchers, commission on actual sales or a listing fee based on audience reach. For Local Deals vouchers, we recognize a percentage of the face value of vouchers upon the sale of the vouchers. The Company estimated the refund reserve by using historical and current refund rates by product and by merchant location to calculate the estimated future refunds. As of June 30, 2022, the Company had approximately $12.0 million of unredeemed vouchers that had been sold through June 30, 2022 representing the Company’s commission earned from the sale. The Company had estimated a refund liability of $2.9 million for these unredeemed vouchers as of June 30, 2022 which is recorded as a reduction of revenues and is reflected as a current liability in Accrued expenses and other on the consolidated balance sheet. The Company has recorded Merchant Payables of $47.9 million as of June 30, 2022 related to unredeemed vouchers. Certain merchant contracts allow the Company to retain the proceeds from unredeemed vouchers. With these contracts, the Company estimates the value of vouchers that will ultimately not be redeemed and records the estimate as revenues in the same period.

The "Local" category consists of publishing revenue for negotiated high-quality deals from local businesses, such as restaurants, spas, shows, and other activities and includes *Local Deals* vouchers and entertainment offers (vouchers and direct bookings). The revenues generated from these products are based upon a percentage of the face value of the vouchers, commission on actual sales or a listing fee based on audience reach. We recognize revenue upon the sale of the vouchers, upon notification of the amount of direct bookings or upon delivery of the emails. For *Local Deals* vouchers, we recognize a percentage of the face value of vouchers upon the sale of the vouchers. Insertion orders and merchant agreements for Local are typically for periods between one month and twelve months and are not automatically renewed. Certain merchant contracts in foreign locations allow us to retain fees related to vouchers sold that are not redeemed by purchasers upon expiration, which we recognize as revenue based upon estimates at the time of sale.

Jack’s Flight Club

Jack’s Flight Club revenue is generated from paid subscriptions by members. Subscription options are quarterly, semi-annually, and annually. We recognize the revenue monthly pro rata over the subscription period.

Trends in Our Business

Our ability to generate revenues in the future depends on numerous factors such as our ability to sell more advertising to existing and new advertisers, our ability to increase our audience reach and advertising rates, our ability to have sufficient supply of hotels offered at competitive rates, our ability to develop and launch new products and our ability to continue to service our members without interruption. Our ability to generate revenues is also dependent on trends impacting the travel industry and online advertising businesses more broadly.

Our current revenue model primarily depends on advertising fees paid primarily by travel, entertainment and local businesses. A number of factors can influence whether current and new advertisers decide to advertise their offers with us. We have been impacted and expect to continue to be impacted by external factors such as the shift from offline to online advertising, the relative condition of the economy, competition and the introduction of new methods of advertising, and the decline in consumer demand for vouchers and travel more generally. A number of factors will have impact on our revenue, such as the reduction in spending by travel intermediaries due to their focus on improving profitability, the trend towards mobile usage by consumers, the willingness of consumers to purchase the deals we advertise, and the willingness of certain competitors to grow their business unprofitably. In addition, we have been impacted and expect to continue to be impacted by internal factors such as introduction of new technologies and advertising products, hiring and relying on key employees for the continued maintenance and growth of our business and ensuring our advertising products continue to attract the audience that advertisers desire. We also have been impacted and expect to continue to be impacted by external factors, such as the global pandemic, which decrease the demand for travel and entertainment and increasing cybersecurity risks due to increased dependence on digital technologies. We also could be indirectly impacted by climate change and related legislation to the extent such legislation impacts the businesses of our advertisers such as airlines and cruise ship operators, which have come under increasing scrutiny for their carbon footprints.

Additionally, existing advertisers may shift from one advertising service (e.g. *Top 20*) to another (e.g. *Local Deals* and *Getaways*). These shifts between advertising services by advertisers could result in no incremental revenue or less revenue than in previous periods depending on the amount purchased by the advertisers, and in particular with *Local Deals* and *Getaways*, depending on how many vouchers are purchased by members.

Local revenues have been and may continue to decline over time due to market conditions driven by competition and declines in consumer demand. In the last several years, we have seen a decline in the number of vouchers sold and a decrease in the average take rate earned by us from the merchants for voucher sold. However, due to the global pandemic and the increase in demand by consumers for fully refundable travel options, we have now begun to see a slight reversal of this trend and an increase in the sale of *Getaways* hotel vouchers. Demand for restaurants and spas continues to be low due to the global pandemic.

Our ability to continue to generate advertising revenue depends heavily upon our ability to maintain and grow an attractive audience for our publications. We monitor our members to assess our efforts to maintain and grow our audience reach. We obtain additional members and activity on our websites by acquiring traffic from Internet search companies. The costs to grow our audience have had, and we expect will continue to have, a significant impact on our financial results and can vary from period to period. We may have to increase our expenditures on acquiring traffic to continue to grow or maintain our reach of our publications due to competition. We continue to see a shift in the audience to accessing our services through mobile devices and social media. When funds are available for marketing spend, we are addressing this growing channel of our audience through increased marketing on social media channels. However, we will need to keep pace with technological change and this trend to further address this shift in the audience behavior in order to offset any related declines in revenue.

