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FOR IMMEDIATE RELEASE

Travelzoo Reports Third Quarter 2015 Results

NEW YORK, November 3, 2015 — Travelzoo Inc. (NASDAQ: TZOO):

- Revenue of \$33.7 million, down 2% in constant currencies
- Revenue up 8% in Europe and up 7% in Asia Pacific in constant currencies
- Non-GAAP earnings per share of \$0.03, compared to loss per share of \$0.03 in the prior-year period
- Operating profit of \$860,000

Travelzoo Inc., a global media commerce company, today announced financial results for the third quarter ended September 30, 2015, with revenue of \$33.7 million. In nominal terms, revenue decreased by 7% year-over-year. In constant currencies, revenue decreased by 2% year-over-year. GAAP net income was \$8.9 million, with earnings per share of \$0.60. Non-GAAP net income was \$444,000, with non-GAAP earnings per share of \$0.03. Non-GAAP net income and earnings per share excluded an \$8.4 million release of a tax reserve related to the unexchanged promotional shares.

"In the third quarter of 2015, the number of Travelzoo members increased substantially to over 28 million worldwide, mainly driven by our investment in Asia Pacific," said Chris Loughlin, chief executive officer. "In constant currencies we saw revenue growth in almost all countries that we operate in."

North America

North America business segment revenue decreased 10% year-over-year to \$20.7 million. Operating income for the third quarter was \$687,000, or 3% of revenue, up from \$265,000, or 1% of revenue, in the prior-year period.

Europe

Europe business segment revenue decreased 3% year-over-year to \$10.3 million. In constant currencies, revenue increased 8% year-over-year. Operating income for the third quarter was \$587,000, or 6% of revenue, up from \$195,000, or 2% of revenue in the prior-year period.

Asia Pacific

On August 20, 2015, Travelzoo Inc. acquired the Travelzoo Asia Pacific business ("Asia Pacific"), which includes the Travelzoo businesses in Australia, China, Hong Kong, Japan, Taiwan, and Southeast Asia. This business was independently operated by Azzurro Capital Inc. under a licensing agreement with Travelzoo Inc.

Asia Pacific business segment revenue decreased 3% year-over-year to \$2.7 million. In constant currencies, revenue increased 7% year-over-year. Operating loss for the third quarter was \$414,000, or 15% of revenue, down from \$864,000, or 31% of revenue in the prior-year period.

Members

As of September 30, 2015, Travelzoo had a worldwide unduplicated number of members of 28.3 million, which includes 3.4 million members in Asia Pacific. In North America, unduplicated number of members was 17.2 million as of September 30, 2015, up 2% from September 30, 2014. In Europe, unduplicated number of members was 7.8 million as of September 30, 2015, up 7% from September 30, 2014. In Asia Pacific, unduplicated number of members was 3.4 million as of September 30, 2015, down 4% from September 30, 2014.

Income Taxes

Income tax benefit was \$8.2 million, compared to \$158,000 income tax expense in the prior-year period. Non-GAAP income tax expense of \$214,000 excludes an \$8.4 million release of a tax reserve related to the unexchanged promotional shares.

Asset Management

During the third quarter of 2015, Travelzoo used \$813,000 of cash in operating activities. Accounts receivable increased by \$582,000 over the prior-year period to \$17.8 million. Accounts payable decreased by \$2.4 million over the prior-year period to \$23.0 million. Capital expenditures were \$132,000, down from \$1.6 million in the prior-year period. As of September 30, 2015, cash and cash equivalents were \$34.6 million.

Non-GAAP Information and Other

To give an enhanced view of Travelzoo's operating performance, management has calculated non-GAAP operating expense, non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP income tax expense, non-GAAP effective tax rate, non-GAAP net income (loss) and non-GAAP earnings (loss) per share by excluding the release of a tax reserve related to the unexchanged promotional shares in the current period and excluding the release of reserves related to the unexchanged promotional shares in prior-year periods. The company believes these metrics assist investors to assess certain business trends in the same way that these trends are analyzed by management. The discussion of these non-GAAP metrics are not in accordance with GAAP and may differ from non-GAAP methods of accounting and reporting used by other companies. Non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial information. As the only difference between GAAP and non-GAAP information is the release of a tax reserve related to the unexchanged promotional shares in the current period and the release of reserves related to the unexchanged promotional shares in prior-year periods, today's reporting should not be viewed as Travelzoo's intention to report non-GAAP information in future periods. Refer to the "Reconciliation of GAAP to Non-GAAP Information" section of this press release for important information.

