



Second Quarter 2019 Performance and Business Update

July 24, 2019

Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's second quarter 2019 financial results and in conjunction with the Company's recent Annual Report and Quarterly Results as filed with the Securities and Exchange Commission (SEC).

Certain statements contained in this presentation that are not historical facts may be forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. These forward looking statements may include, but are not limited to, statements about our plans, objectives, expectations, prospects, expected future financial guidance and intentions, markets in which we participate and other statements contained in this presentation that are not historical facts. When used in this presentation, the words "expect," "predict," "project," "anticipate," "believe," "estimate," "intend," "plan," "seek" and similar expressions are generally intended to identify forward looking statements. Because these forward looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward looking statements, including changes in our plans, objectives, expectations, prospects and intentions and other factors discussed in our filings with the SEC. We cannot guarantee any future levels of activity, performance or achievements. Travelzoo undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this presentation.

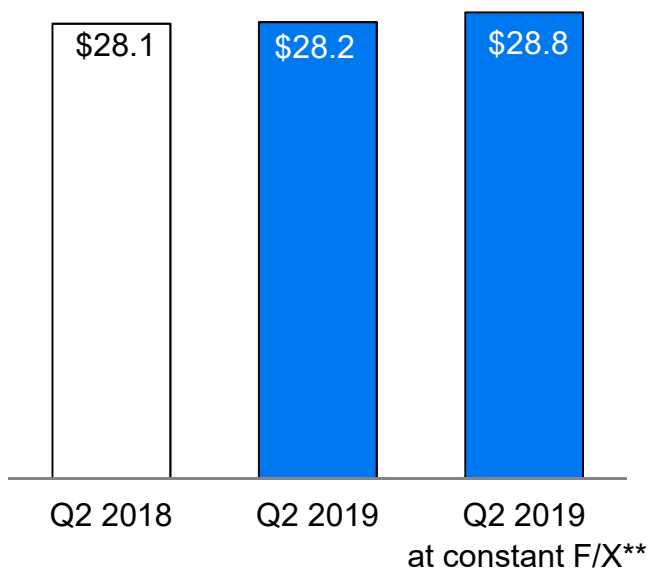
Part 1:
Second Quarter 2019 Performance

Part 2:
Management Focus

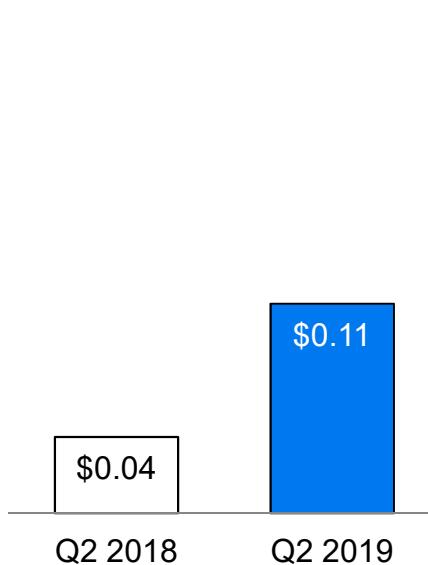
Revenues grew, and earnings more than doubled year over year as we operated more efficiently.

Q2 2019 Financial Performance

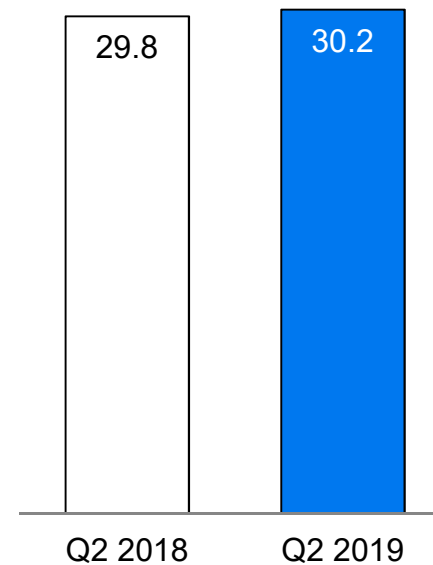
Revenue*
\$ millions



EPS
\$ per share



Members
Millions



* Revenue growth from Q2 2018 to Q2 2019 was 3% in constant currency.

** Based on constant F/X rates from Q2 2018.

When neutralizing FX changes, revenue grew 3% in North America and 8% in Europe.

