UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

CURRENT REPORT

Pursuant To Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 13, 2020

Travelzoo

(Exact name of registrant as specified in its charter)

Delaware	**000-50171**	**36-4415727**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	(I.R.S. Employer Identification No.)

590 Madison Avenue, 37th Floor **New York, New York**	**10022**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 484-4900

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

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 revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Explanatory Note

As previously reported, on January 13, 2020, Travelzoo (the “Company”) entered into a Stock Purchase Agreement (the “SPA”) with JFC Travel Group Co. (“JFC”), which owns and operates Jack’s Flight Club, and the sellers identified on the signature pages thereto (the “Sellers”), for the purchase of up to 100% of the outstanding capital stock of JFC (the “Shares”). Pursuant to the SPA, on January 13, 2020, the Sellers sold 60% of the Shares to the Company for an aggregate purchase price of $12,000,000, payable in cash and promissory notes (the “Acquisition”).

On January 15, 2020, the Company filed a Current Report on Form 8-K ("Form 8-K") with the Securities and Exchange Commission to disclose the completion of the Acquisition. The information previously reported on the Form 8-K is incorporated by reference into this amended Current Report on Form 8-K. This amended Current Report on Form 8-K provides the financial information required under parts (a) and (b) of Item 9.01 of Form 8-K. The other items in the Form 8-K remain unchanged and are not amended hereby.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of business acquired

The Audited Financial Statements of the JFC as of and for the year ended December 31, 2019, and accompanying notes are included as Exhibit 99.1 to this Current Report on Form 8-K/A.

(b) Pro forma financial information

The required unaudited pro forma financial information for Travelzoo, after giving effect to the acquisition of JFC and adjustments described in such pro forma financial information, as of and for the twelve months ended December 31, 2019 is attached hereto as Exhibit 99.2 to this Current Report on Form 8-K/A and is incorporated herein by reference.

(d) Exhibits

Exhibit	**Description**
23.1	Consent of Independent Auditors
99.1	Audited Financial Statements of JFC for the year ended December 31, 2019
99.2	Pro Forma Financial Information as of December 31, 2019 and for the year ended December 31, 2019

SIGNATURES

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 hereunto duly authorized.

	TRAVELZOO
Date: March 27, 2020	By: /s/ Lisa Su
	Lisa Su Chief Accounting Officer

EXHIBIT INDEX

Exhibit	Description
23.1	Consent of Independent Auditors
99.1	Audited Financial Statements of JFC for the year ended December 31, 2019
99.2	Pro Forma Financial Information as of December 31, 2019 and for the year ended December 31, 2019

Consent of Independent Auditor

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-231651) of Travelzoo of our report dated March 27, 2020, relating to the consolidated financial statements of JFC Travel Group Co. and Subsidiary, appearing in this Current Report on Form 8-K.

/s/ SingerLewak LLP

San Jose, California
March 27, 2020

Exhibit 99.1

JFC TRAVEL GROUP CO. AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2019

To the Board of Directors
Perforce Software, Inc.

Page

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
JFC Travel Group Co. and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of JFC Travel Group Co. and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements, (collectively, the "consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JFC Travel Group Co. and Subsidiary as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ SingerLewak LLP

March 27, 2020

JFC TRAVEL GROUP CO. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
(In thousands, except share amount and par value)

		December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$	2,548
Prepaid expenses and other		111
Total assets		2,659
Trade name		770
Total assets	$	3,429
LIABILITIES AND STOCKHOLDERS'EQUITY		
Current liabilities:		
Accounts payable	$	44
Accrued expenses and other		8
Deferred revenue		1,640
Total current liabilities		1,692
Deferred tax liabilities		162
Total liabilities		1,854
Commitments and contingencies		—
Stockholders' equity		
Common stock ($0.01 par value 1,000 authorized and 500 shares issued and outstanding)		—
Additional paid-in capital		610
Retained earnings		965
Total stockholders’ equity		1,575
Total liabilities and stockholders’ equity	$	3,429