We believe that we can increase our advertising rates only if the reach of our publications increases. We do not know if we will be able to increase the reach of our publications. If we are able to increase the reach of our publications, we still may not be able to or want to increase rates given market conditions such as intense competition in our industry. We have not had any significant rate increase in recent years due to intense competition in our industry. Even if we increase our rates, the increased price may reduce the number of advertisers willing to advertise with us and, therefore, decrease our revenue. We may need to decrease our rates based on competitive market conditions and the performance of our audience in order to maintain or grow our revenue.

We do not know what our cost of revenues as a percentage of revenues will be in future periods. Our cost of revenues may increase if the face value of vouchers that we sell for *Local Deals* and *Getaways* increases or the total number of vouchers sold increases because we have credit card fees based upon face value of vouchers sold, due to customer service costs related to vouchers sold and due to refunds to members on vouchers sold. We expect fluctuations in cost of revenues as a percentage of revenues from quarter to quarter. Some of the fluctuations may be significant and may have a material impact on our results of operations.

We do not know what our sales and marketing expenses as a percentage of revenue will be in future periods. Increased competition in our industry may require us to increase advertising for our brand and for our products. In order to increase the reach of our publications, we have to acquire a significant number of new members in every quarter and continue to promote our brand. One significant factor that impacts our advertising expenses is the average cost per acquisition of a new member. Increases in the average cost of acquiring new members may result in an increase of sales and marketing expenses as a percentage of revenue. We believe that the average cost per acquisition depends mainly on the advertising rates which we pay for media buys, our ability to manage our member acquisition efforts successfully, the regions we choose to acquire new members and the relative costs for that region, and the degree of competition in our industry. We may decide to accelerate our member acquisition, including through merger and acquisition activity, for various strategic and tactical reasons and, as a result, increase our marketing and other expenses. We expect the average cost per acquisition to increase with our increased expectations for the quality of the members we acquire. We may see an unique opportunity for a brand marketing campaign that will result in an increase of marketing expenses. In addition, there may be a significant number of members that cancel or we may cancel their subscription for various reasons, which may drive us to spend more on member acquisition in order to replace the lost members. We expect fluctuations in sales and marketing expenses as a percentage of revenue from year to year and from quarter to quarter. Some of the fluctuations may be significant and have a material impact on our results of operations. We expect increased marketing expense to spur continued growth in members and revenue in future periods; however, we cannot be assured of this due to the many factors that impact our growth in members and revenue. We expect to adjust the level of such incremental spending during any given quarter based upon market conditions, as well as our performance in each quarter.

We do not know what our product development expenses as a percentage of revenue will be in future periods. There may be fluctuations that have a material impact on our results of operations. Product development changes may lead to reductions of revenue based on changes in presentation of our offerings to our audience. We expect our efforts on developing our product and services will continue to be a focus in the future, which may lead to increased product development expenses. This increase in expense may be the result of an increase in costs related to third party technology service providers and software licenses, headcount, the compensation related to existing headcount and the increased use of professional services.

We do not know what our general and administrative expenses as a percentage of revenue will be in future periods. There may be fluctuations that have a material impact on our results of operations.

We do not know what our income taxes will be in future periods. There may be fluctuations that have a material impact on our results of operations. Our income taxes are dependent on numerous factors such as the geographic mix of our taxable income, foreign, federal, state and local tax law and regulations and changes thereto. Our income taxes are also dependent on the determination of whether valuation allowances for certain tax assets are required or not, audits of prior years' tax returns that result in adjustments, resolution of uncertain tax positions and different treatments for certain items for tax versus books. We expect fluctuations in our income taxes from year to year and from quarter to quarter. Some of the fluctuations may be significant and have a material impact on our results of operations.

With the impact to revenues caused by the global pandemic, spending by the Company in many areas within the business has been slowed or stopped, including but not limited to, marketing, technology and human resources. For example, in 2020, the Company ceased operations in Asia Pacific, conducted employee furloughs and restructured its employees significantly. The Company also renegotiated many of its outstanding contractual obligations with vendors and closed some ancillary office locations in order to reduce capital expenditures. We do not anticipate that any additional cost-cutting measures will be necessary at this time, but the Board and management of the Company are continually evaluating.

While the Company has already implemented a policy governing employees returning to the office voluntarily (in jurisdictions where they are permitted to do so), which includes health, safety and cleaning protocols, the Board and management are continually evaluating the best timeframe for employees’ official return to the offices, including implementing a phased return and ongoing remote working arrangements, and will determine when an official return will be safe for employees based on government regulations and guidance in the applicable jurisdictions.