Quarterly Revenue by Segment*

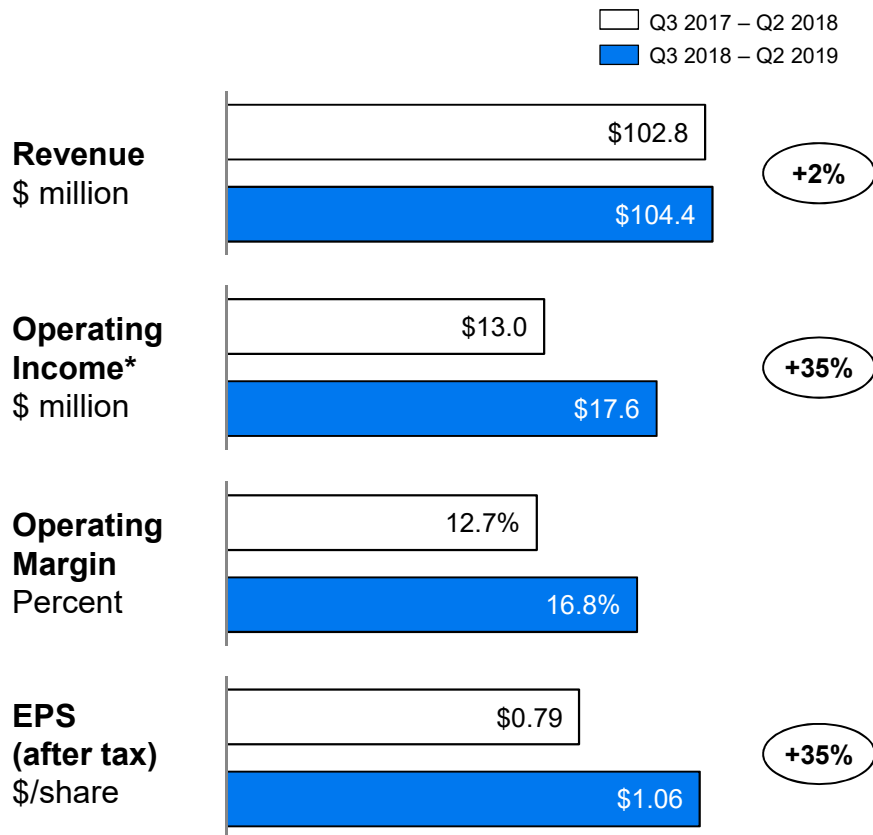
		North America		YOY %			Europe		YOY %			Asia Pacific		YOY %	
		\$ millions		USD	F/X neutral		\$ millions		USD	F/X neutral		\$ millions		USD	F/X neutral
Q2	2017	\$16.6		6%	5%		\$7.9		8%	0%		\$2.0		6%	2%
	2018	\$17.5					\$8.5					\$2.1			
Q3	2017	\$15.0		0%	0%		\$7.9		5%	6%		\$1.8		12%	15%
	2018	\$14.9					\$8.4					\$2.0			
Q4	2017	\$16.2		0%	1%		\$8.8		3%	6%		\$2.0		-10%	-7%
	2018	\$16.3					\$9.0					\$1.8			
Q1	2018	\$18.6		0%	1%		\$10.3		3%	10%		\$2.0		-18%	-13%
	2019	\$18.6					\$10.6					\$1.7			
Q2	2018	\$17.5		2%	3%		\$8.5		2%	8%		\$2.1		-23%	-20%
	2019	\$17.9					\$8.7					\$1.6			

* Overall impact of unfavorable F/X trends during Q2 2019 is \$642,000

Solid performance of our core businesses is masked by investments in Asia Pacific. North America and Europe generated after-tax EPS of \$1.06 TTM

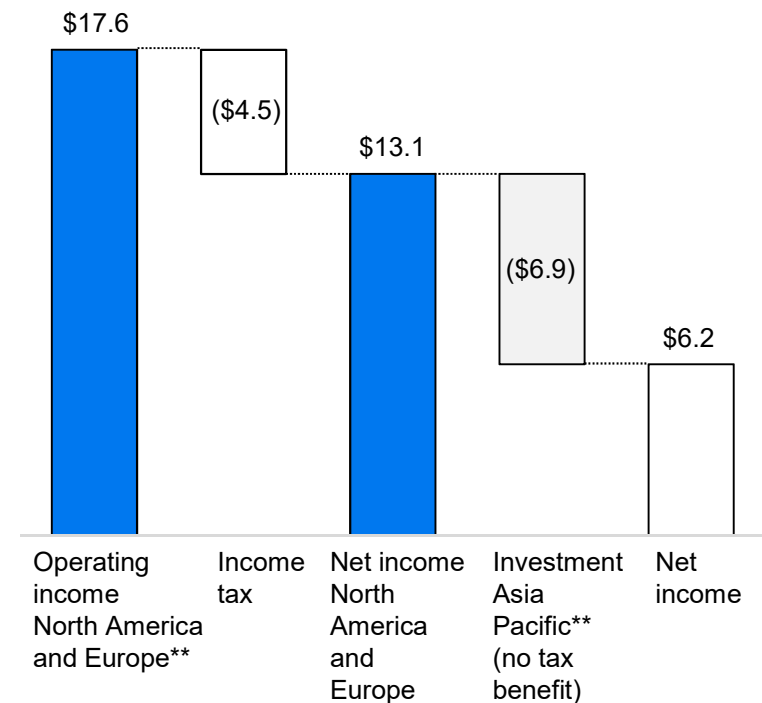
North America and Europe

TTM, compared to previous 12 months



Investment in Asia Pacific

\$ million TTM (Q3 2018 – Q2 2019)



