



The Deal Experts. Over 28 Million Members Worldwide.

Fourth Quarter 2015 Performance and Growth Strategy Overview

February 11, 2016

Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's fourth quarter 2015 financial results and in conjunction with the Company's recent Annual Report and Quarterly Results as filed with the Securities and Exchange Commission (SEC). All current and prior period financial results presented have been adjusted to include the financial results of the Travelzoo Asia Pacific business acquired during the third quarter 2015. Certain prior period income statement amounts have been reclassified to conform to the current period presentation primarily due to the allocation of facility costs and the separate disclosure of product development costs.

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 Inc. undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this presentation.

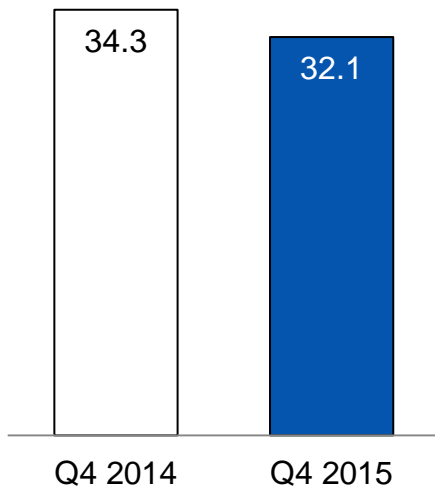
Part 1:
Fourth Quarter 2015 Performance

Part 2:
Growth Strategy Overview

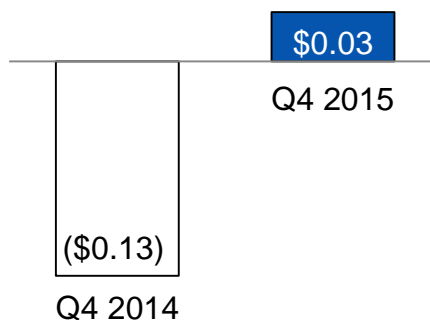
Currency changes drove a decline in revenues, but earnings improved significantly over the last year while member growth continued.

Q4 2015 Financial Performance

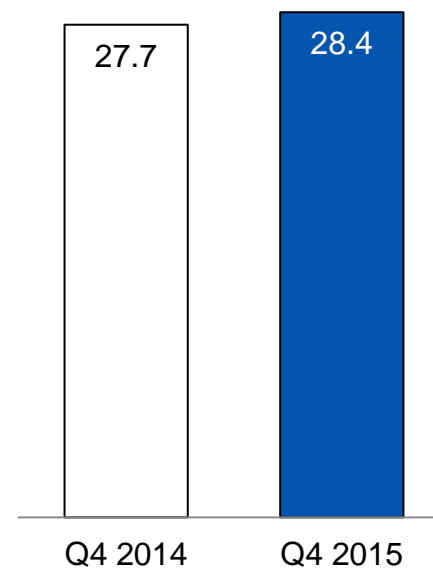
Revenue
\$ millions



Non-GAAP EPS*
\$ per share



Members
Millions



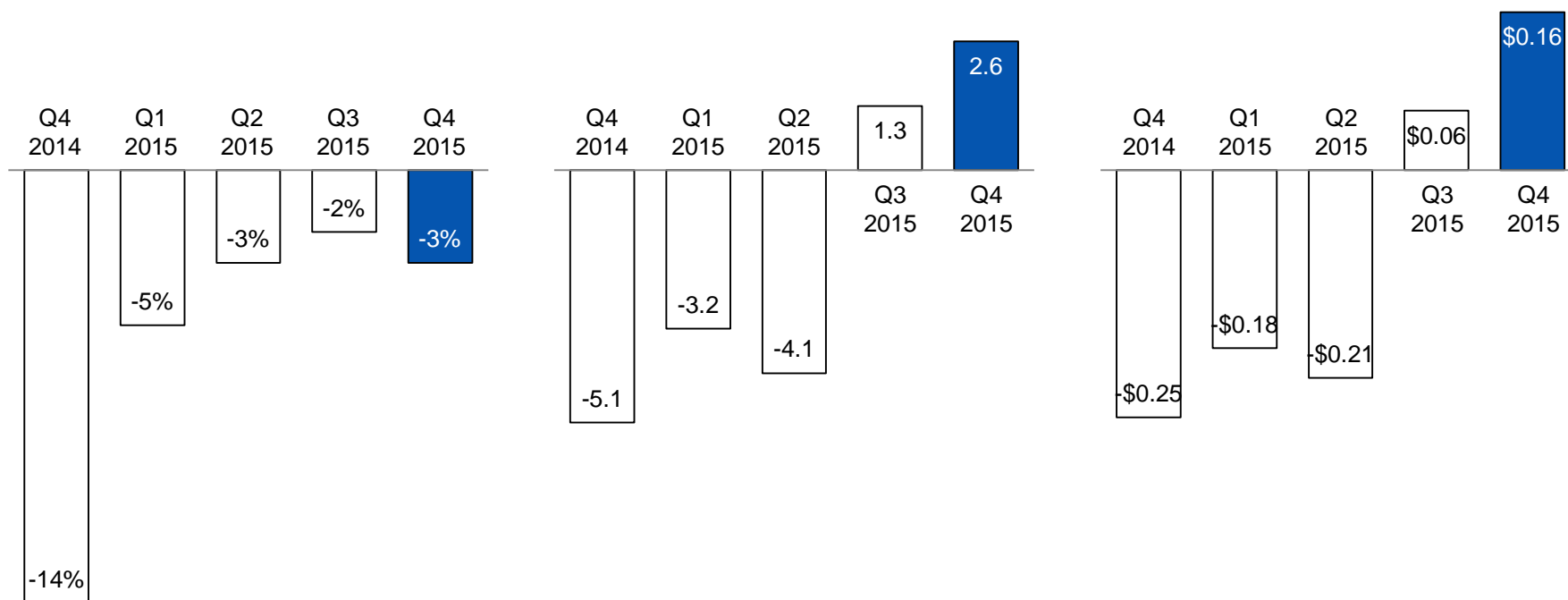
* See appendix for GAAP to Non-GAAP reconciliation

Our most important financial metrics continue to improve.

Revenue
Year-Over-Year Change*
Constant F/X

Non-GAAP** Operating Income
Year-Over-Year Change*
\$ millions

Non-GAAP** EPS
Year-Over-Year Change*
\$



* Q3 and Q4 2015 comparisons include Asia-Pacific, which Travelzoo acquired in August 2015

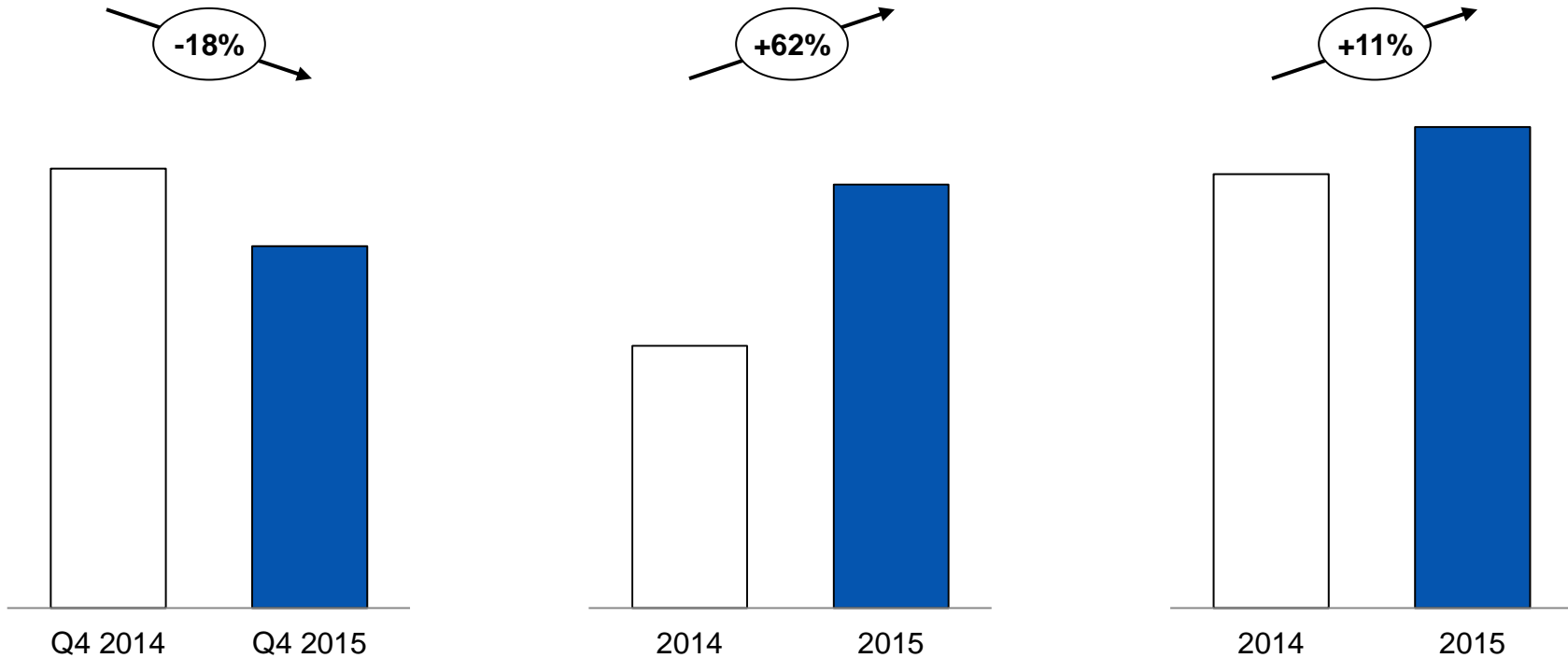
** See appendix for GAPP to Non-GAAP reconciliation