The key elements of our growth strategy include building a travel and lifestyle brand with a large, high-quality user base and offering our users products that keep pace with consumer preference and technology, such as the trend toward mobile usage by consumers and toward fully refundable travel deals given the uncertainty of the global pandemic. We expect to continue our efforts to grow; however, we may not grow or we may experience slower growth.

We believe that we can sell more advertising if the market for online advertising continues to grow and if we can maintain or increase our market share. We believe that the market for advertising continues to shift from offline to online. We do not know if we will be able to maintain or increase our market share. We do not know if we will be able to increase the number of our advertisers in the future. We do not know if we will have market acceptance of our new products or whether the market will continue to accept our existing products.

Results of Operations

The following table sets forth, as a percentage of total revenues, the results from our operations for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	12.2	13.2	13.8	16.6
Gross profit	87.8	86.8	86.2	83.4
Operating expenses:				
Sales and marketing	47.9	38.5	47.2	42.4
Product development	2.6	3.6	2.5	4.1
General and administrative	27.2	26.5	26.3	28.8
Total operating expenses	77.7	68.6	76.0	75.3
Operating income	10.1	18.2	10.2	8.1
Other income, net	1.1	3.6	4.5	1.5
Income from continuing operations before income taxes	11.2	21.8	14.7	9.6
Income tax expense	5.2	6.0	5.2	5.6
Income from continuing operations	6.0	15.8	9.5	4.0
Income from discontinued operations, net of taxes	—	0.2	—	—
Net income	6.0	16.0	9.5	4.0
Net income attributable to non-controlling interest	0.2	0.2	0.1	—
Net income attributable to Travelzoo	5.8 %	15.8 %	9.4 %	4.0 %

Operating Metrics

The following table sets forth, as a percentage of total revenues, the results from our operations for the periods indicated.

	Three Months Ended June 30,	
	2022	2021
North America		
Total members (1)	16,541,000	17,727,000
Average cost per acquisition of a new member	$ 2.82	$ 4.64
Revenue per member (2)	$ 2.85	$ 2.92
Revenue per employee (3)	$ 408,000	$ 397,000
Mobile application downloads	4,014,000	2,818,000
Social media followers	3,255,000	3,251,000
Europe		
Total members (1)	9,083,000	8,515,000
Average cost per acquisition of a new member	$ 4.20	$ 1.63
Revenue per member (2)	$ 2.45	$ 1.79
Revenue per employee (3)	$ 213,000	$ 159,000
Mobile application downloads	2,261,000	2,163,000
Social media followers	898,000	898,000
Jack's Flight Club		
Total members	1,798,000	1,643,000
Consolidated		
Total members (1)	27,422,000	27,885,000
Average cost per acquisition of a new member	$ 3.52	$ 3.96
Revenue per member (2)	$ 2.41	$ 2.09
Revenue per employee (3)	$ 320,000	$ 298,000
Mobile application downloads	7,181,000	6,831,000
Social media followers	4,153,000	4,149,000

(1) Members represent individuals who are signed up to receive one or more of our free email publications that present our travel, entertainment and local deals.

(2) Annualized revenue divided by number of members at the beginning of the year.

(3) Annualized revenue divided by number of employees at the end of the quarter.

Revenues

The following table sets forth the breakdown of revenues (in thousands) by category and segment. Travel revenue includes travel publications (*Top 20*, *Travelzoo* website, *Newsflash*, *Travelzoo Network*), *Getaways* vouchers, and hotel platform and vacation packages. Local revenue includes *Local Deals* vouchers and entertainment offers (vouchers and direct bookings).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Travelzoo North America				
Travel	$ 11,449	$ 13,073	$ 22,499	$ 22,063
Local	934	912	1,580	1,741
Total Travelzoo North America revenues	12,383	13,985	24,079	23,804
Travelzoo Europe				
Travel	4,072	3,723	9,696	7,024
Local	282	511	592	788
Total Travelzoo Europe revenues	4,354	4,234	10,288	7,812
Jack's Flight Club	952	860	1,775	1,747
Consolidated				
Travelzoo Travel	15,521	16,796	32,195	29,087
Travelzoo Local	1,216	1,423	2,172	2,529
Jack's Flight Club	952	860	1,775	1,747
Total revenues	$ 17,689	$ 19,079	$ 36,142	$ 33,363

Travelzoo North America

North America revenues decreased $1.6 million for the three months ended June 30, 2022 from the three months ended June 30, 2021. This decrease was primarily due to $1.6 million decrease in Travel revenues offset partially by $22,000 increase in Local revenues. The decrease in Travel revenue of $1.6 million was primarily due to $3.5 million decrease in *Getaways* revenue due to decrease in number of vouchers sold, offset partially by $2.1 million increase as a result of higher revenues from *Top 20* and *Newsflash.* The increase in Local revenues of $22,000 was primarily due to the increase in number of *Local Deals* vouchers sold.