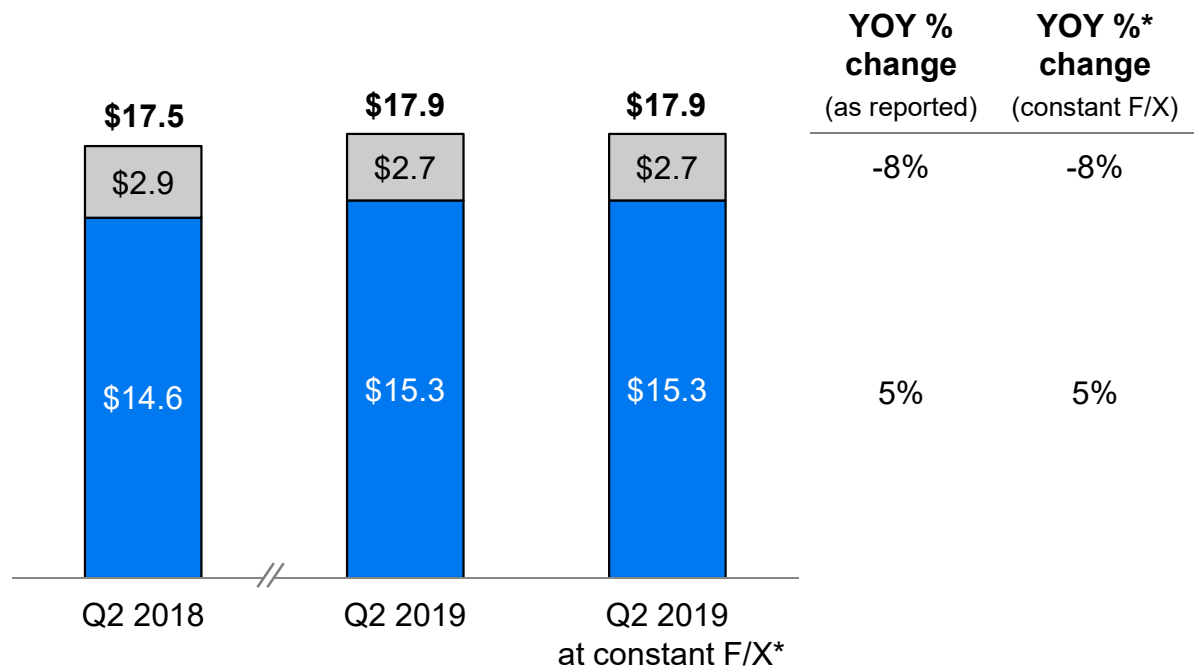
* Includes other income \$729,000 for the TTM period ended Q2 2018 and other income of \$136,000 for the TTM period ended Q2 2019.

** Includes other income of \$136,000 for North America/Europe and other expenses of \$521,000 for Asia Pacific.

*** EPS calculation uses the average diluted shares of 12,583,000 and 12,329,000 for the TTM period ended Q2 2018 and Q2 2019, respectively.

North America revenue growth was up driven by an increase in vacation offers.

North America Revenue by Type
\$ millions



Highlights*

- **Local** – YOY 8% decrease due to less Local voucher and Entertainment promotions during the quarter.
- **Travel** – YOY 5% increase due to increase in marketing and creation of vacation offers.

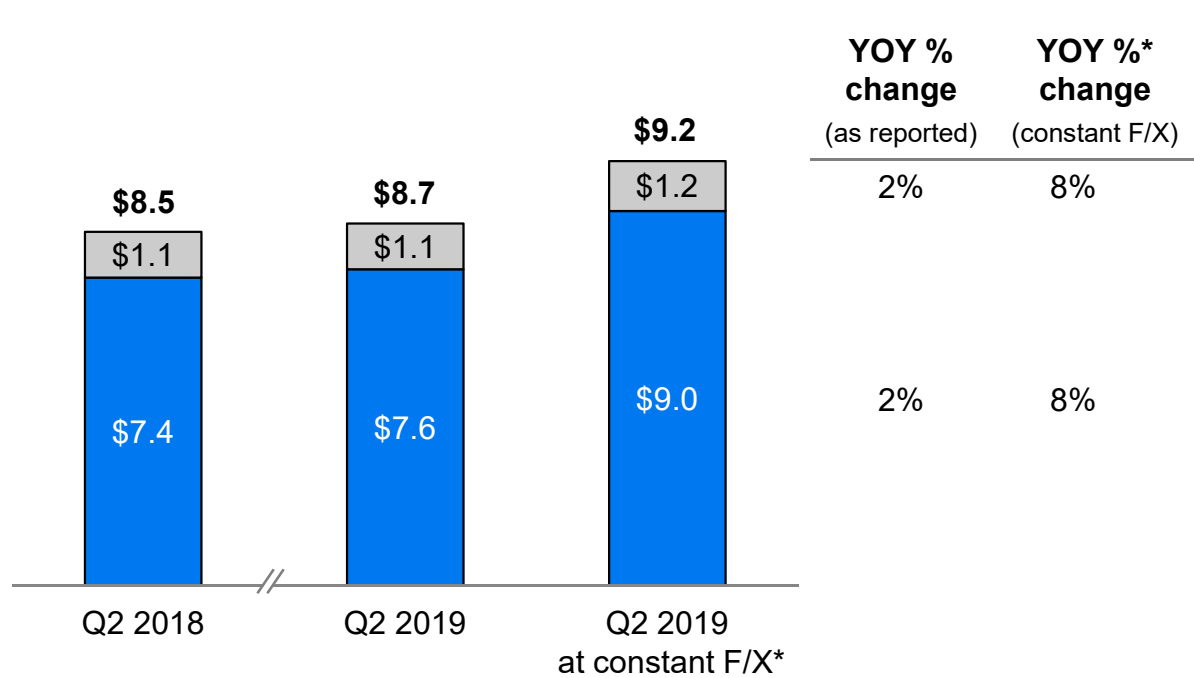
Local
Travel

* Based on constant F/X rates for CAD

Europe revenues at constant FX grew at 8%, as our new vacations offering drove strong revenue in Travel.