JFC TRAVEL GROUP CO. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME
(In thousands)

	Twelve months ended
	2019
Revenues	$ 3,970
Cost of revenues	312
Gross profit	3,658
Operating expenses:	
Sales and marketing	687
General and administrative	520
Total operating expenses	1,207
Income from operations	2,451
Interest income, net	(20)
Income before income taxes	2,471
Provision for income tax	402
Net income	$ 2,069

JFC TRAVEL GROUP CO. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share amount)

	Common Stock		Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Total Stockholders' (Deficit) Equity
	Shares	Amount			
Balances, January 1, 2019	500	$ —	$ 609	$ (753)	$ (144)
Net income	—	—	—	2,069	2,069
Dividends	—	—	—	(350)	(350)
Balances, December 31, 2019	500	$ —	$ 609	$ 966	$ 1,575

JFC TRAVEL GROUP CO. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Twelve Months Ended December 31, 2019
Cash flows from operating activities:	
Net income	$ 2,069
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for deferred income tax	206
Changes in operating assets and liabilities:	
Prepaid expenses and other	(107)
Accounts payable	45
Accrued expenses and other	5
Deferred revenue	658
Net cash provided by operating activities	2,876
Cash flows from financing activities:	
Dividends	(350)
Net cash used in financing activities	(350)
Net increase in cash and cash equivalents and restricted cash	2,526
Cash and cash equivalents at beginning of period	22
Cash and cash equivalents at end of period	$ 2,548
Supplemental disclosure of cash flow information:	
Cash paid for income taxes	$ 303

NOTE 1 – DESCRIPTION OF BUSINESS

JFC Travel Group Co. (the "Company"), a C Corporation, was incorporated in the State of Delaware on December 31, 2018. The Company searches the internet for bargain flights, including hidden deals and errors, and provides the information to its members. The Company charges subscription fees for upgraded membership on an annual, semi-annual or quarterly basis.

The Company has a wholly owned subsidiary Jack's Flight Club Co. (JFCC), a Texas corporation. As discussed in Note 4, the Company acquired JFCC on December 31, 2018. JFCC was incorporated in 2017 in the State of Texas. JFCC was operating the Company's business prior to its acquisition.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Consolidation
The consolidated financial statements incorporate the accounts of the Company and JFCC. a wholly owned subsidiary. All material intercompany transactions and balances have been eliminated in the consolidation.

Use of Estimates
The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The Company's most significant estimates relate to the valuation of the acquired trade name.

Foreign currency denominated transactions
Foreign currency denominated assets and liabilities are translated into U.S. dollars at the average exchange rate during the year and re-measured at the exchange rate at the consolidated balance sheet date. Revenues and expenses are translated at the average rates of exchange prevailing during the year. Foreign exchange re-measurement gains and losses for foreign currency denominated assets and liabilities of the Company are recorded in other income (expense) in the Company's consolidated statement of income.

Cash and Cash Equivalents
The Company considers all highly liquid investments with an original maturity from the date of purchase of three months or less to be cash equivalents. As of December 31, 2019, cash and cash equivalents consist of cash with banks in checking and savings accounts and a PayPal account. The Company places its cash equivalents with high credit-quality financial institutions.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents. The Company maintains substantially all of its cash balances at one domestic financial institution, which at times may exceed the Federal Deposit Insurance Corporation ("FDIC") limits. Management believes that the financial risks associated with its cash and cash equivalents are minimal as the Company's cash deposits are held at credit-worthy commercial banks.

Internal-use Software

The Company develops internal-use software as required to support its operations. Costs incurred to develop internal-use software during the application development stage are capitalized and reported at cost, subject to an impairment test. Application development stage costs generally include costs associated with software configuration, coding, installation, and testing. Costs of significant upgrades and enhancements that result in additional functionality are also capitalized whereas costs incurred for maintenance and minor upgrades and enhancements are expensed as incurred. Capitalized costs are amortized using the straight-line method over three years. The Company assesses the potential impairment of capitalized internal-use software whenever events or changes in circumstances indicate that the carrying value of the internal-use software may not be recoverable. As of December 31, 2019, there are no capitalized internal-use software costs.