North America revenues increased $275,000 for the six months ended June 30, 2022 from the six months ended June 30, 2021. This increase was primarily due to $436,000 increase in Travel revenues offset by $161,000 decrease in Local revenues. The increase in Travel revenue of $436,000 was primarily due to $6.8 million increase as a result of higher revenues from *Top 20* and *Newsflash*, offset partially by $6.6 million decrease in *Getaways* revenue due to decrease in number of vouchers sold. The decrease in Local revenues of $161,000 was primarily due to the decrease in number of *Local Deals* vouchers sold.

Travelzoo Europe

Europe revenues increased $120,000 for the three months ended June 30, 2022 from the three months ended June 30, 2021. The increase was primarily due to $842,000 increase in Travel revenues, offset partially by $199,000 decrease in Local revenue and $523,000 negative impact from foreign currency movements relative to the U.S. dollar. The increase in Travel revenue of $842,000 was primarily due to $1.4 million increase as a result of higher revenues from *Top 20* and *Newsflash* and $234,000 increase in hotel commission, offset partially by $1.2 million decrease in *Getaways* revenue due to decrease in number of vouchers sold. The decrease in Local revenues of $199,000 was primarily due to the decrease in number of *Local Deals* vouchers sold.

Europe revenues increased $2.5 million for the six months ended June 30, 2022 from the six months ended June 30, 2021. The increase was primarily due to $3.5 million increase in Travel revenues, offset partially by $156,000 decrease in Local revenues and $836,000 negative impact from foreign currency movements relative to the U.S. dollar. The increase in Travel revenue of $3.5 million was primarily due to $2.8 million increase as a result of higher revenues from *Top 20* and *Newsflash* and $501,000 increase in hotel commission, offset partially by $1.3 million decrease in *Getaways* revenue due to decrease in number of vouchers sold. The decrease in Local revenues of $196,000 was primarily due to the decrease in number of *Local Deals* vouchers sold.

Jack's Flight Club

Travelzoo acquired 60% of the Shares of Jack's Flight Club on January 13, 2020. Jack's Flight Club's premium members pay subscription fees quarterly, semi-annually or annually to receive emails or app notifications of flight deals. Jack's Flight Club's revenue increased by $92,000 and $28,000, respectively, for three and six months ended June 30, 2022 from the three and six months ended June 30, 2021 due to the increase of premium members.

Cost of Revenues

Cost of revenues consists primarily of network expenses, including fees we pay for co-location services and depreciation and maintenance of network equipment, payments made to third-party partners of the *Travelzoo Network*, amortization of capitalized website development costs, credit card fees, certain estimated refunds to members and customer service costs associated with vouchers we sell and hotel bookings, and salary expenses associated with network operations and customer service staff. Cost of revenues was $2.2 million and $2.5 million, respectively for the three months ended June 30, 2022 and 2021. Cost of revenues was $5.0 million and $5.5 million, respectively, for the six months ended June 30, 2022 and 2021.

Cost of revenues decreased $359,000 for the three months ended June 30, 2022 from the three months ended June 30, 2021 was primarily due to $227,000 decrease in credit card fees as a result of decreased voucher sales and $133,000 decrease in network expense. Cost of revenues decreased $545,000 for the six months ended June 30, 2022 from the six months ended June 30, 2021 was primarily due to the decrease in credit card fees as a result of decreased voucher sales.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of advertising and promotional expenses, salary expenses associated with sales, marketing and production employees, expenses related to our participation in industry conferences, public relations expenses and facilities costs. Sales and marketing expenses were $8.5 million and $7.3 million for the three months ended June 30, 2022 and 2021, respectively. Sales and marketing expenses were $17.1 million and $14.1 million for the six months ended June 30, 2022 and 2021, respectively. Advertising expenses consist primarily of online advertising which we refer to as traffic acquisition cost and member acquisition costs. For the three months ended June 30, 2022 and 2021, advertising expenses accounted for 25% and 12%, respectively, of the total sales and marketing expenses. For the six months ended June 30, 2022 and 2021, advertising expenses accounted for 21% and 8%, respectively, of the total sales and marketing expenses. The goal of our advertising was to acquire new members to our email products, increase the traffic to our websites, increase brand awareness and increase our audience through mobile and social media channels.

Sales and marketing expenses increased $1.1 million for the three months ended June 30, 2022 from the three months ended June 30, 2021 The increase was primarily due to $910,000 increase in member acquisition costs and $159,000 increase in travel expenses.

Sales and marketing expenses increased $2.9 million for the six months ended June 30, 2022 from the six months ended June 30, 2021. The increase was primarily due to $2.0 million increase in member acquisition costs, $506,000 increase in other marketing expenses and $389,000 increase in depreciation and amortization expenses.