We are operating more efficiently, which allows us to invest savings into member growth and product development while maintaining profitability.

Non-GAAP* Operating Expenses (excluding Member Acquisition and PD Expenses)

Member Acquisition Spend

Product Development Spend

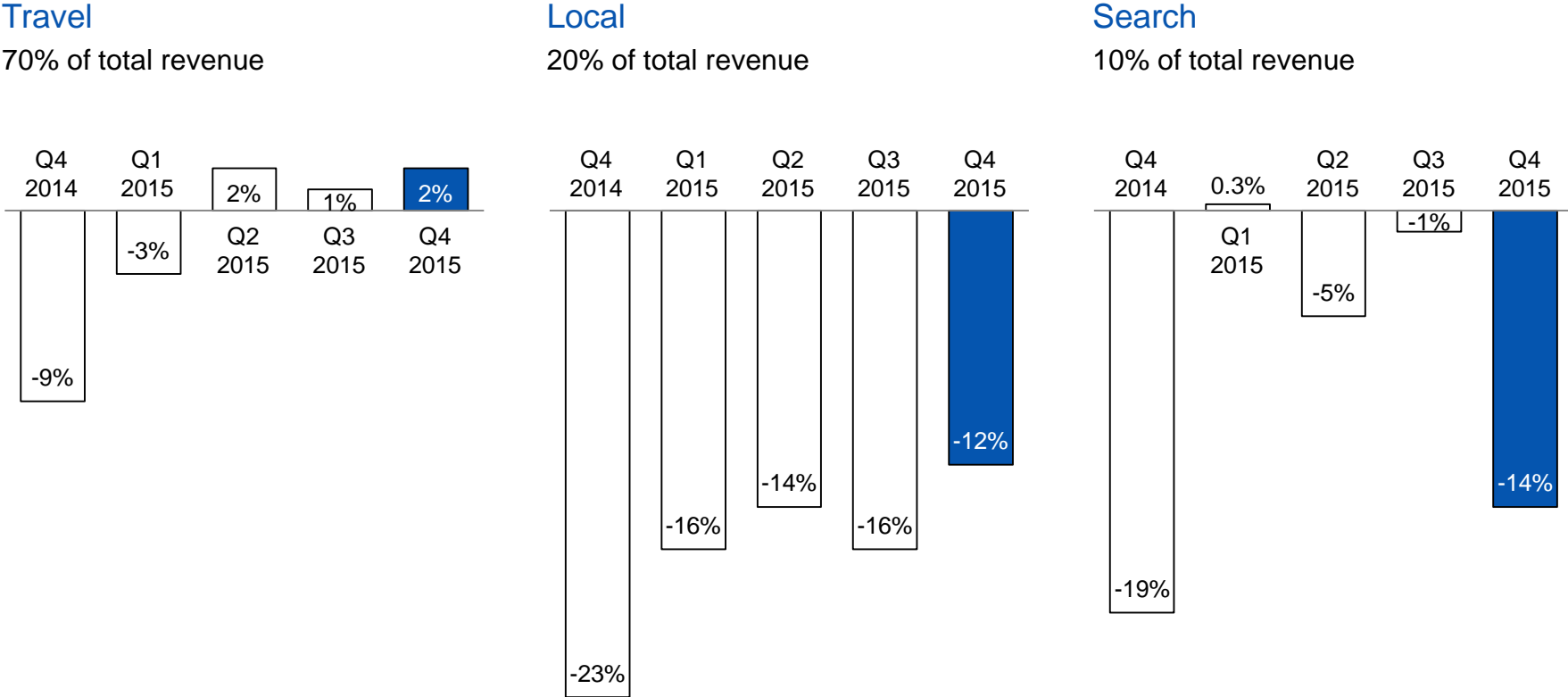


* See appendix for GAAP to Non-GAAP reconciliation

Revenue trends in our core travel products and local deals are positive, but we are seeing declines in our search products, which account for 10% of revenue.

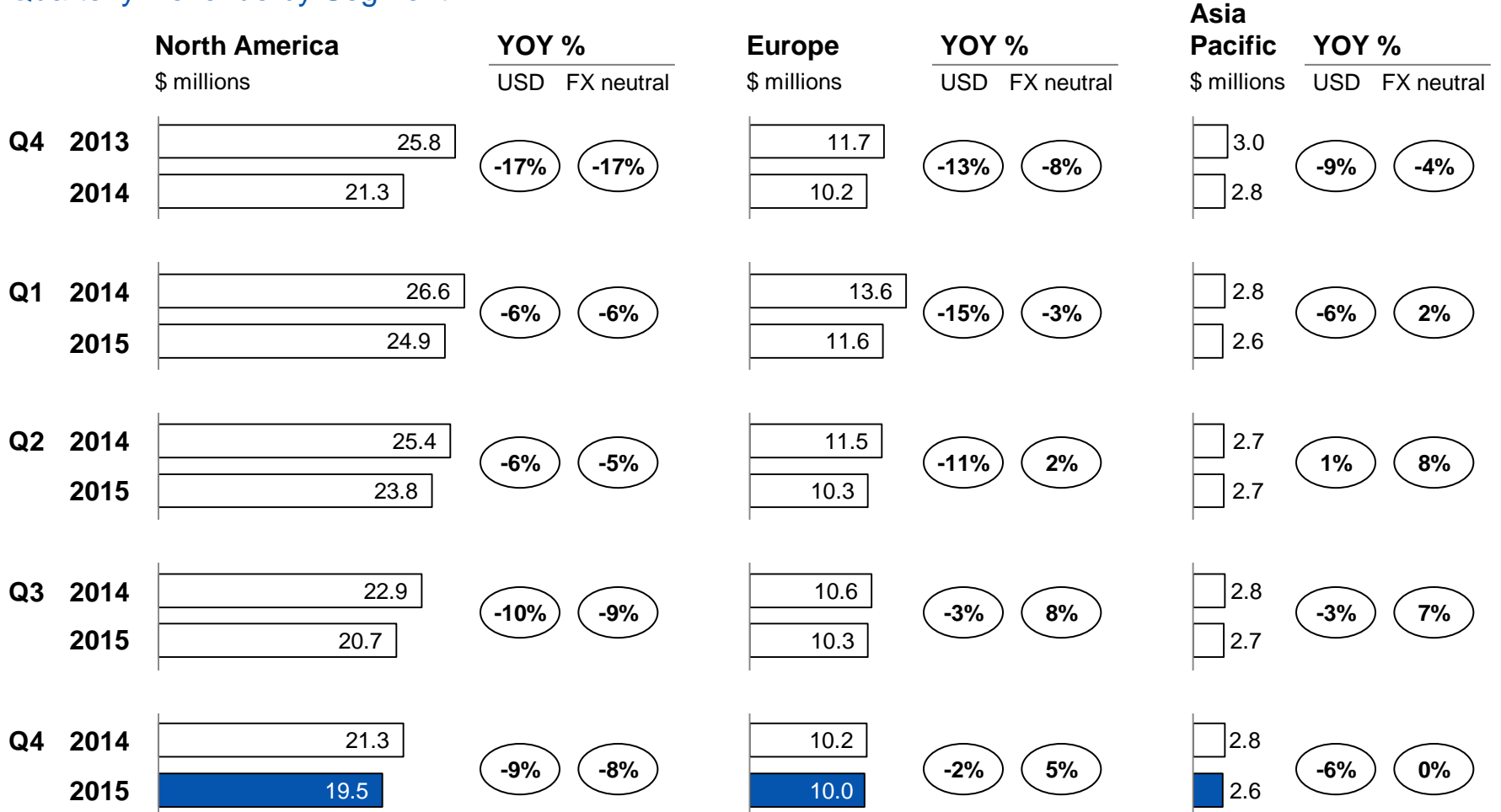
Year-Over-Year Change in Quarterly Revenues at Constant F/X Rates

Percent



Revenue changes in USD continue to be significantly impacted by unfavorable F/X trends.