Revenue Recognition

The Company derives all its revenues from subscription contracts. The Company determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract, or contracts with a customer - the Company's contracts with customers are subscription-based contracts.
- Identification of the performance obligations in the contract – the Company searches bargain flights and provides gathered information to its customers;
- Determination of the transaction price - the Company charges quarterly, semi-annual or annual fixed fees, depending on the contract term, in either United States dollars, Great Britain pounds or Euros;
- Allocation of the transaction price to the performance obligations in the contract - the Company's subscription contracts have one performance obligation; accordingly, there is no allocation required; and
- Recognition of revenue when or as the Company satisfies the performance obligations - the Company amortizes subscription fees monthly and any unearned subscription fees are deferred at the balance sheet date.

The Company's subscription services are non-refundable, except for the first 30-day period. The Company records a refund liability to account for potential refunds. Subscription revenue is recognized ratably over the contract term.

Advertising Costs

The Company expenses the costs of advertising as incurred. Advertising expenses consisted primarily of costs with social media and technology company and totaled $565,227 for the year ended December 31, 2019.

Trade Name
The trade name is being carried at cost as an indefinite life intangible asset subject to periodic impairment reviews. No impairment charges have been recorded to date.

Long-lived Assets
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No such impairments have been identified to date.

Fair Value Measurements
GAAP defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair-value measurements. GAAP, among other things, requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP includes applying the fair value concept to (i) nonfinancial assets and liabilities initially measured at fair value in business combinations, (ii) reporting units or nonfinancial assets and liabilities measured at fair value in conjunction with goodwill impairment testing, (iii) other nonfinancial assets and liabilities measured at fair value in conjunction with impairment assessments and (iv) asset retirement obligations initially measured at fair value.

The statement contains a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring fair value. This framework defines three levels of inputs to the fair value measurement process and requires that each fair value measurement be assigned to a level corresponding to the lowest level input that is significant to the fair value measurement in its entirety. The three broad levels of inputs defined by the hierarchy are as follows:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date,
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability and
- Level 3 Inputs – unobservable inputs for the asset or liability. These unobservable inputs reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances (which might include the reporting entity's own data).

Income Taxes
The Company accounts for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax basis of the Company's assets and liabilities and their financial statement carrying amount. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development tax credit carry forwards. A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized.

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considers all available evidence, including past operating results, estimates of future taxable income and the feasibility of tax planning strategies. In the event that the Company changes its determination as to the amount of deferred tax assets that is more likely than not to be realized, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

The Company follows the authoritative guidance regarding uncertain tax positions. This guidance requires that realization of an uncertain income tax position must be more likely than not (i.e., greater than 50% likelihood of receiving a benefit) before it can be recognized in the consolidated financial statements. The guidance further prescribes the benefit to be realized assumes a review by tax authorities having all relevant information and applying current conventions. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits as income tax expense.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Rev*enue from Contracts with Customers (Topic 606),* which supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605),” and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, and is to be applied retrospectively, with early application permitted with the annual reporting period beginning after December 15, 2016, including interim periods within that reporting period. The Company has adopted this standard since the Company’s inception. Accordingly, there was no impact of adoption.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of adoption of this new standard on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

NOTE 3 – REVENUES AND CONTRACTS

The Company searches the internet for bargain flights, including hidden deals and errors, and provides the information to its members. The Company provides a free subscription with limited information provided to customers, and charges either a quarterly, semi-annual or annual fee for the Company's premium membership, depending on the contract term.