Product Development

Product development expenses consist primarily of compensation for software development staff, fees for professional services, software maintenance, amortization, and facilities costs. Product development expenses were $454,000 and $685,000 for the three months ended June 30, 2022 and 2021, respectively. Product development expenses were $907,000 and $1.4 million for the six months ended June 30, 2022 and 2021, respectively.

Product development expenses decreased $231,000 for the three months ended June 30, 2022 from the three months ended June 30, 2021 primarily due to $109,000 decrease in payroll and payroll related expenses and $71,000 decrease in facilities costs.

Product development expenses decreased $461,000 for the six months ended June 30, 2022 from the six months ended June 30, 2021 primarily due to $167,000 decrease in salary and related expenses and $161,000 decrease in facilities costs.

General and Administrative

General and administrative expenses consist primarily of compensation for administrative and executive staff, bad debt expense, professional service expenses for audit and tax preparation, legal expenses, amortization of intangible assets, general office expense and facilities costs. General and administrative expenses were $4.8 million and $5.1 million for the three months ended June 30, 2022 and 2021, respectively. General and administrative expenses were $9.5 million and $9.6 million for the six months ended June 30, 2022 and 2021, respectively.

General and administrative expenses decreased $245,000 for the three months ended June 30, 2022 from the three months ended June 30, 2021 primarily due to decrease in payroll and payroll related expenses.

General and administrative expenses decreased $137,000 for the six months ended June 30, 2022 from the six months ended June 30, 2021 primarily due to decrease in depreciation and amortization expenses.

Other Income, net

Other income, net consisted primarily of foreign exchange transactions gains and losses, our share of investment gains and losses and amortization of basis differences, sublease income, gains on extinguishment of PPP loans, interest income earned on cash, cash equivalents and restricted cash as well as interest expense.

Other income, net was $195,000 and $648,000, respectively, for the three months ended June 30, 2022 and 2021. The decrease of $489,000 for the three months ended June 30, 2022 from three months ended June 30, 2021 was due primarily to the $429,000 gain recorded in the second quarter of 2021 as the result of partial PPP loan forgiveness.

Other income, net was $1.6 million and $518,000, respectively, for the six months ended June 30, 2022 and 2021, respectively. The increase of $1.1 million for the six months ended June 30, 2022 from the six months ended June 30, 2021 was due primarily to the $1.2 million German federal government funding for COVID pandemic relief and the $196,000 escrow payment for WeGo sale the Company received in the six months ended June 30, 2022, offset partially by the $429,000 gain recorded in the second quarter of 2021 as the result of partial PPP loan forgiveness.

Income Taxes

Our income is generally taxed in the U.S., Canada and U.K. Our income tax provision reflects federal, state and country statutory rates applicable to our worldwide income. Income tax expense was $928,000 and $1.1 million, respectively, for the three months ended June 30, 2022 and 2021. Our effective tax rate was 47% and 27%, respectively, for the three months ended June 30, 2022 and 2021. Our effective tax rate changed for the three months ended June 30, 2022 from three months ended June 30, 2021 primarily due to other income recorded for PPP Loan forgiveness in the three months ended June 30, 2021 that is exempt from tax and changes in deferred tax assets from limitations on deductible stock-based compensation. Income tax expense was $1.9 million for each of the six months ended June 30, 2022 and 2021. Our effective tax rate was 36% and 58%, respectively, for the six months ended June 30, 2022 and 2021. Our effective tax rate changed for the six months ended June 30, 2022 from the six months ended June 30, 2021 primarily due to a decrease in non-tax deductible stock compensation in the six months ended June 30, 2022.

We expect our effective tax rate to fluctuate in future periods depending on the geographic mix of our worldwide income or losses mainly incurred by our operations, statutory tax rate changes that may occur, existing or new uncertain tax matters that may arise and require changes in tax reserves, the use of accumulated losses to offset current taxable income and the need for valuation allowances on certain tax assets, if any. See “Note 5: Income Taxes” to the accompanying unaudited condensed consolidated financial statements for further information.

Travelzoo North America

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)		(In thousands)	
Revenue	$ 12,383	$ 13,985	$ 24,079	$ 23,804
Operating profit	$ 3,092	$ 3,533	$ 4,810	$ 3,572
Operating profit as a % of revenue	25.0 %	25.3 %	20.0 %	15.0 %

North America revenues decreased by $1.6 million for the three months ended June 30, 2022 from the three months ended June 30, 2021 (see “Revenues” above). North America expenses decrease by $1.2 million for the three months ended

June 30, 2022 from the three months ended June 30, 2021. The decrease was primarily due to $458,000 decrease in facilities costs, $313,000 decrease in payroll and payroll related expenses, $153,000 decrease in expenses from third-party partners of the Travelzoo Network, $152,000 decrease in credit card fee as a result of decreased voucher sales and $136,000 decrease in network expenses.