Europe Revenue by Type

\$ millions



Highlights*

- **Local** – YOY 8% increase
- **Travel** – YOY 8% due to increase in revenue from our package offering that combines hotel deals with flights.

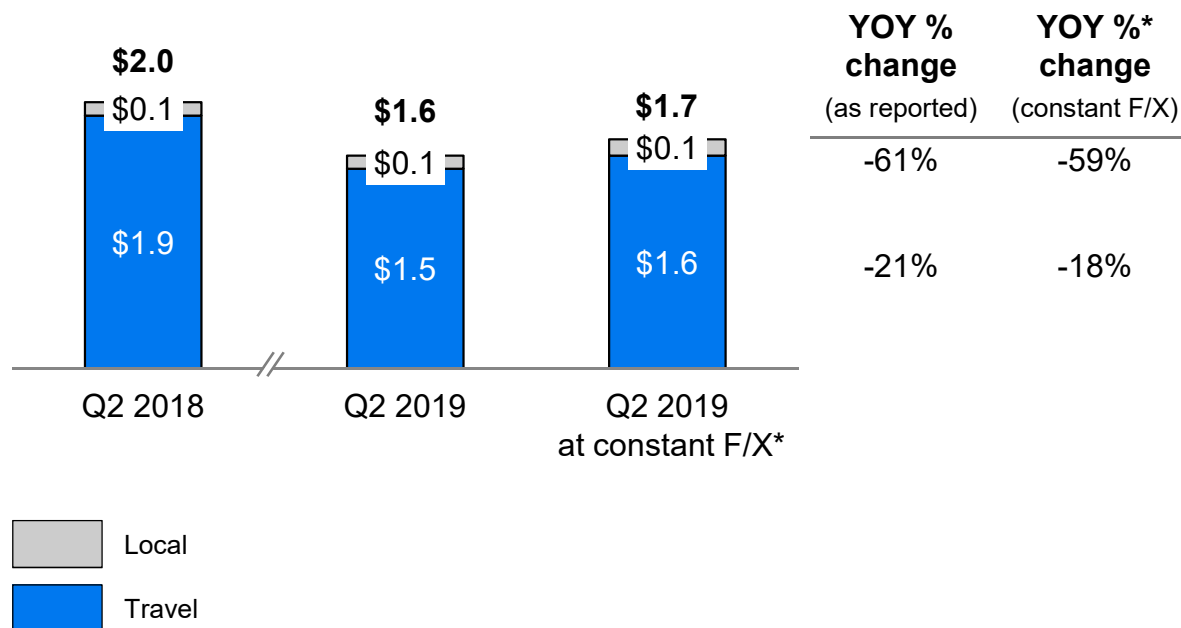


* Based on constant F/X rates for GBP and Euro

Asia Pacific revenue declined as we made changes to the management team, but we expect improvements over the new few quarters.

Asia Pacific Revenue by Type

\$ millions



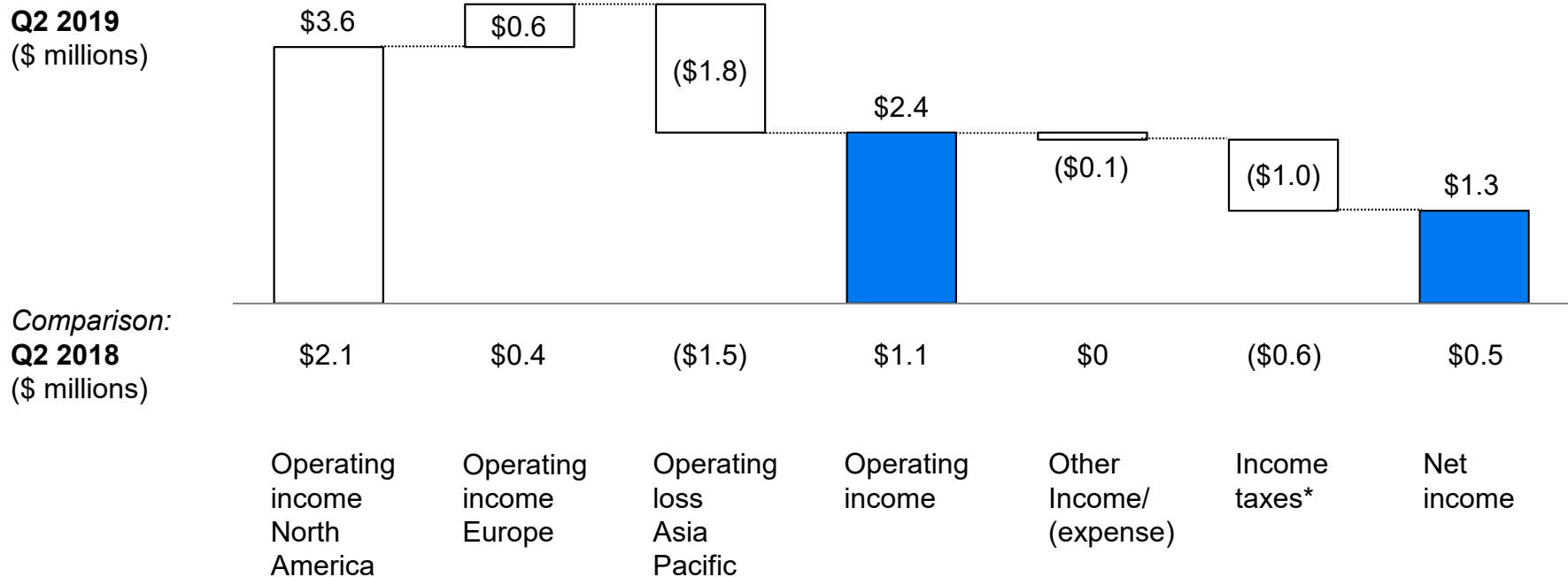
Highlights*

- **Local** – YOY 59% decrease, as we focus on the more profitable opportunities.
- **Travel** – YOY 18% decrease due to a sales team turnover.