The subscription fees are set at different currencies in EU, GBP and U.S. dollars, depending on location. The Company provides a 30-day money back guarantee and records an estimated refund liability. The amount of the accrued refund liability at December 31, 2019, was not material and is recorded as part of the deferred revenue balance in the accompanying consolidated balance sheet. All transactions are paid via credit card and PayPal transactions. Subscription fees are recorded at the gross subscription fee amount, and credit card and PayPal costs and fees are recorded separately as part of costs of revenues.

The Company's performance obligations is a stand ready obligation to provide access to the premium application, top deal and weekend trip alerts to its members, over the term of the subscription.

The Company recognizes revenue over the period of the subscription as the Company's customers simultaneously receive and consume the benefits of the subscription.

Deferred revenue was the only contract liability at December 31, 2019.

NOTE 4 – STOCKHOLDERS' EQUITY

The Company is authorized to issue 1,000 shares of common stock with par value of $0.01, and has 500 shares of common stock issued and outstanding at December 31, 2019.

On December 31, 2018, the stockholders entered into a contribution agreement whereby (a) one of the two stockholders contributed 100% of all issued and outstanding shares of JFCC for 350 shares, and (b) the other stockholder contributed the trade name for Jack's Flight Club Co. for 150 shares.

The Company determined that the acquisition of JFCC in 2018 was a common control transaction. Accordingly, the Company measured the assets and liabilities transferred from JFCC at their carrying amounts at the date of transfer.

The Company valued the trade name at $770,000, based on the fair market value of the stock issued to purchase the trade name.

NOTE 5 – RELATED PARTY TRANSACTIONS

In 2019, the Company paid $103,333 and $127,729 for services rendered by the Company's stockholders and is classified as part of salaries and contractor's expense, respectively. Likewise, the Company paid a salary of $91,167 to a relative of a stockholder.

NOTE 6 – INCOME TAXES

At December 31, 2019, the deferred tax liability of $161,700 consists of a timing difference related to the nontaxable trade name.

The provision for income tax for the year ended December 31, 2019 consists of (amount in thousands):

Current - Federal	$	196
Deferred - Federal		206
	$	402

The difference between pre-tax income multiplied by the federal statutory rate in 2019 and the reported tax expense in the statement of income is principally due to foreign deemed intangible income.

There were no interest and penalties accrued in 2019.

The Company's and the Company's subsidiary's tax returns since inception in 2018 and 2017, respectively, are subject to examination by federal and state taxing authorities.

NOTE 7 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 27, 2020, which is the date the consolidated financial statements were available to be issued.

On January 13, 2020, Travelzoo, a public company, entered into a Stock Purchase Agreement (SPA) with the Company and its stockholders for the purchase of up to 100% of the outstanding capital stock of the Company. Pursuant to the SPA, on January 13, 2020, the stockholders sold 60% of the shares to Travelzoo for an aggregate purchase price of $12,000,000 payable in cash and promissory notes. The promissory notes contain an interest rate of 1.6% per annum and a due date of January 31, 2020 with a one-time right to extend the maturity date up to April 30, 2020. The remaining 40% of the shares are subject to a call/put option exercisable by Travelzoo or the stockholders, as applicable, on or around January 1, 2021, subject to the terms and condition set forth in the SPA.

On March 11, 2020, the World Health Organization (WHO) declared the rapidly spreading Coronavirus outbreak a pandemic. The Coronavirus has spread to all countries in the world and has caused countries to announce travel bans and restrictions on their citizens as well as tourists from other countries. This could have a significant near-term impact on the Company's results of operations and financial position.