North America revenues increased by $275,000 for the six months ended June 30, 2022 from the six months ended June 30, 2021 (see "Revenues" above). North America expenses decreased by $963,000 for the six months ended June 30, 2022 from the six months ended June 30, 2021. The decrease was primarily due to $629,000 decrease in credit card fee as a result of decreased voucher sales, $567,000 decrease in facilities costs and $482,000 decrease in payroll and payroll related expenses, offset partially by $555,000 increase in depreciation and amortization expenses.

Travelzoo Europe

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)		(In thousands)	
Revenue	$ 4,354	$ 4,234	$ 10,288	$ 7,812
Operating profit (loss)	$ (1,472)	$ (227)	$ (1,294)	$ (923)
Operating profit (loss) as a % of revenue	(33.8)%	(5.4)%	(12.6)%	(11.8)%

Europe revenues increased by $120,000 for the three months ended June 30, 2022 from the three months ended June 30, 2021 (see "Revenues" above). Europe expenses increased by $1.4 million for the three months ended June 30, 2022 from the three months ended June 30, 2021 primarily due to increase in member acquisition costs.

Europe revenues increased by $2.5 million for the six months ended June 30, 2022 from the six months ended June 30, 2021 (see "Revenues" above). Europe expenses increased by $2.8 million for the six months ended June 30, 2022 from the six months ended June 30, 2021 primarily due to increase in member acquisition costs.

Foreign currency movements relative to the U.S. dollar positively impacted our local currency income from our operations in Europe by approximately $200,000 and $165,000 for the three and six months ended June 30, 2022, respectively. Foreign currency movements relative to the U.S. dollar negatively impacted our local currency income from our operations in Europe by approximately $20,000 and $79,000 for the three months ended June 30, 2021, respectively.

Jack's Flight Club

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)		(In thousands)	
Revenue	$ 952	$ 860	$ 1,775	$ 1,747
Operating profit	$ 161	$ 170	$ 184	$ 60
Operating profit as a % of revenue	16.9 %	19.8 %	10.4 %	3.4 %

Jack's Flight Club revenues increased by $92,000 for the three months ended June 30, 2022 from the three months ended June 30, 2021 (see "Revenues" above). Jack's Flight Club expenses increased by $101,000 for the three months ended June 30, 2022 from the three months ended June 30, 2021 primarily due to an increase in marketing expenses.

Jack's Flight Club revenues increased by $28,000 for the six months ended June 30, 2022 from the six months ended June 30, 2021 (see "Revenues" above). Jack's Flight Club expenses decreased by $96,000 for the six months ended June 30, 2022 from the six months ended June 30, 2021 primarily due to an estimate for indirect tax expenses the Company recorded during the six months ended June 30, 2021.

Liquidity and Capital Resources

As of June 30, 2022, we had $25.6 million in cash and cash equivalents, of which $16.7 million was held outside the U.S. in our foreign operations. We also had $1.1 million in restricted cash, of which $360,000 was held outside the U.S. in our foreign operations as of June 30, 2022. If this cash is distributed to the U.S., we may be subject to additional U.S. taxes in certain circumstances.

Cash, cash equivalents and restricted cash decreased $18.3 million from $45.0 million as of December 31, 2021 primarily due to $17.0 million cash used in operating activities.

As of June 30, 2022, the Company had merchant payables of $47.9 million related to unredeemed vouchers. In the Company's financial statements presented in this 10-Q report, following GAAP accounting principles, we classified all merchant payables as current. When all merchant payables are classified as current, there is negative net working capital (which is defined as current assets minus current liabilities) of $17.2 million. Payables to merchants are generally due upon redemption of vouchers. The vouchers have maturities from July 2022 through December 2025 with the majority of vouchers expiring by the end of 2022 and the remaining primarily expiring in 2023; provided, that these expiration dates may sometimes be extended on a case-by-case basis. Management believes that redemptions may be delayed for international vouchers in the current environment. Based on current projections of redemption activity, we expect that cash on hand as of June 30, 2022 will be sufficient to provide for working capital needs for at least the next twelve months. However, if redemption activity is more accelerated, if our business is not profitable, or if our planned targets for cash flows from operations are not met, we may need to obtain additional financing to meet our working capital needs in the future. We believe that we could obtain additional financing if needed, but there can be no assurance that financing will be available on terms that are acceptable to us, if at all.