Travelzoo Inc.'s financial results have been adjusted to include the financial results of Asia Pacific for the current and prior periods. In addition, certain prior period statement of operations amounts have been reclassified to conform to current period presentation primarily due to the allocation of facilities costs and separate disclosure of product development costs.

Conference Call

Travelzoo will host a conference call to discuss third quarter results at 11:00 a.m. ET today.

Please visit <http://www.travelzoo.com/earnings> to

- download the management presentation (PDF format) to be discussed in the conference call;
- access the webcast.

About Travelzoo

Travelzoo is a global media commerce company. With more than 28 million members in North America, Europe, and Asia Pacific and 26 offices worldwide, Travelzoo® publishes offers from more than 2,000 travel, entertainment and local companies. Travelzoo's deal experts review offers to find the best deals and confirm their true value.

Certain statements contained in this press release that are not historical facts may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. These forward-looking statements may include, but are not limited to, statements about our plans, objectives, expectations, prospects and intentions, markets in which we participate and other statements contained in this press release that are not historical facts. When used in this press release, 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 press release. Travelzoo and Top 20 are registered trademarks of Travelzoo. All other names are trademarks and/or registered trademarks of their respective owners.

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Travelzoo Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share amounts)

| | Three months ended | | Nine months ended | |
|--------------------------------|---------------------------|-----------------|--------------------------|------------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | \$ 33,728 | \$ 36,307 | \$ 109,665 | \$ 118,949 |
| Cost of revenues | 4,742 | 4,813 | 14,496 | 14,534 |
| Gross profit | <u>28,986</u> | <u>31,494</u> | <u>95,169</u> | <u>104,415</u> |
| Operating expenses: | | | | |
| Sales and marketing | 19,089 | 21,570 | 61,881 | 62,782 |
| Product development | 2,917 | 3,108 | 9,212 | 8,370 |
| General and administrative | 6,120 | 7,220 | 17,906 | 21,399 |
| Unexchanged promotional shares | — | (2,250) | — | (5,750) |
| Total operating expenses | <u>28,126</u> | <u>29,648</u> | <u>88,999</u> | <u>86,801</u> |
| Income from operations | 860 | 1,846 | 6,170 | 17,614 |
| Other income (loss) | (202) | 95 | (866) | 439 |
| Income before income taxes | 658 | 1,941 | 5,304 | 18,053 |
| Income taxes | (8,199) | 158 | (5,125) | 4,905 |
| Net income | <u>\$ 8,857</u> | <u>\$ 1,783</u> | <u>\$ 10,429</u> | <u>\$ 13,148</u> |
| Net income per share: | | | | |
| Basic | <u>\$ 0.60</u> | <u>\$ 0.12</u> | <u>\$ 0.71</u> | <u>\$ 0.89</u> |
| Diluted | <u>\$ 0.60</u> | <u>\$ 0.12</u> | <u>\$ 0.71</u> | <u>\$ 0.88</u> |
| Weighted average shares: | | | | |
| Basic | 14,730 | 14,730 | 14,730 | 14,781 |
| Diluted | 14,730 | 14,771 | 14,730 | 14,923 |

Travelzoo Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands)

| | September 30, 2015 | December 31, 2014 |
|---|-------------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 34,570 | \$ 55,417 |
| Accounts receivable, net | 17,822 | 16,124 |
| Income taxes receivable | 1,745 | 3,756 |
| Deposits | 717 | 86 |
| Prepaid expenses and other | 2,639 | 2,802 |
| Deferred tax assets | 1,214 | 1,311 |
| Total current assets | 58,707 | 79,496 |
| Deposits | 607 | 1,436 |
| Deferred tax assets | 1,935 | 1,432 |
| Restricted cash | 1,346 | 1,393 |
| Property and equipment, net | 8,361 | 9,498 |
| Intangible assets, net | 15 | 178 |
| Total assets | \$ 70,971 | \$ 93,433 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 23,031 | \$ 27,984 |
| Accrued expenses and other | 11,654 | 11,814 |
| Deferred revenue | 1,268 | 1,472 |
| Income tax payable | 857 | 574 |
| Reserve for unexchanged promotional shares | — | 1,393 |
| Total current liabilities | 36,810 | 43,237 |
| Note payable to related party | 5,658 | — |
| Long-term tax liabilities | 3,087 | 10,936 |
| Long-term deferred rent and other | 3,030 | 3,433 |
| Total liabilities | 48,585 | 57,606 |
| Common stock | 163 | 163 |
| Treasury stock | (21,517) | (21,517) |
| Additional paid-in capital | 30,732 | 30,586 |
| Accumulated other comprehensive loss | (3,884) | (2,602) |
| Retained earnings | 16,892 | 29,197 |
| Total stockholders' equity | 22,386 | 35,827 |
| Total liabilities and stockholders' equity | \$ 70,971 | \$ 93,433 |