Exhibit 99.2

TRAVELZOO
INTRODUCTORY NOTE TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On January 13, 2020 (“Closing Date”), Travelzoo (“Travelzoo” or the “Company”) entered into a Stock Purchase Agreement (the "SPA") with JFC Travel Group Co. (“JFC”), which wholly owns and operates Jack's Flight Club, Co., for the purchase of up to 100% of the outstanding common stock of JFC (the "Shares"). Pursuant to the SPA, on January 13, 2020, the Sellers sold 60% of the Shares to the Company for an aggregate purchase price of $12.0 million, payable in cash of $1.0 million and $11.0 million in promissory notes. The promissory notes contain an interest rate of 1.6% per annum and a due date of January 31, 2020, with a one-time right to extend the maturity date up to April 30, 2020, which the Company elected to do. The remaining 40% of the Shares are subject to a call/put option exercisable by the Company or the Sellers, as applicable, no later than 60 days following January 1, 2021 , subject to the terms and conditions set forth in the SPA. The call/put option is exercisable by the Company or the Sellers, as applicable, only if the JFC business generates a minimum EBITDA of $4.3 million for the year ending December 31, 2020, in which case the call/put purchase price if exercised will be equal to 40% of the actual EBITDA multiplied by 3.5.

The following unaudited pro forma condensed combined financial statements are presented to illustrate the effects of the acquisition on the historical financial position and operating results of Travelzoo. The unaudited pro forma condensed combined balance sheet gives effect to the acquisition as if it was completed on December 31, 2019. The unaudited pro forma condensed combined statement of operations for year ended December 31, 2019 gives effect to acquisition as if it was completed on January 1, 2019.

The following unaudited pro forma condensed combined financial statements were derived from and should be read together with the historical financial statements and related notes as follows: (a) Travelzoo's audited consolidated statement of operations for the year ended December 31, 2019, and its audited consolidated balance sheet as of December 31, 2019 included in Travelzoo’s Form 10-K for the year ended December 31, 2019; (b) JFC’s audited consolidated statement of operations for the year ended December 31, 2019 and JFC’s audited consolidated balance sheet as of December 31, 2019, included elsewhere in this Form 8-K, as an exhibit.

The following unaudited pro forma condensed combined financial statements are not necessarily indicative of Travelzoo's financial position or results of operations if the acquisition had been completed as of the dates indicated. Additionally, the following unaudited pro forma condensed combined financial statements are not necessarily indicative of Travelzoo's future financial condition or operating results. The unaudited pro forma condensed combined financial statements do not reflect any operating efficiencies, post-acquisition synergies and/or cost savings that we may achieve with respect to the combined companies. The adjustments to unaudited pro forma condensed combined financial statements are based on what we believe are reasonable under the circumstances. The pro forma adjustments are preliminary and have been made solely for the purpose of providing Pro Forma Financial Statements.

The following unaudited pro forma condensed combined financial statements are based on estimates and assumptions set forth in the notes to these statements. The preliminary allocation of the purchase price used in the pro forma condensed combined financial Statements is based upon assets acquired and liabilities assumed through the acquisition. We have made significant assumptions and estimates in determining the preliminary estimated purchase price and the preliminary allocation of the purchase price in the pro forma condensed combined financial statements. These preliminary estimates and assumptions are subject to change as we finalize the acquisition accounting, including the valuations of the net tangible and intangible assets. The final determination of the value of the assets and liabilities acquired will likely differ from these preliminary estimates and the differences could be material. Travelzoo is in the process of performing third-party valuations of certain assets acquired and liabilities assumed, as well as performing its own internal assessment.

TRAVELZOO
UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS
(in thousands, except par value)