The following table provides a summary of our cash flows from operating, investing and financing activities:

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(In thousands)	
Net cash provided by (used in) operating activities	$ (16,990)	$ 21,950
Net cash used in investing activities	(1,028)	(84)
Net cash provided by (used in) financing activities	1,885	(4,760)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,176)	697
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (18,309)	$ 17,803

Net cash provided by (used in) operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities. Net cash used in operating activities for the six months ended June 30, 2022 was $17.0 million, which primarily consisted of $21.0 million decrease in cash from changes in operating assets and liabilities, offset partially by net income of $3.4 million and $609,000 increase in non-cash items. The decrease in cash from changes in operating assets and liabilities was primarily due to $19.8 million decrease in merchant payables and $2.1 million decrease in accounts payables. Adjustments for non-cash items primarily consisted of $1.1 million for depreciation and amortization, $1.1 million for stock-based compensation and $550,000 for deferred income tax, offset partially by $2.2 million reversal of reserves from accounts receivable and other reserves.

Net cash provided by operating activities for the six months ended June 30, 2021 was $22.0 million, which consisted of $18.2 million increase in cash from changes in operating assets and liabilities, $2.4 million in non-cash items and net income of $1.4 million. The increase in cash from changes in operating assets and liabilities primarily consisted of $25.2 million increase in merchant payables, offset partially by $4.8 million increase in accounts receivable and $2.8 million increase in prepaid expenses and other. Adjustments for non-cash items primarily consisted of $1.8 million of stock-based compensation.

Cash paid for income tax, net of refunds received, during the six months ended June 30, 2022 and 2021 was $771,000 and $1.4 million, respectively.

Net cash used in investing activities for the six months ended June 30, 2022 and 2021 was $1.0 million and $84,000, respectively. The cash used in investing activities for the six months ended June 30, 2022 was primarily consisted of the $1.0 million for purchases of intangible assets. The cash used in investing activities for the six months ended June 30, 2021 was due to the $84,000 for purchases of property and equipment.

Net cash provided by financing activities for the six months ended June 30, 2022 was $1.9 million due to proceeds from exercise of stock options. Net cash used in financing activities for the six months ended June 30, 2021 was $4.8 million which primarily consisted of $3.1 million in taxes paid for net settlement of stock options exercise and $1.6 million paid for common stock repurchase.

Although we have settled the states unclaimed property claims with all states, we may still receive inquiries from certain potential Netsurfers promotional shareholders that had not provided their state of residence to us by April 25, 2004. Therefore, we are continuing our voluntary program under which we make cash payments to individuals related to the promotional shares for individuals whose residence was unknown by us and who establish that they satisfied the conditions to receive shares of Netsurfers, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period. This voluntary program is not available for individuals whose promotional shares have been escheated to a state by us.

Our capital requirements depend on a number of factors, including market acceptance of our products and services, the amount of our resources we devote to the development of new products, cash payments related to former shareholders of Netsurfers, expansion of our operations, and the amount of resources we devote to promoting awareness of the *Travelzoo* brand. Since the inception of the voluntary program under which we make cash payments to people who establish that they were former shareholders of Netsurfers, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period, we have incurred expenses of $2.9 million. While future payments for this program are expected to decrease, the total cost of this voluntary program is still undeterminable because it is dependent on our stock price and on the number of valid requests ultimately received.

Consistent with our growth, we have experienced fluctuations in our cost of revenues, sales and marketing expenses and our general and administrative expenses, including increases in product development costs, and we anticipate that these increases will continue for the foreseeable future. We believe cash on hand will be sufficient to pay such costs for at least the next twelve months. In addition, we will continue to evaluate possible investments in businesses, products and technologies, the consummation of any of which would increase our capital requirements.

We are subject to risks and uncertainties as a result of the global pandemic. Because of the global pandemic, many of our advertisers have paused, canceled, and stopped advertising with us. Additionally, there have been a large amount of cancellations for our hotel and travel package partners as well as refund requests for our vouchers with the Company's restaurant and spa partners. We have taken steps to adopt new policies and reduce expenses in an effort to maintain our cash position, while we evaluate potential business options and strategic alternatives that may be available.

Although we currently believe that we have sufficient capital resources to meet our anticipated working capital and capital expenditure requirements for at least the next twelve months, unanticipated events and opportunities or a less favorable than expected development of our business with one or more of advertising formats may require us to sell additional equity or debt securities or establish new credit facilities to raise capital in order to meet our capital requirements.

If we sell additional equity or convertible debt securities, the sale could dilute the ownership of our existing shareholders. If we issue debt securities or establish a new credit facility, our fixed obligations could increase, and we may be required to agree to operating covenants that would restrict our operations. We cannot be sure that any such financing will be available in amounts or on terms acceptable to us.

If the development of our business is less favorable than expected, we may decide to significantly reduce the size of our operations and marketing expenses in certain markets with the objective of reducing cash outflow.

The information set forth under "Note 4: Commitments and Contingencies" and "Note 11: Leases" to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 of this report is incorporated herein by reference. Litigation and claims against the Company may result in legal defense costs, settlements or judgments that could have a material impact on our financial condition.