Travelzoo Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

| | Three months ended | | Nine months ended | |
|---|---------------------------|------------------|--------------------------|------------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Cash flows from operating activities: | | | | |
| Net income | \$ 8,857 | \$ 1,783 | \$ 10,429 | \$ 13,148 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 688 | 721 | 2,198 | 2,132 |
| Impairment of software | — | — | — | 249 |
| Deferred income taxes | (164) | 400 | (407) | (108) |
| Stock-based compensation | (150) | 44 | 146 | 834 |
| Provision for losses on accounts receivable | (151) | 3 | (99) | (5) |
| Net foreign currency effects | 191 | 8 | 789 | (316) |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 824 | 804 | (2,052) | (1,656) |
| Deposits | 46 | 23 | 118 | 248 |
| Income tax receivable | 299 | (1,502) | 1,980 | (951) |
| Prepaid expenses and other | (511) | (336) | 123 | 742 |
| Accounts payable | (1,739) | (2,212) | (2,706) | (9,514) |
| Accrued expenses and other | (642) | 2,093 | (508) | (463) |
| Income tax payable | 283 | 23 | 306 | 1,806 |
| Reserve for unexchanged promotional shares | — | (2,457) | (1,393) | (7,184) |
| Other non-current liabilities | (8,644) | 156 | (7,849) | 381 |
| Net cash provided by (used in) operating activities | <u>(813)</u> | <u>(449)</u> | <u>1,075</u> | <u>(657)</u> |
| Cash flows from investing activities: | | | | |
| Release of restricted cash | 8 | 14 | 66 | 202 |
| Purchases of property and equipment | (132) | (1,596) | (885) | (3,185) |
| Net cash used in investing activities | <u>(124)</u> | <u>(1,582)</u> | <u>(819)</u> | <u>(2,983)</u> |
| Cash flows from financing activities: | | | | |
| Payment for Asia Pacific business | (16,974) | — | (16,974) | — |
| Payment of loan to related party | (3,250) | — | (3,250) | — |
| Proceeds from loan from related party | — | — | 2,224 | — |
| Decrease in bank overdraft | (206) | — | (341) | — |
| Repurchase of common stock | — | — | — | (5,855) |
| Reverse/forward stock split, including transaction costs | — | — | (102) | (479) |
| Net cash used in financing activities | <u>(20,430)</u> | <u>—</u> | <u>(18,443)</u> | <u>(6,334)</u> |
| Effect of exchange rate on cash and cash equivalents | (540) | (2,142) | (2,660) | (934) |
| Net decrease in cash and cash equivalents | (21,907) | (4,173) | (20,847) | (10,908) |
| Cash and cash equivalents at beginning of period | 56,477 | 61,933 | 55,417 | 68,668 |
| Cash and cash equivalents at end of period | <u>\$ 34,570</u> | <u>\$ 57,760</u> | <u>\$ 34,570</u> | <u>\$ 57,760</u> |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid for income taxes, net | \$ 9 | \$ 1,073 | \$ 742 | \$ 3,916 |
| Note payable for Asia Pacific business | \$ 5,658 | — | \$ 5,658 | — |

Travelzoo Inc.
Segment Information
(Unaudited)
(In thousands)