	December 31, 2019				
ASSETS	**Travelzoo Historical**	**JFC Historical**	**Transaction Adjustments**		**Pro Forma Combined**
Current assets:					
Cash and cash equivalents	$ 19,505	$ 2,548	$ (3,333)	(d)	$ 18,720
Accounts receivable, less allowance for doubtful accounts of $1,126 and $692 as of December 31, 2019 and 2018, respectively	13,006	—	—		13,006
Income tax receivable	989	—	—		989
Deposits	114	—	—		114
Prepaid expenses and other	2,496	111	—		2,607
Total current assets	36,110	2,659	(3,333)		35,436
Deposits and other	820	—	—		820
Deferred tax assets	2,051	—	—		2,051
Restricted cash	1,205	—	—		1,205
Operating lease right-of-use assets	8,886	—	—		8,886
Property and equipment, net	2,982	—	—		2,982
Investment in WeekenGO	2,484	—	—		2,484
Intangible assets	— —	770	5,530	(a) & (m)	6,300
Goodwill	— —	—	13,044	(a)	13,044
Total assets	$ 54,538	$ 3,429	$ 15,241		$ 73,208
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 20,406	$ 44	$ —		$ 20,450
Accrued expenses and other	7,477	8	—		7,485
Deferred revenue	896	1,640	(880)	(i)	1,656
Operating lease liabilities	5,301	—	—		5,301
Promissory note payable	—	—	10,900	(d)	10,900
Income tax payable	914	—	—		914
Total current liabilities	34,994	1,692	10,020		46,706
Long-term tax liabilities	359	162	976	(k)	1,497
Long-term operating lease liabilities	8,238	—	—		8,238
Other long-term deferred liabilities	84	—	—		84
Total liabilities	43,675	1,854	10,996		56,525
Commitments and contingencies	—	—	—		—
Stockholders' equity:		—	—		—
Non-controlling interest in JFC	—	—	5,820	(e)	5,820
Preferred stock, $0.01 par value per share (5,000 shares authorized; none issued)	—	—	—		—
Common stock, $0.01 par value (20,000 and 40,000 shares authorized as of December 31, 2019 and 2018, respectively; 11,479 and 11,962 shares issued and outstanding as of December 31, 2019 and 2018, respectively)	115	—	—		115
Additional paid-in capital	—	610	(610)	(b)	—
Retained earnings	14,200	965	(965)	(b)	14,200
Accumulated other comprehensive loss	(3,452)	—			(3,452)
Total stockholders' equity	10,863	1,575	(1,575)		10,863
Total liabilities and stockholders' equity	$ 54,538	$ 3,429	$ 15,241		$ 73,208

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

TRAVELZOO
UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31, 2019				
	Travelzoo Historical	**JFC Historical**	**Transaction Adjustments**		**Pro Forma Combined**
Revenues	$ 111,412	$ 3,970	$ (485)	(l)	$ 114,897
Cost of revenues	11,889	312	—		12,201
Gross profit	99,523	3,658	(485)		102,696
Operating expenses:					—
Sales and marketing	60,350	687	986	(g)	62,023
Product development	6,885	—	—		6,885
General and administrative	22,824	520	—		23,344
Total operating expenses	90,059	1,207	986		92,252
Income from operations	9,464	2,451	(1,471)		10,444
Other income (loss), net	(515)	20	(147)	(j)	(642)
Income before income taxes	8,949	2,471	(1,618)		9,802
Income tax expense	4,794	402	(264)	(h)	4,932
Net income	4,155	2,069	$ (1,354)		4,870
Net income attributable to non-controlling interests	—	—	(286)	(c)	(286)
Net loss attributable to Travelzoo	$ 4,155	$ 2,069	$ (1,640)		$ 4,584
Net income per share—basic	$ 0.35				$ 0.39
Net income per share—diluted	$ 0.35				$ 0.38
Shares used in computing basic net income per share	11,809				11,809
Shares used in computing diluted net income per share	12,035				12,035

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

TRAVELZOO
NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Note 1: Basis of presentation

The historical consolidated financial statements have been adjusted in the pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) with respect to the pro forma combined statements of operations, expected to have a continuing impact on the combined results following the business combination. The historical Travelzoo financial information are derived from the historical consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 20, 2020. The historical JFC financial information are derived from the historical audited consolidated financial statements included elsewhere in this Form 8-K/A.

The business combination will be accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. As the acquirer for accounting purposes, Travelzoo has preliminarily estimated the fair value of JFC's assets acquired and liabilities assumed and conformed the accounting policies of JFC to its own accounting policies.