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

North America and Europe generated profits of \$4.2 million.
Even after investments in Asia Pacific, operating income increased
125% year over year.

Year Over Year Comparison

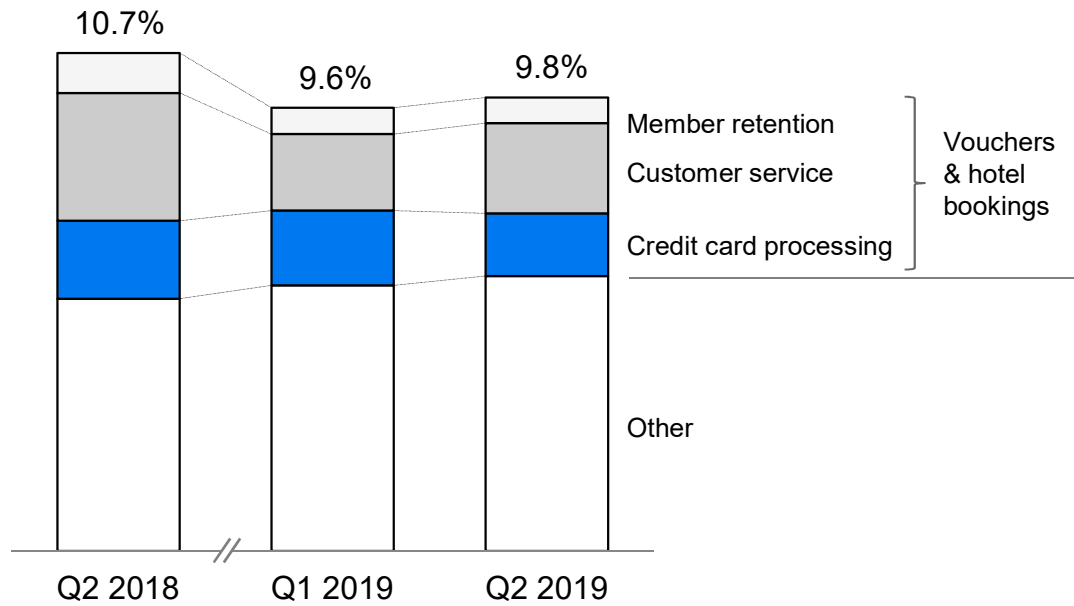


* Income taxes reflect taxes on North America and Europe income without any offsetting tax benefit from the separate tax jurisdiction Asia Pacific losses.

In spite of Asia Pacific investments our overall operating margin jumped to 9%.