Quarterly Revenue by Segment*

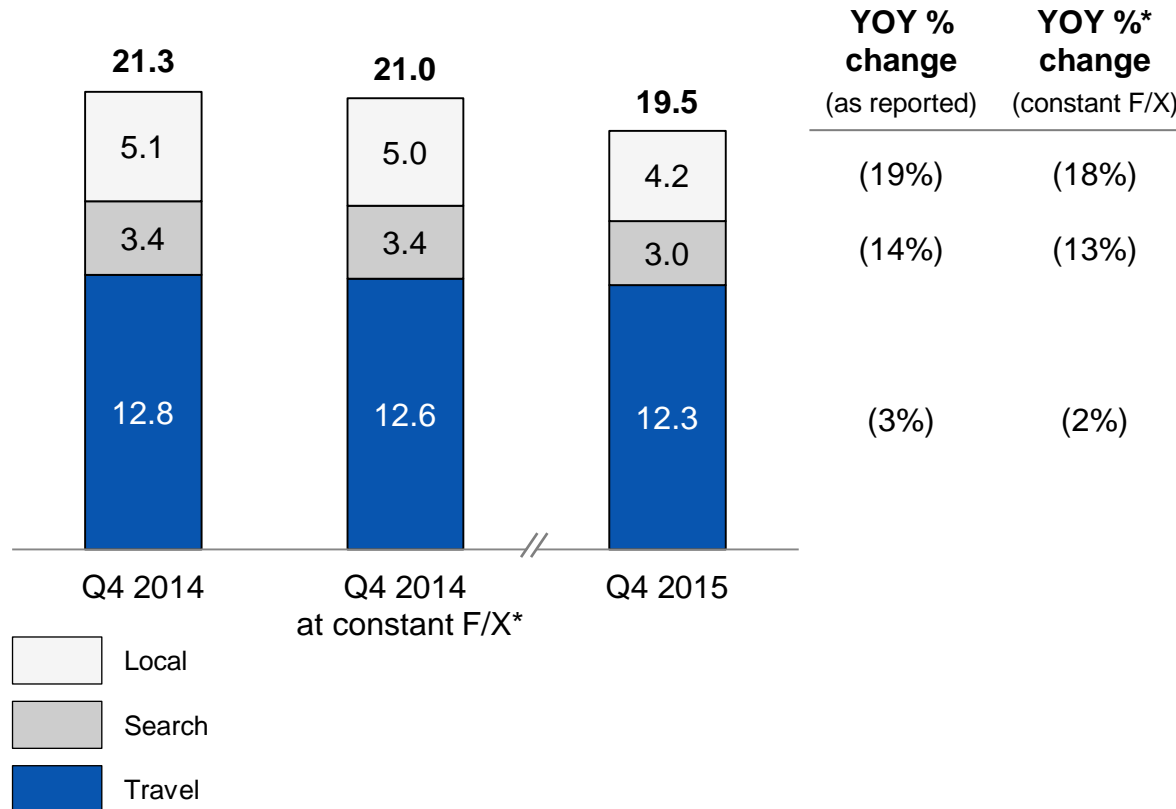


* Overall impact of unfavorable F/X trends is 1.1 million

North America revenue decreased due to weaker revenues from our Search and Local Deal products.

North America Revenue by Type

\$ millions



Highlights*

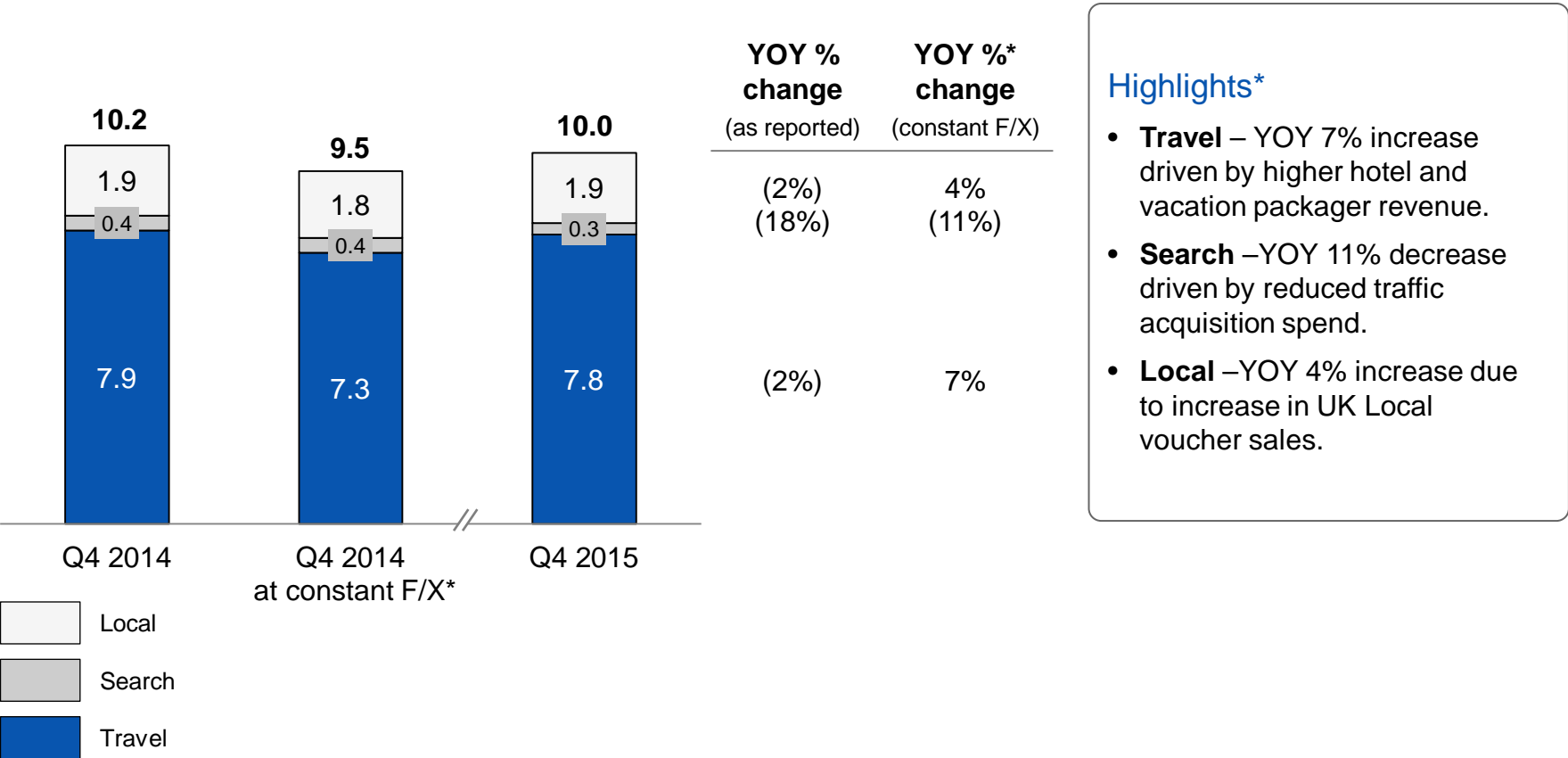
- **Travel** –YOY 2% decrease driven primarily by shift from vouchers to the hotel platform with delayed revenue recognition.
- **Search** –YOY 13% decrease due to product changes and reduced traffic acquisition spend.
- **Local** –YOY 18% decrease driven by lower voucher sales from “push” promotions.