| Three months ended September 30, 2015 | North America | Europe | Asia Pacific | Other (a) | Consolidated |
|--|--------------------------|---------------|---------------------|------------------|---------------------|
| Revenue from unaffiliated customers | \$ 20,538 | \$ 10,444 | \$ 2,746 | \$ — | \$ 33,728 |
| Intersegment revenue | 155 | (127) | (28) | — | — |
| Total net revenues | 20,693 | 10,317 | 2,718 | — | 33,728 |
| Operating income | \$ 687 | \$ 587 | \$ (414) | \$ — | \$ 860 |
| Three months ended September 30, 2014 | North America | Europe | Asia Pacific | Other (a) | Consolidated |
| Revenue from unaffiliated customers | \$ 22,601 | \$ 10,899 | \$ 2,807 | \$ — | \$ 36,307 |
| Intersegment revenue | 321 | (304) | (17) | — | — |
| Total net revenues | 22,922 | 10,595 | 2,790 | — | 36,307 |
| Operating income | \$ 265 | \$ 195 | \$ (864) | \$ 2,250 | \$ 1,846 |
| Nine months ended September 30, 2015 | North America | Europe | Asia Pacific | Other (a) | Consolidated |
| Revenue from unaffiliated customers | \$ 68,978 | \$ 32,560 | \$ 8,127 | \$ — | \$ 109,665 |
| Intersegment revenue | 470 | (422) | (48) | — | — |
| Total net revenues | 69,448 | 32,138 | 8,079 | — | 109,665 |
| Operating income | \$ 5,322 | \$ 2,363 | \$ (1,515) | \$ — | \$ 6,170 |
| Nine months ended September 30, 2014 | North America | Europe | Asia Pacific | Other (a) | Consolidated |
| Revenue from unaffiliated customers | \$ 74,130 | \$ 36,451 | \$ 8,368 | \$ — | \$ 118,949 |
| Intersegment revenue | 777 | (706) | (71) | — | — |
| Total net revenues | 74,907 | 35,745 | 8,297 | — | 118,949 |
| Operating income | \$ 8,718 | \$ 5,470 | \$ (2,324) | \$ 5,750 | \$ 17,614 |

- (a) Includes a \$2.3 million and a \$5.8 million release of reserve for the three and nine months ended September 30, 2014, respectively, related to settlement agreements in connection with a dispute over unclaimed property audits.

Travelzoo Inc.
Reconciliation of GAAP to Non-GAAP Information
(Unaudited)
(In thousands, except per share amounts)

| | Three months ended | | Nine months ended | |
|------------------------------------|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| GAAP operating expense | \$ 28,126 | \$ 29,648 | \$ 88,999 | \$ 86,801 |
| Non-GAAP adjustments (a) | — | 2,250 | — | 5,750 |
| Non-GAAP operating expense | \$ 28,126 | \$ 31,898 | \$ 88,999 | \$ 92,551 |
| | | | | |
| GAAP operating income | \$ 860 | \$ 1,846 | \$ 6,170 | \$ 17,614 |
| Non-GAAP adjustments (a) | — | (2,250) | — | (5,750) |
| Non-GAAP operating income (loss) | \$ 860 | \$ (404) | \$ 6,170 | \$ 11,864 |
| | | | | |
| GAAP operating margin | 2.5 % | 5.1 % | 5.6 % | 14.8 % |
| Non-GAAP adjustments (a) | — % | (6.2)% | — % | (4.8)% |
| Non-GAAP operating margin | 2.5 % | (1.1)% | 5.6 % | 10.0 % |
| | | | | |
| GAAP income tax expense (benefit) | \$ (8,199) | \$ 158 | \$ (5,125) | \$ 4,905 |
| Non-GAAP adjustments (b) | 8,413 | — | 8,413 | — |
| Non-GAAP income tax expense | \$ 214 | \$ 158 | \$ 3,288 | \$ 4,905 |
| | | | | |
| GAAP effective tax rate | (1,246.0) % | 8.1 % | (96.6) % | 27.2 % |
| Non-GAAP adjustments (a) (b) | 1,278.5 % | (59.2) % | 158.6 % | 12.7 % |
| Non-GAAP effective tax rate | 32.5 % | (51.1) % | 62.0 % | 39.9 % |
| | | | | |
| GAAP net income | \$ 8,857 | \$ 1,783 | \$ 10,429 | \$ 13,148 |
| Non-GAAP adjustments (a) (b) | (8,413) | (2,250) | (8,413) | (5,750) |
| Non-GAAP net income (loss) | \$ 444 | \$ (467) | \$ 2,016 | \$ 7,398 |
| | | | | |
| GAAP diluted earnings per share | \$ 0.60 | \$ 0.12 | \$ 0.71 | \$ 0.88 |
| Non-GAAP adjustments (a) (b) (c) | (0.57) | (0.15) | (0.57) | (0.38) |
| Non-GAAP earnings (loss) per share | \$ 0.03 | \$ (0.03) | \$ 0.14 | \$ 0.50 |

- (a) Includes a \$2.3 million and a \$5.8 million release of reserve for the three and nine months ended September 30, 2014, respectively, related to settlement agreements in connection with a dispute over unclaimed property audits.
- (b) Includes an \$8.4 million release of a tax reserve for the three and nine months ended September 30, 2015, related to the unexchanged promotional shares.
- (c) Shares used to calculate non-GAAP loss per share for the three months ended September 30, 2014 were 14,730,454, which were different than the shares used in GAAP earnings per share calculation due to the anti-dilutive effect on the non-GAAP loss per share.