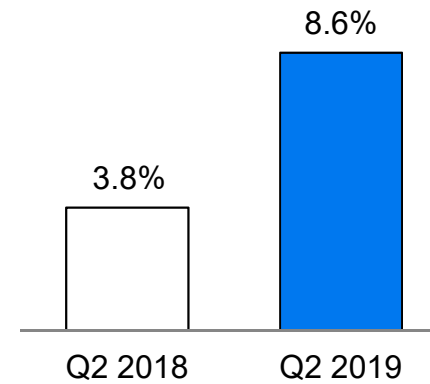
Cost of Revenue

as percentage of revenue



Operating Margin

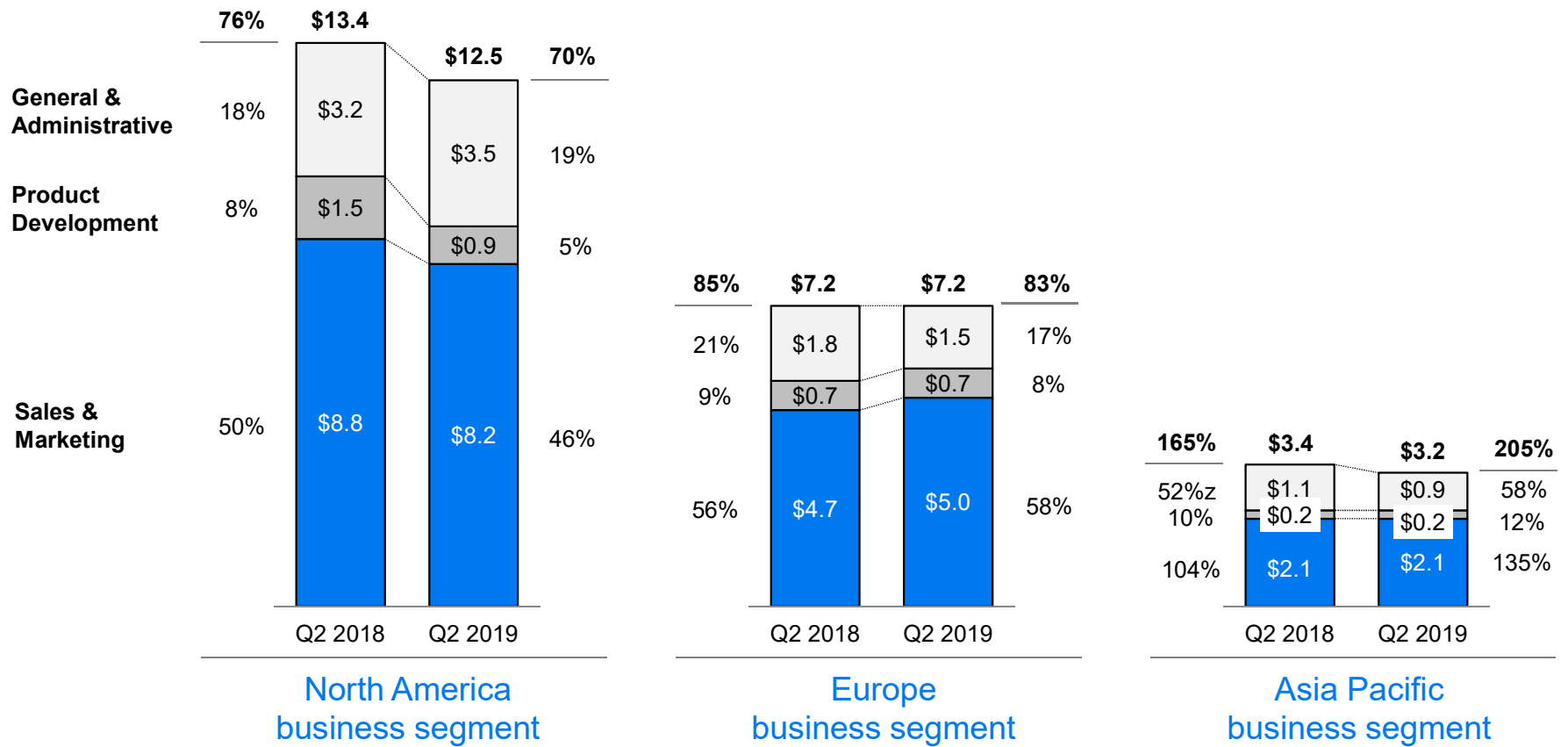
as percentage of revenue



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

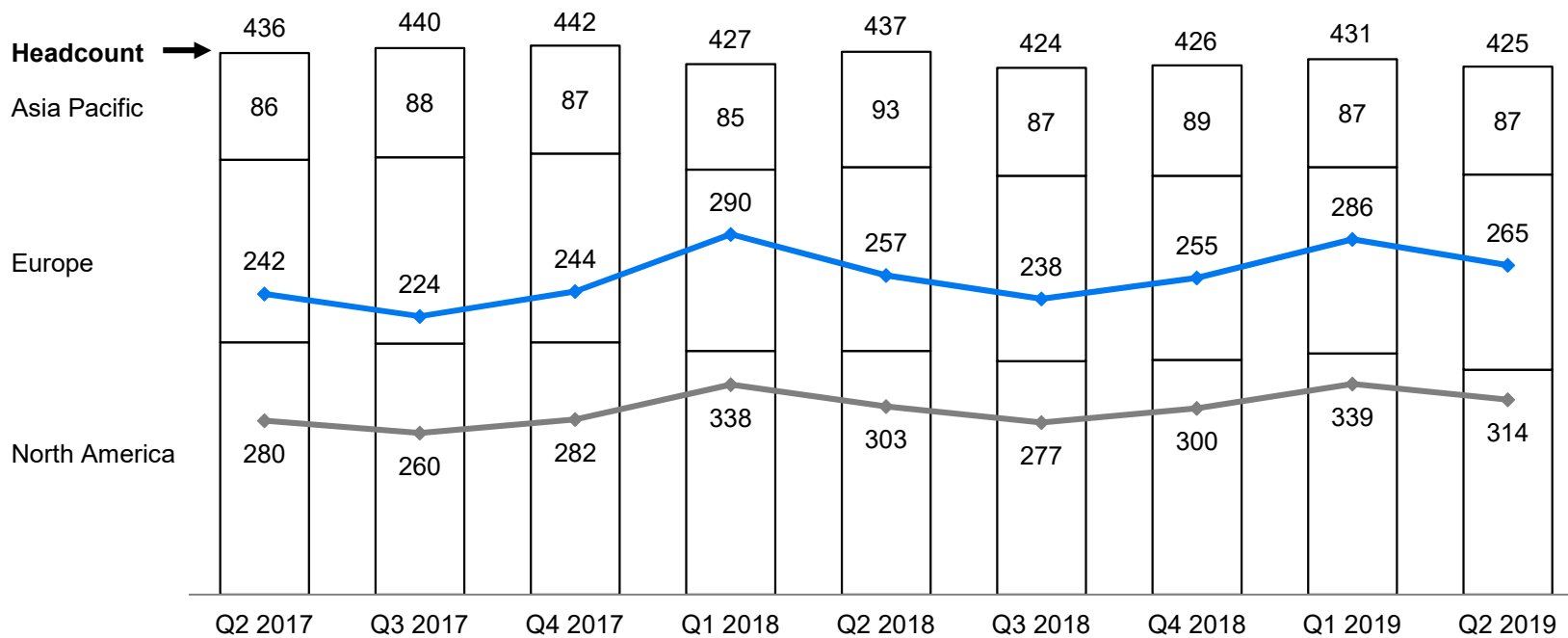
Operating Expenses

\$ millions and as percentage of revenue



Productivity increased compared to prior year.