* Based on constant F/X rates for CAD

Revenue growth in Europe (at constant F/X) was driven by solid growth in Germany and the U.K.

Europe Revenue by Type

\$ millions

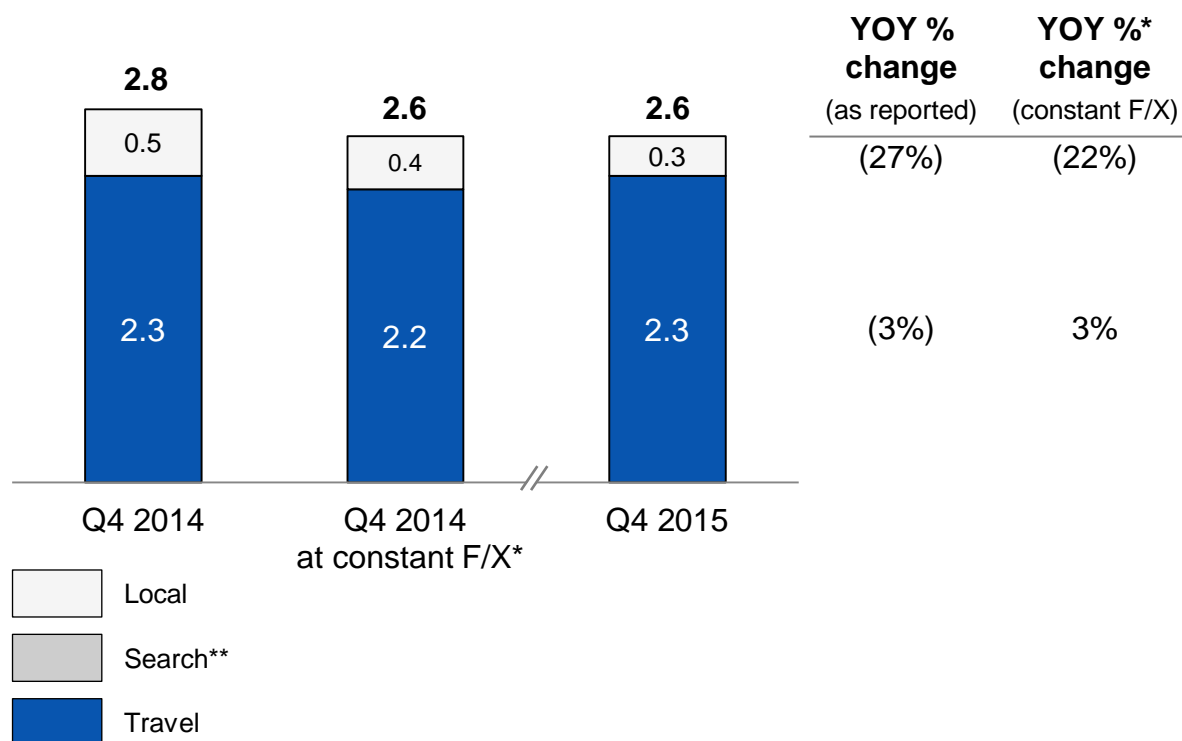


* Based on constant F/X rates for GBP and Euro

Revenues in Asia Pacific were stable in local currency. We intend to accelerate growth by investments in member acquisition.

Asia Pacific Revenue by Type

\$ millions



Highlights*

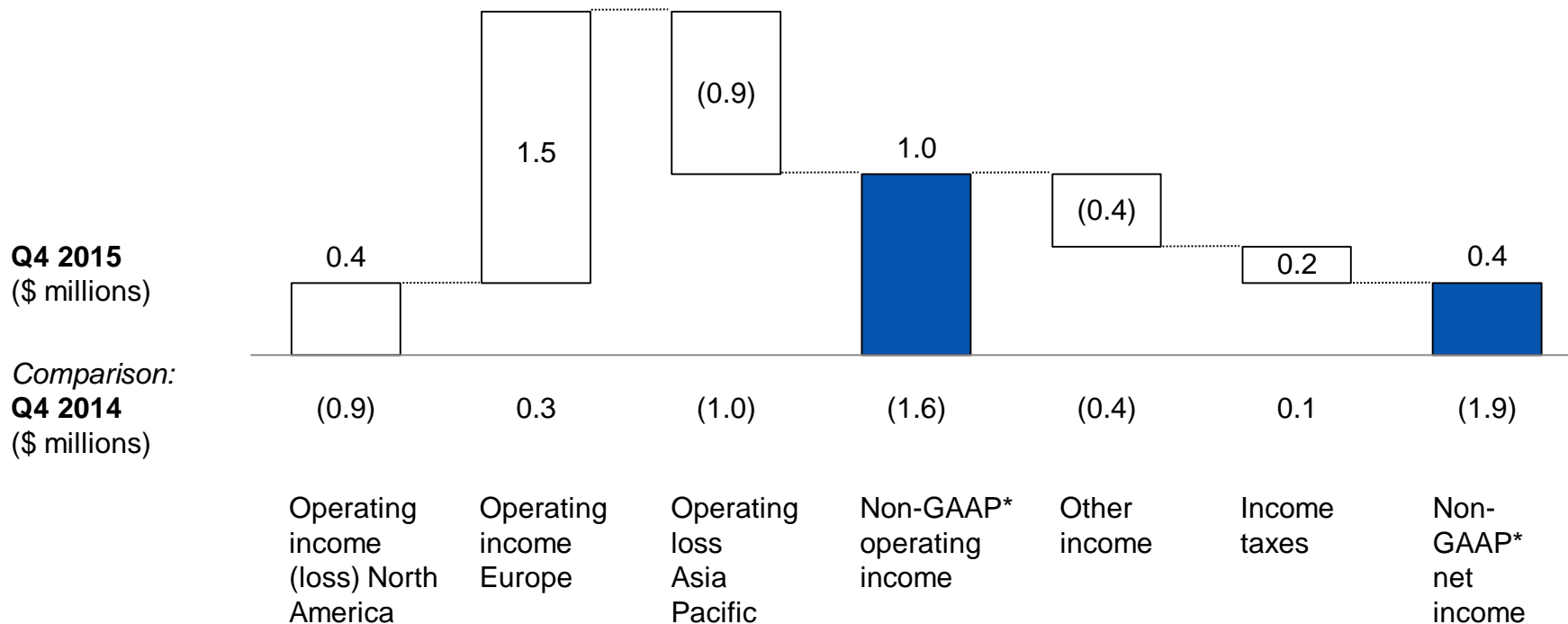
- **Travel** –YOY 3% increase driven by airline and online travel agency revenue.
- **Local** –YOY 22% decrease driven by to lower voucher sales from “push” promotions.

* Based on constant F/X rates for Asian currencies

** Asia Pacific has limited Search revenues

Non-GAAP operating income grew by \$2.6 million year-over-year, improving in all segments: North America, Europe and Asia Pacific.

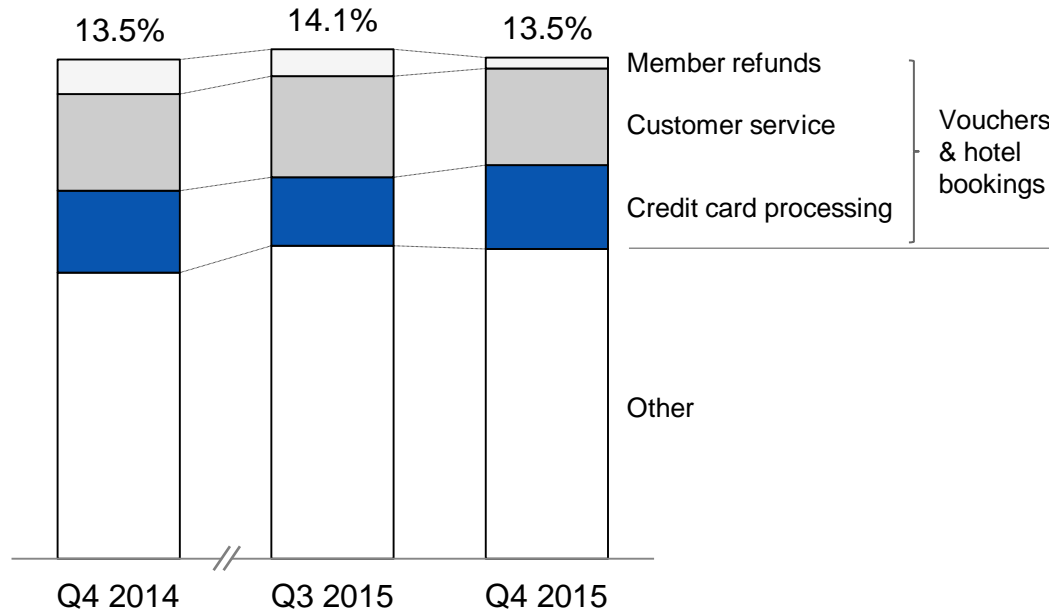
Year-Over-Year Comparison



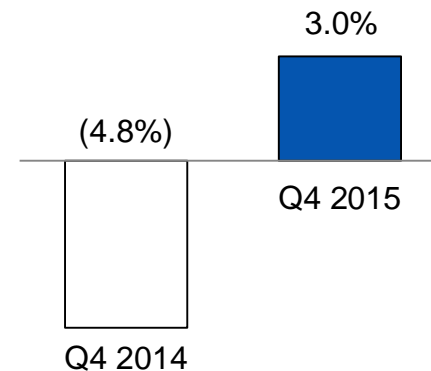
* See appendix for GAAP to Non-GAAP reconciliation

Cost of revenue as a percentage of revenues was flat and operating margin increased year-over-year.