The pro forma condensed combined financial statements do not necessarily reflect what the Combined company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The condensed combined pro forma financial information does not reflect the realization of any expected cost savings or other synergies from the acquisition of JFC as a result of restructuring activities and other planned cost savings initiatives following the completion of the business combination.

Note 2: Purchase price and preliminary allocation

The purchase price allocation was based on the purchase price in the purchase agreement and the preliminary purchase price allocation valuation. The acquisition method of accounting has been used in the preparation of the accompanying unaudited pro forma condensed combined financial statements. Under this method of accounting, the purchase consideration is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed according to their respective fair values, with the excess purchase consideration being recorded as goodwill.

We identified and recorded the assets acquired and liabilities assumed at their preliminary estimated fair values, and allocated the remaining value of $13.0 million to goodwill. The values assigned to certain acquired assets and liabilities are preliminary, are based on information available as of the date of these unaudited pro forma condensed combined financial statements, and may be adjusted as further information becomes available during the measurement period of up to 12 months from the date of the acquisition. Additional information that relates to the facts and circumstances that exist as of the Closing Date may subsequently become available and may result in changes in the values allocated to various assets and liabilities. Changes in the fair values of the assets acquired and liabilities assumed during the measurement period may result in material adjustments to goodwill. The fair value of the acquisition consideration aggregated $17.7 million, which consists of $11.9 million of cash and promissory notes payable to the Sellers and $5.8 million for the fair value of the 40% non-controlling interests, including the embedded put option.

The preliminary purchase price allocation is as follows (in thousands):

	Amount	Estimated Useful Life	Incremental First Year Amortization
Fair value of net tangible assets (liabilities) acquired (assumed)			
Fair value of net tangible assets acquired	$ 326		$ —
Fair value of net tangible liabilities assumed	(812)		—
Deferred tax liabilities	(1,138)		—
Identifiable intangible assets			
Customer relationship	3,430	5 year	686
Trade name	2,270	Indefinite	N/A
Non-competing agreements	600	2 year	300
Identifiable intangibles	6,300		986
Goodwill	13,044		—
Total acquisition consideration	$ 17,720		$ 986

Under the acquisition method, acquisition-related transaction costs (e.g. advisory, legal, valuation and other professional fees) are not included as consideration transferred and are accounted for as expenses in the periods in which such costs are incurred. These costs are not presented in the unaudited pro forma condensed combined statement of operations because they will not have a continuing impact on the combined results.

Intangible Assets

Significant Classes of Intangible Assets Acquired.

Customer relationships consist of preexisting relationships that are expected to contribute to future earnings. Customer relationship is neither legal nor contractual, but is separable as an intangible asset. The fair value of these intangible assets is expected to be amortized on a straight-line basis over the period in which the economic benefits are anticipated to be recognized.

Tradename consists of the JFC name, which is a well-known in helping subscribers find cheap flight and flight deals. The fair value of the trade name is not amortized as we believe its life is indefinite and will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that we determine that the value of the tradename has become impaired, we will incur an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made.

Valuation.

The accounting standards define the term “fair value” and set forth the valuation requirements for any asset or liability measured at fair value, and specifies a hierarchy of valuation techniques based on the inputs used to develop the fair value measures. Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date.” This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. As a result, Travelzoo may be required to record assets which are not intended to be used or sold and/or to value assets at fair value measures that do not reflect Travelzoo’ intended use of those assets. Many of these fair value measurements can be highly subjective and it is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Goodwill.

Approximately $13.0 million has been preliminarily allocated to goodwill. Goodwill represents the excess of the estimated purchase price over the fair values of the underlying net tangible and intangible assets. Goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that we determine that the value of goodwill has become impaired, we will incur an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made.

Debt

To finance the Acquisition, we issued $11.0 million promissory notes to the Sellers at 1.6% interest rate due on January 31, 2020, with a one-time right to extend the maturity up to April 30, 2020, which the Company elected to do. The Company is evaluating obtaining financing to fund the payment of such promissory notes. Any financing that might be obtained would result in additional interest expense that is not currently reflected in the accompanying pro forma condensed combined statement of operations.