We also have contingencies related to net unrecognized tax benefits, including interest, of approximately $1.5 million as of June 30, 2022. See "Note 5: Income Taxes" to the accompanying unaudited condensed consolidated financial statements for further information.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that we believe are important in the preparation of our consolidated financial statements because they require that we use judgment and estimates in applying those policies. Preparation of the consolidated financial statements and accompanying notes requires that we make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements as well as revenue and expenses during the periods reported. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions. Our critical accounting policies include revenue recognition, reserve for member refunds, allowance for doubtful accounts, income taxes and loss contingencies. For additional information about our critical accounting policies and estimates, see the disclosure included in our Annual Report on Form 10-K for the year ended December 31, 2021 as well as updates in the current fiscal year provided in “Note 1 Summary of Significant Accounting Policies” in the notes to the condensed consolidated financial statements.

Recent Accounting Pronouncements

See “Note 1—The Company and Basis of Presentation” to the accompanying unaudited condensed consolidated financial statements included in this report, regarding the impact of certain recent accounting pronouncements on our unaudited condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 4. Controls and Procedures

Based on management's evaluation (with the participation of the Company's Global Chief Executive Officer (CEO) and Chief Accounting Officer (CAO), as of June 30, 2022, our CEO and CAO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in U.S. SEC rules and forms, and that such information is accumulated and communicated to management, including our CEO and CAO, as appropriate, to allow timely decisions regarding required disclosure.

During the quarter ended June 30, 2022, there were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under "Note 4—Commitments and Contingencies" to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 of this report is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, "Item 1A Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which are incorporated herein by reference. These risk factors could materially affect our business, financial position, or results of operations. These are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial position, or results of operations.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of Equity Securities

We did not repurchase shares of our equity securities during the three or six months ended June 30, 2022.

In May 2019, the Company announced a stock repurchase program authorizing the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. The Company repurchased and retired 436,369 shares and 168,602 shares of common stock in 2019 and 2020, respectively. In 2021, the Company repurchased 395,029 shares of common stock for an aggregate purchase price of $3.9 million, which were recorded as part of treasury stock as of December 31, 2021. This stock repurchase program was completed in 2021. The Company entered into a SRA with Mr. Holger Bartel and repurchased 100,000 shares of our equity securities from him in the first quarter of 2021. This transaction was approved by the Company's compensation committee and was not part of the 1,000,000 shares stock repurchase program authorized in May 2019.

In June 2022, the Company announced its board of directors has approved a stock repurchase program authorizing the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. As of June 30, 2022, the Company has not repurchased shares of common stock related to this program.

Item 6. Exhibits

The following table sets forth a list of exhibits:

Exhibit Number		Description
3.1	—	Certificate of Incorporation of Travelzoo (Incorporated by reference to our Pre-Effective Amendment No. 6 to our Registration Statement on Form S-4 (File No. 333-55026), filed February 14, 2002)
3.2	—	Certificate of Amendment of Certificate Incorporation of Travelzoo (File No. 000-50171), filed May 10, 2017)
3.3	—	Certificate of Amendment of Certificate of Incorporation to Authorize a Reduction of the Authorized Number of Shares of Our Common Stock from 40,000,000 to 20,000,000 Shares
3.4	—	Amended and Restated By-laws of Travelzoo (Incorporated by reference to Exhibit 3.5 on Form 8-K (File No. 000-50171), filed April 5, 2022).
10.1	—	Form of Director and Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.1 on Form 10-Q (File No. 000-50171), filed November 9, 2007)
31.1‡	—	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2‡	—	Certification of Chief Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	—	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	—	Certification of Chief Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS†		XBRL Instance Document
101.SCH†		XBRL Taxonomy Extension Schema Document
101.CAL†		XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†		XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†		XBRL Taxonomy Extension Label Linkbase Document
101.PRE†		XBRL Taxonomy Extension Presentation Linkbase Document

* This exhibit is a management contract or a compensatory plan or arrangement.

‡ Filed herewith

† Furnished herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRAVELZOO
(Registrant)

By: /s/ LISA SU

Lisa Su

On behalf of the Registrant and as Chief Accounting Officer

Date: August 10, 2022

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Holger Bartel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Travelzoo;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ HOLGER BARTEL

Holger Bartel

Global Chief Executive Officer

Date: August 10, 2022

Exhibit 31.2

CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lisa Su, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Travelzoo;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ LISA SU
Lisa Su
Chief Accounting Officer

Date: August 10, 2022

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, and in connection with the quarterly report of Travelzoo on Form 10-Q for the three months ended June 30, 2022, the undersigned hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that (1) this report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: August 10, 2022	By: /s/ HOLGER BARTEL
	Holger Bartel
	Global Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, and in connection with the quarterly report of Travelzoo on Form 10-Q for the three months ended June 30, 2022, the undersigned hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that (1) this report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: August 10, 2022

By: /s/ LISA SU
Lisa Su
Chief Accounting Officer