Headcount and Average Annualized Revenue per Employee



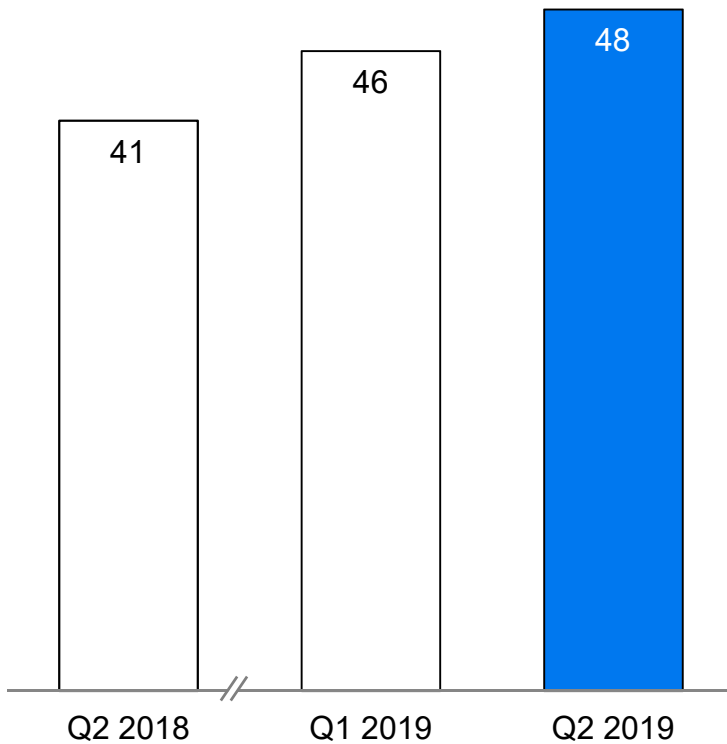
Revenue per employee (\$ thousands)

Without Asia	\$280	\$260	\$282	\$338	\$303	\$277	\$300	\$339	\$314	
With Asia	\$242	\$224	\$244	\$290	\$257	\$239	\$255	\$286	\$265	

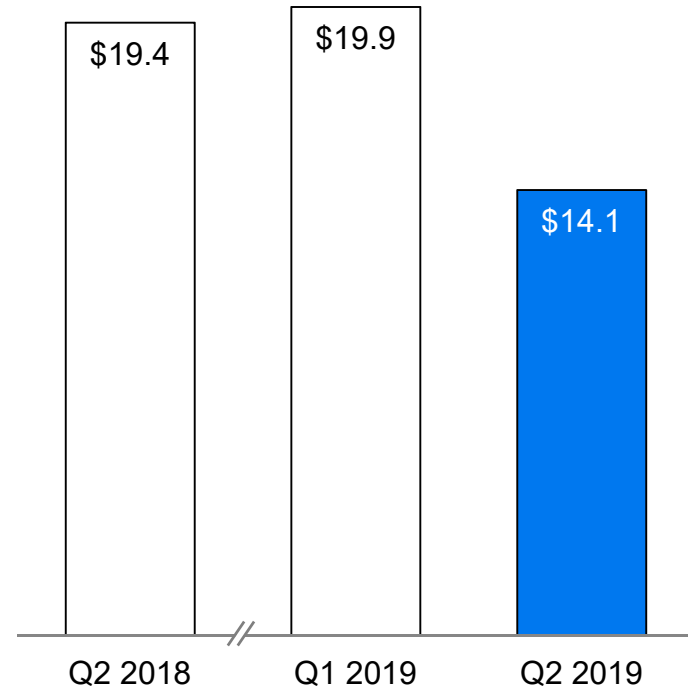
Our cash balance remains solid in spite of continued stock repurchases during the quarter.

DSO and Cash Balances

DSO (Days Sales Outstanding)
of days



Cash Balance at End of Quarter*
\$ millions



* Includes cash and cash equivalents

Second Quarter 2019 Performance Summary

- Revenue growth improved in North America and Europe, but not yet at our 10% target.
- Operating margins of 16% in our core businesses.
- Operating profits and net income for the entire company more than doubled.
- Solid cash balance in spite of share buybacks.

Part 1:
Second Quarter 2019 Performance

Part 2:
Management Focus

Management focus

- Maintain our quality leadership position by publishing high-quality deals and tightening brand control.
- Expand exclusive offers to our members in the areas of hotels, vacations and local businesses.
- Grow visibility and awareness of the Travelzoo® brand.
- Complete strategic review of Asia Pacific and build scale via partnerships in order to achieve positive operating margins by 2020.
- Accelerate revenue growth in the second half of 2019.
- Invest for future growth while continuing to increase margins.