Cost of Revenue
as percentage of revenue



Non-GAAP* Operating Margin
as percentage of revenue

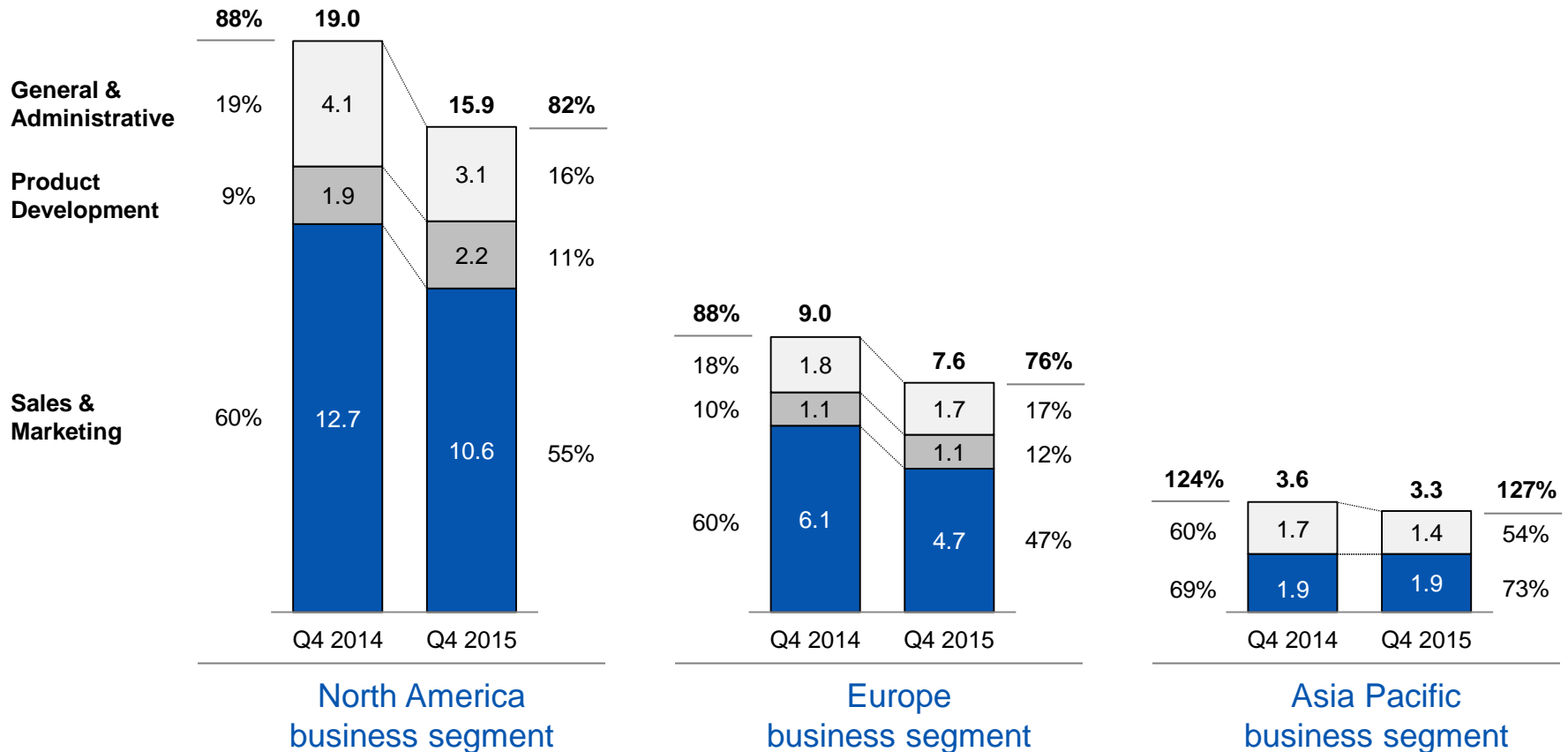


* See appendix for GAAP to Non-GAAP reconciliation

Total operating expenses decreased in North America, Europe and Asia Pacific as a result of operating smarter.

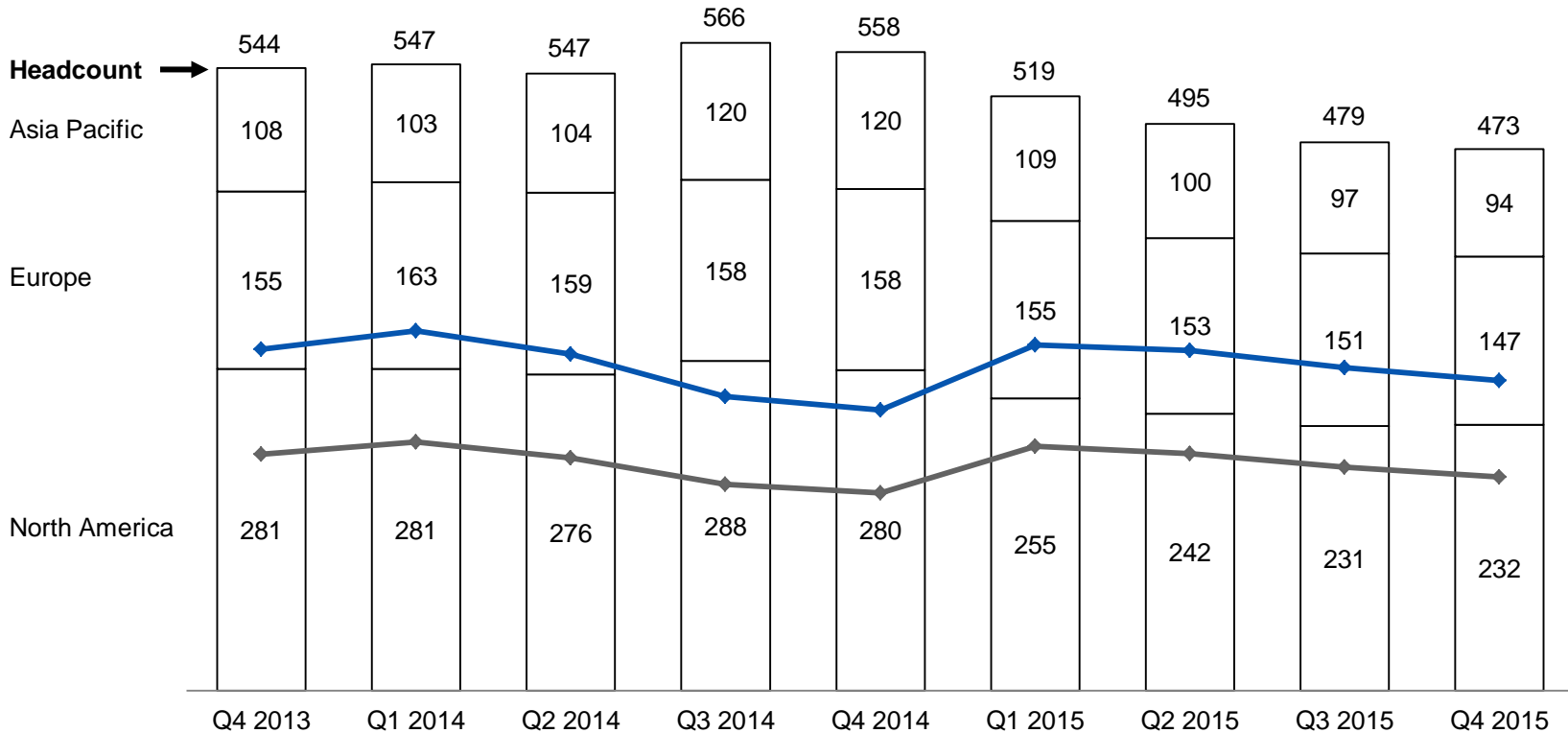
Operating Expenses

\$ millions and as percentage of revenue



Productivity continues to improve year-over-year, but is typically down in Q4 due to seasonality.