Note 3: Pro forma adjustments

The accompanying pro forma condensed combined financial statements reflect certain adjustments that are necessary to present fairly our results as of and for the year ended December 31, 2019. The pro forma adjustments give effect to events that are (i) directly attributable to the Acquisition, (ii) factually supportable and (iii) with respect to the statement of operations, expected to have a continuing impact on us, and are based on assumptions that management believes are reasonable given the best information currently available.

The accompanying pro forma financial statements have been prepared as if the acquisition was completed on December 31, 2019 for balance sheet purposes and on January 1, 2019 for statement of operations purposes and reflect the following preliminary pro forma adjustments, based on estimates, and subject to change as more information becomes available and after we complete our final analysis of the fair values of both tangible and intangible assets acquired and liabilities assumed.

The following adjustments have been reflected in the unaudited pro forma condensed combined financial information:

(a) Recognition of intangible assets and goodwill balance based on the purchase price allocation (in thousands):

Recognition of the intangible assets balance from the acquisition	$	6,300
Recognition of goodwill balance from the acquisition		13,044
	$	19,344

(b) Elimination of JFC equity account (in thousands):

Additional paid-in capital	$	(610)
Retain earnings		(965)
	$	(1,575)

(c) Recognition of net income attributable to non-controlling interest (40%) on the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2019 (in thousands):

Net income attributable to non-controlling interests	$	(286)
	$	(286)

(d) Recognition of promissory notes payable of $11.0 million to acquire the 60% of JFC equity interest, net of $0.1 million of discount to reflect at fair value (in thousands):

Promissory note payable issued to JFC founders		10,900
	$	10,900

(e) Recognition of fair value of the 40% non-controlling interests identified in the total allocable purchase price including estimated fair value of embedded put option for the 40% remaining JFC equity interest no later than 60 days following by January 1, 2021 if certain EBITDA threshold is met for 2020 on the unaudited pro forma condensed combined balance sheet as of December 31, 2019 (in thousands):

Non-controlling interests	$	4,400
Estimated fair value option (40% consideration - put option)		1,420
	$	5,820

(f) Recognition of cash payment of $1.0 million to the Sellers on January 13, 2020 and $2.3 million cash distribution JFC made to the Sellers immediately prior to the Closing Date which is being reflected in this adjustment on the unaudited pro forma condensed combined balance sheet as of December 31, 2019 (in thousands):

Cash Paid to JFC	$	(1,000)
Cash withdrawn by the JFC founders at acquisition		(2,333)
	$	(3,333)

(g) Recognition of amortization of acquisition-related intangibles on the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2019 (in thousands):

Amortization of acquisition-related intangibles		986
	$	986

(h) Recognition of income tax benefit from transaction adjustments on unaudited pro forma condesed combined statement of operations for the year ended December 31, 2019 (in thousands):

Income tax benefit		(264)
	$	(264)

(i) Recognition of fair value adjustment to the deferred revenue on the unaudited pro forma condensed combined balance sheet as of December 31, 2019 (in thousands):

Deferred revenue		(880)
	$	(880)

(j) Recognition of interest expense at 1.6% and accretion of discount of $0.1 million from the $11.0 million promissory notes issued to the Sellers for the acquisition of Shares (outstanding for approximately three months) on the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2019 (in thousands):

Interest expense from promissory note		147
	$	147

(k) Recognition of deferred tax liability from acquisition-related intangibles on the unaudited pro forma condensed combined balance sheet as of December 31, 2019 (in thousands):

Deferred tax liabilities		976
	$	976

(l) Recognition of revenue impact from fair value adjustment of deferred revenue balance as of January 1, 2019 on the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2019 (in thousands):

Revenue		(485)
	$	(485)

(m) Elimination of JFC intangible assets on the historical consolidated balance sheet as of December 31, 2019 (in thousands):

Trade name		(770)
	$	(770)