APPENDIX

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

North America		Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
Travel		14,859	13,910	12,146	12,964	16,036	14,596	12,223	13,290	16,317	15,251
	Y/Y growth rate	1%	-2%	-3%	2%	8%	5%	1%	3%	2%	4%
Local		2,687	2,653	2,822	3,283	2,546	2,915	2,712	2,995	2,270	2,670
	Y/Y growth rate	-18%	-28%	-14%	3%	-5%	10%	-4%	-9%	-11%	-8%
Total North America Revenues		17,546	16,563	14,968	16,247	18,582	17,511	14,936	16,285	18,587	17,922
	Y/Y growth rate	-3%	-7%	-5%	2%	6%	6%	0%	0%	0%	2%
Europe		Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
Travel		8,005	6,796	7,052	7,328	9,053	7,409	7,387	7,008	9,512	7,565
	Y/Y growth rate	-11%	-16%	-4%	10%	13%	9%	5%	-4%	5%	2%
Local		1,066	1,102	894	1,439	1,227	1,091	991	1,983	1,061	1,117
	Y/Y growth rate	-31%	-20%	-20%	-19%	15%	-1%	11%	38%	-13%	2%
Total Europe Revenues		9,071	7,898	7,946	8,767	10,280	8,500	8,378	8,991	10,573	8,682
	Y/Y growth rate	-14%	-16%	-6%	4%	13%	8%	5%	3%	3%	2%
Asia		Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
Travel		1,668	1,858	1,645	1,823	1,901	1,922	1,862	1,669	1,600	1,532
	Y/Y growth rate	-18%	-16%	-30%	-19%	14%	3%	13%	-8%	-16%	-20%
Local		146	92	129	160	121	134	137	116	65	48
	Y/Y growth rate	-36%	-58%	-42%	-13%	-17%	46%	6%	-27%	-46%	-64%
Total Asia Revenues		1,813	1,950	1,773	1,983	2,022	2,056	1,998	1,786	1,665	1,580
	Y/Y growth rate	-20%	-20%	-31%	-19%	12%	5%	13%	-10%	-18%	-23%
Consolidated		Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
Travel		24,532	22,564	20,843	22,114	26,990	23,927	21,472	21,967	27,429	24,348
	Y/Y growth rate	-5%	-8%	-6%	2%	10%	6%	3%	-1%	2%	2%
Local		3,898	3,847	3,845	4,883	3,893	4,141	3,840	5,095	3,396	3,835
	Y/Y growth rate	-23%	-27%	-17%	-5%	0%	8%	0%	4%	-13%	-7%
Total Consolidated Revenues		28,429	26,411	24,687	26,997	30,884	28,067	25,312	27,062	30,825	28,184
	Y/Y growth rate	-8%	-11%	-8%	1%	9%	6%	3%	0%	0%	0%

(1) Travel includes travel publications (Top 20, Website, Newsflash, Network), Getaway vouchers and Hotel Platform

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

Travelzoo
Quarterly Statements of Operations
Adjusted for Search Discontinued Operations

	Q2 17	Q3 17	Q4 17	Q1 18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
Revenues	\$ 26,411	\$ 24,687	\$ 26,997	\$ 30,884	\$ 28,075	\$ 25,301	\$ 27,062	\$ 30,825	\$ 28,184
Cost of revenues	3,222	3,018	3,462	3,385	3,016	3,055	2,880	2,946	2,757
Gross profit	23,189	21,669	23,535	27,499	25,059	22,246	24,182	27,879	25,427
Operating expenses:									
Sales and marketing	14,213	13,973	13,746	15,542	15,628	13,375	13,974	15,606	15,357
Product development	2,344	2,315	2,208	2,511	2,386	2,230	1,799	1,703	1,799
General and administrative	5,246	5,363	6,502	5,789	5,967	5,927	5,620	5,599	5,847
Total operating expenses	21,803	21,651	22,456	23,842	23,981	21,532	21,393	22,908	23,003
Income from continuing operations	1,386	18	1,079	3,657	1,078	714	2,789	4,971	2,424
Other income (loss), net	18	86	62	161	30	(91)	(52)	(99)	(143)
Income from continuing operations before income taxes	1,404	104	1,141	3,818	1,108	623	2,737	4,872	2,281
Income tax expense	771	680	466	1,316	631	499	1,173	1,752	953
Income from continuing operations	633	(576)	675	2,502	477	124	1,564	3,120	1,328
Income from discontinued operations, net of income taxes	54	-	-	-	-	-	-	-	-
Net income	\$ 687	\$ (576)	\$ 675	\$ 2,502	\$ 477	\$ 124	\$ 1,564	\$ 3,120	\$ 1,328
Income (loss) per share - basic:									
Continuing operations	\$ 0.05	\$ (0.05)	0.05	0.20	0.04	0.01	0.13	0.26	0.11
Discontinued operations	0.00	-	-	-	-	-	-	-	-
Net income per share - basic	\$ 0.05	\$ (0.05)	\$ 0.05	\$ 0.20	\$ 0.04	\$ 0.01	\$ 0.13	\$ 0.26	\$ 0.11
Income (loss) per share - diluted:									
Continuing operations	\$ 0.05	\$ (0.05)	0.05	0.20	0.04	0.01	0.13	0.26	0.11
Discontinued operations	0.00	-	-	-	-	-	-	-	-
Net income per share - diluted	\$ 0.05	\$ (0.05)	\$ 0.05	\$ 0.20	\$ 0.04	\$ 0.01	\$ 0.13	\$ 0.26	\$ 0.11
Weighted average shares:									
Basic	13,030	12,628	12,462	12,462	12,462	12,314	12,059	11,914	12,003
Diluted	13,058	12,628	12,462	12,462	12,622	12,629	12,151	12,224	12,278