Headcount and Average Annualized Revenue per Employee



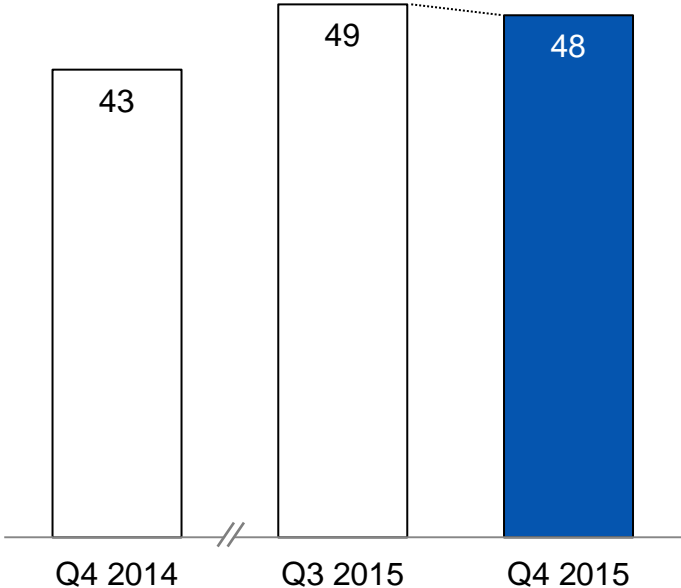
Revenue per employee (\$ thousands)

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Without Asia	\$344	\$362	\$339	\$300	\$288	\$356	\$345	\$325	\$311
With Asia	\$298	\$314	\$294	\$257	\$245	\$302	\$297	\$282	\$271

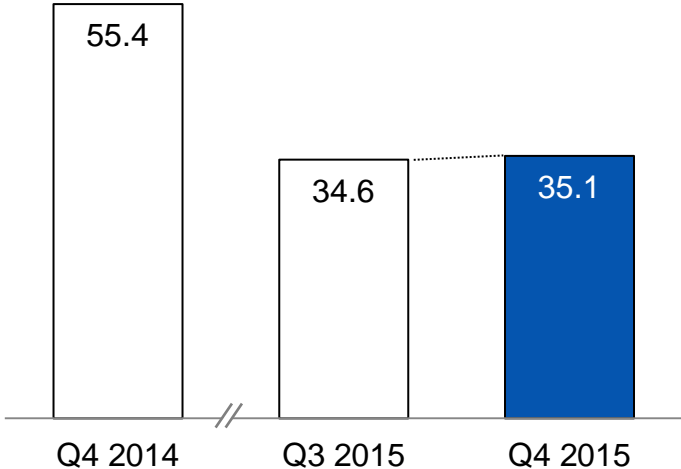
DSO increased year-over-year due to longer collection cycles in Search and Asia Pacific. Solid cash position with operating cash flow.

DSO and Cash Balances

DSO (Days Sales Outstanding)
of days



Cash Balance at End of Quarter*
\$ millions



* Includes cash and cash equivalents



Fourth Quarter 2015 Performance Summary

- Revenue growth in Europe offset by negative F/X. North America revenue lower due to Search and Local Deals.
- Positive revenue trends in core Travel products.
- Large improvements in profitability over previous periods.
- Operating costs down across all segments in spite of continued investments given our continued focus on operating smarter.
- Solid cash position with positive operating cash flow.

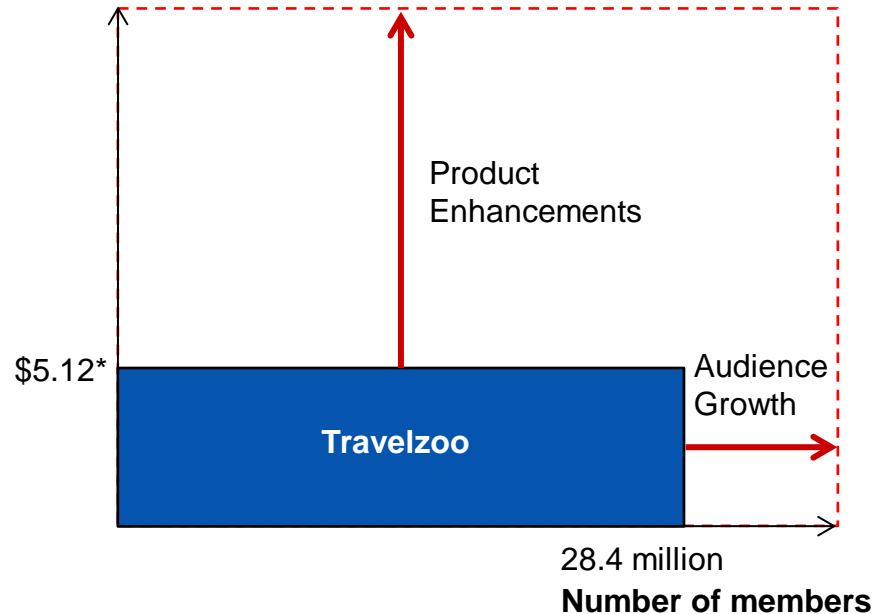
Part 1:
Fourth Quarter 2015 Performance

Part 2:
Growth Strategy Overview

Our growth strategy continues to build on enhancing our products and growing our audience.

Annual revenue per member*

US\$ per member



Long-term growth in our business is driven by our audience, people, and products.

Strategic Elements

1. Audience:

Grow members, but also mobile users, Facebook fans, and Twitter followers.

2. Products:

Enhance our products to enable users to search “what”, “where” and “when”, particularly on mobile and for hotels.

* Defined as year-to-date annualized revenue divided by the number of members at beginning of year

Our strategic investments are focused on member growth, product enhancements, and enabling date-specific hotel search.

Strategic Priorities

Member Growth

- Add new members at faster pace than past 3-4 years
- Combine online marketing and referrals, and test off-line campaigns
- Leverage social media/marketing

Progress and Outlook

- Significant increase in new member acquisition in the last year with focus on higher quality
- Current levels of quarterly spend to continue, subject to ROI goals
- Greater investments in Asia Pacific, particularly China

Product Enhancements

- Make all products more mobile-friendly
- Simplify user experience and functionality
- Enable searches for “what”, “where” and “when”

Progress and Outlook

- Less but more relevant emails; further enhancements in personalization
- Simplified “what”, “where” and “when” search in testing
- Fully responsive and simplified products under development

Date-specific Hotel Search

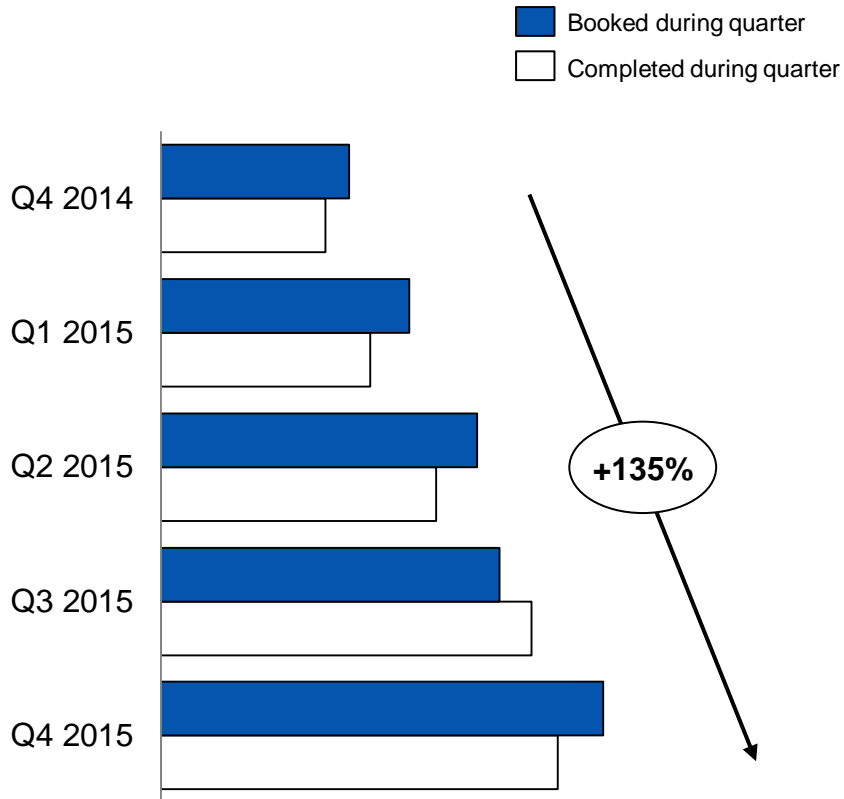
- Enable members and users to find hotel deals and recommendations where and when they need them
- Enhance user experience and hotel relations via the global universal hotel platform

Progress and Outlook

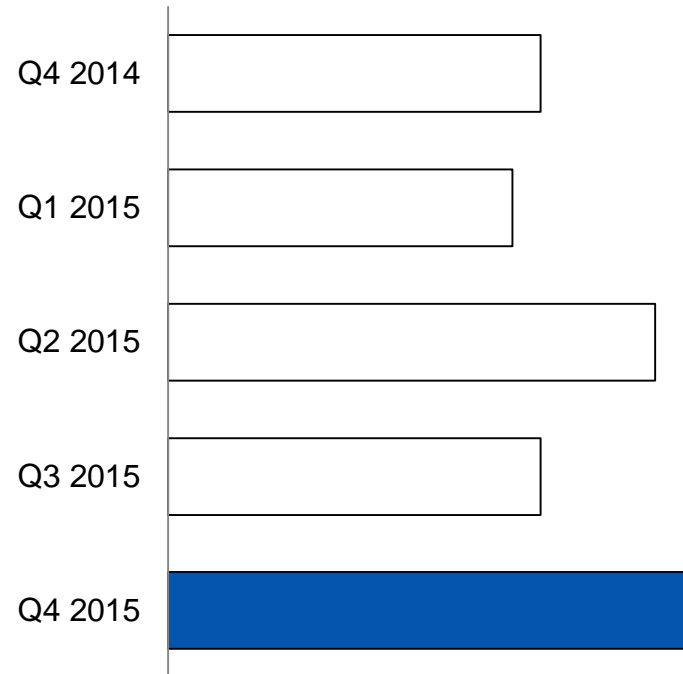
- Hotel search live in U.S., Canada and the UK
- Transactions and conversion rates on the platform continue to increase
- Starting to promote hotel search more heavily to existing and new members

Bookings on our hotel platform continue to grow and conversion rates are rising. We are looking to promote hotel search increasingly to our members.

Quarterly Bookings on the Hotel Platform



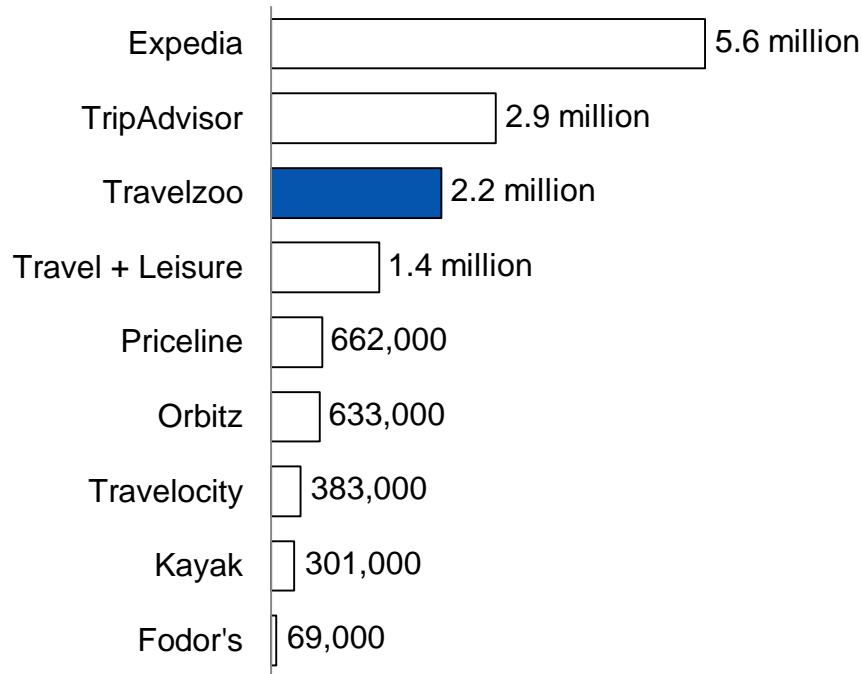
Conversion Rates for Hotel Search



We have become more successful with social media and marketing, delivering content to our members in new ways beyond email.

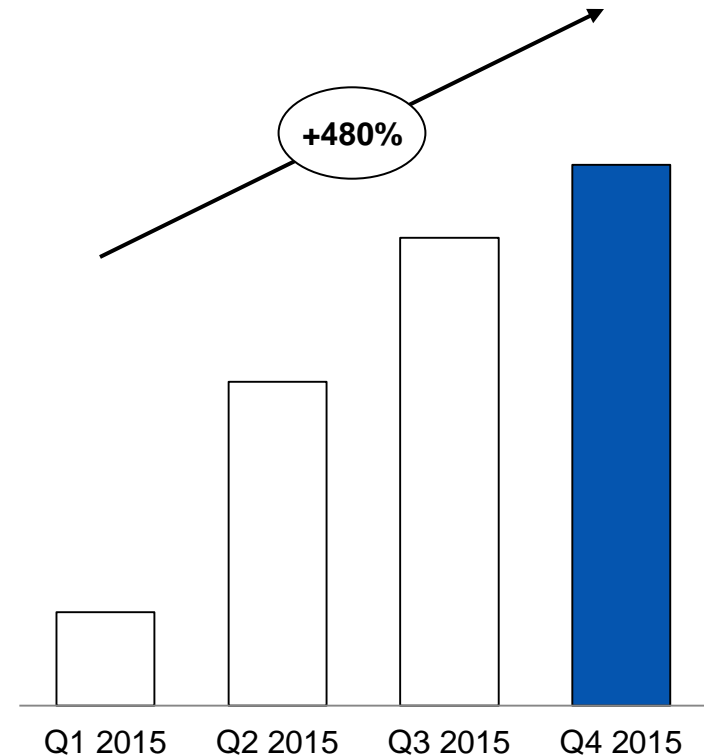
Facebook Audience Compared to Other Travel Brands (as of January 28, 2016)

Million



Total Number of Visits from Facebook During the Quarter

U.S.



We continue to believe that deal quality drives member loyalty and positions us well for long-term success.

High-Quality Local Deals

Highly rated restaurants, luxe spas, top shows and exciting local adventures.



Outstanding Travel Deals

We feature deals at Travel + Leisure's World's Best 500 and Conde Nast Traveler's Gold List.



Top 20® list

This week's most outstanding travel, entertainment and local deals, researched and tested.



Management Focus

- ✓ Maintain our quality leadership position by publishing high-quality deals and tightening brand control.
- ✓ Resume top-line revenue growth by investing in:
 - Products that make it easier for members and users to find deals when and where they need them, particularly on mobile and for hotels.
 - Audience growth and engagement, across email, web, social and mobile.
- ✓ Invest for future growth while remaining profitable.

APPENDIX

Travelzoo Inc.
Revenue by Segment and Type - Quarterly and Annual
(in thousands except for percentages) *

North America		Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	YTD 2013	YTD 2014	YTD 2015
Travel		17,450	16,304	14,838	14,942	17,265	15,149	13,944	12,747	16,041	14,689	12,986	12,340	63,533	59,105	56,055
	Q/Q growth rate	26%	-7%	-9%	1%	16%	-12%	-8%	-9%	26%	-8%	-12%	-5%			
	Y/Y growth rate	12%	12%	18%	8%	-1%	-7%	-6%	-15%	-7%	-3%	-7%	-3%	12%	-7%	-5%
Search		5,824	6,206	5,489	4,028	4,071	4,154	4,216	3,447	4,738	3,900	3,816	2,973	21,548	15,888	15,427
	Q/Q growth rate	5%	7%	-12%	-27%	1%	2%	2%	-18%	37%	-18%	-2%	-22%			
	Y/Y growth rate	-4%	0%	-6%	-27%	-30%	-33%	-23%	-14%	16%	-6%	-9%	-14%	-9%	-26%	-3%
Local		6,717	7,806	6,097	6,819	5,267	6,080	4,763	5,089	4,157	5,232	3,891	4,141	27,438	21,198	17,420
	Q/Q growth rate	-5%	16%	-22%	12%	-23%	15%	-22%	7%	-18%	26%	-26%	6%			
	Y/Y growth rate	-4%	-4%	-10%	-4%	-22%	-22%	-22%	-25%	-21%	-14%	-18%	-19%	-6%	-23%	-18%
Total North America Revenues		29,992	30,316	26,424	25,789	26,602	25,383	22,922	21,283	24,935	23,820	20,693	19,454	112,520	96,190	88,901
Q/Q growth rate		13%	1%	-13%	-2%	3%	-5%	-10%	-7%	17%	-4%	-13%	-6%			
Y/Y growth rate		5%	5%	5%	-3%	-11%	-16%	-13%	-17%	-6%	-6%	-10%	-9%	3%	-15%	-8%
Europe		Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	YTD 2013	YTD 2014	YTD 2015
Travel		9,204	8,102	8,134	8,672	10,590	8,850	8,473	7,933	9,449	8,154	8,191	7,810	34,112	35,846	33,603
	Q/Q growth rate	22%	-12%	0%	7%	22%	-16%	-4%	-6%	19%	-14%	0%	-5%			
	Y/Y growth rate	24%	7%	10%	15%	15%	9%	4%	-9%	-11%	-8%	-3%	-2%	14%	5%	-6%
Search		966	972	841	761	1,352	798	455	405	640	698	725	332	3,539	3,009	2,396
	Q/Q growth rate	45%	1%	-13%	-10%	78%	-41%	-43%	-11%	58%	9%	4%	-54%			
	Y/Y growth rate	-20%	20%	-12%	15%	40%	-18%	-46%	-47%	-53%	-12%	59%	-18%	-3%	-15%	-20%
Local		2,133	2,056	1,921	2,279	1,673	1,887	1,668	1,891	1,473	1,406	1,402	1,852	8,388	7,119	6,133
	Q/Q growth rate	-7%	-4%	-7%	19%	-27%	13%	-12%	13%	-22%	-5%	0%	32%			
	Y/Y growth rate	2%	-2%	1%	-1%	-22%	-8%	-13%	-17%	-12%	-25%	-16%	-2%	0%	-15%	-14%
Total Europe Revenues		12,302	11,129	10,896	11,712	13,615	11,535	10,595	10,230	11,562	10,259	10,317	9,994	46,040	45,975	42,132
Q/Q growth rate		17%	-10%	-2%	7%	16%	-15%	-8%	-3%	13%	-11%	1%	-3%			
Y/Y growth rate		15%	7%	7%	12%	11%	4%	-3%	-13%	-15%	-11%	-3%	-2%	10%	0%	-8%
Asia		Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	YTD 2013	YTD 2014	YTD 2015
Travel		2,441	2,526	2,358	2,462	2,343	2,251	2,322	2,392	2,259	2,345	2,425	2,326	9,787	9,308	9,355
	Q/Q growth rate	-3%	3%	-7%	4%	-5%	-4%	3%	3%	-6%	4%	3%	-4%			
	Y/Y growth rate	29%	16%	6%	-2%	-4%	-11%	-2%	-3%	-4%	4%	4%	-3%	11%	-5%	1%
Search		60	85	57	28	30	34	25	12	11	16	3	4	230	100	34
	Q/Q growth rate	-30%	42%	-34%	-50%	5%	14%	-27%	-51%	-5%	38%	-78%	6%			
	Y/Y growth rate	-51%	-7%	-55%	-67%	-51%	-61%	-56%	-58%	-62%	-53%	-86%	-70%	-46%	-57%	-66%
Local		437	555	512	551	454	397	443	374	377	353	289	274	2,055	1,667	1,294
	Q/Q growth rate	6%	27%	-8%	8%	-18%	-12%	11%	-16%	1%	-6%	-18%	-5%			
	Y/Y growth rate	34%	78%	26%	34%	4%	-28%	-14%	-32%	-17%	-11%	-35%	-27%	41%	-19%	-22%
Total Asia Revenues		2,939	3,166	2,927	3,041	2,826	2,681	2,790	2,778	2,648	2,713	2,718	2,604	12,073	11,075	10,682
Q/Q growth rate		-3%	8%	-8%	4%	-7%	-5%	4%	0%	-5%	2%	0%	-4%			
Y/Y growth rate		26%	22%	6%	1%	-4%	-15%	-5%	-9%	-6%	1%	-3%	-6%	13%	-8%	-4%
Consolidated		Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	YTD 2013	YTD 2014	YTD 2015
Travel		29,096	26,931	25,331	26,075	30,198	26,250	24,739	23,072	27,749	25,187	23,601	22,476	107,433	104,259	99,013
	Q/Q growth rate	21%	-7%	-6%	3%	16%	-13%	-6%	-7%	20%	-9%	-6%	-5%			
	Y/Y growth rate	17%	11%	14%	9%	4%	-3%	-2%	-12%	-8%	-4%	-5%	-3%	13%	-3%	-5%
Search		6,850	7,263	6,387	4,818	5,453	4,985	4,695	3,864	5,389	4,614	4,545	3,309	25,318	18,997	17,857
	Q/Q growth rate	9%	6%	-12%	-25%	13%	-9%	-6%	-18%	39%	-14%	-1%	-27%			
	Y/Y growth rate	-8%	2%	-7%	-23%	-20%	-31%	-26%	-20%	-1%	-7%	-3%	-14%	-9%	-25%	-6%
Local		9,287	10,417	8,529	9,649	7,393	8,364	6,873	7,354	6,007	6,991	5,582	6,267	37,881	29,984	24,846
	Q/Q growth rate	-5%	12%	-12%	13%	-23%	13%	-18%	7%	-18%	16%	-20%	12%			
	Y/Y growth rate	-1%	-1%	-6%	-2%	-20%	-20%	-19%	-24%	-19%	-16%	-19%	-15%	-3%	-21%	-17%
Total Consolidated Revenues		45,233	44,611	40,247	40,542	43,043	39,599	36,307	34,291	39,145	36,792	33,728	32,052	170,632	153,240	141,716
Q/Q growth rate		13%	-1%	-6%	1%	6%	-8%	-8%	-6%	14%	-6%	-8%	-5%			
Y/Y growth rate		9%	6%	5%	1%	-5%	-11%	-10%	-15%	-9%	-7%	-7%	-7%	5%	-10%	-8%

Travel includes travel publications (Top 20, Website, Newslash, Network), Getaway vouchers and Hotel

(1) Booking

(2) Search includes SuperSearch and Fly.com

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

* Certain prior period amounts have been reclassified to conform to the current period presentation.

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

	Three months ended December 31,	
	2015	2014
GAAP operating expense	\$ 26,747	\$ 29,455
Non-GAAP adjustments (a)	—	1,833
Non-GAAP operating expense	<u>\$ 26,747</u>	<u>\$ 31,288</u>
GAAP operating income	\$ 976	\$ 196
Non-GAAP adjustments (a)	—	(1,833)
Non-GAAP operating income (loss)	<u>\$ 976</u>	<u>\$ (1,637)</u>
GAAP operating margin	3.0 %	0.6 %
Non-GAAP adjustments (a)	— %	(5.4) %
Non-GAAP operating margin	<u>3.0 %</u>	<u>(4.8) %</u>
GAAP effective tax rate	27.5 %	43.4 %
Non-GAAP adjustments (a)	— %	(40.1) %
Non-GAAP effective tax rate	<u>27.5 %</u>	<u>3.3 %</u>
GAAP net income (loss)	\$ 435	\$ (86)
Non-GAAP adjustments (a)	—	(1,833)
Non-GAAP net income (loss)	<u>\$ 435</u>	<u>\$ (1,919)</u>
GAAP diluted earnings (loss) per share	\$ 0.03	\$ (0.01)
Non-GAAP adjustments (a)	—	(0.12)
Non-GAAP earnings (loss) per share	<u>\$ 0.03</u>	<u>\$ (0.13)</u>

- (a) Includes a \$1.8 million release of reserve for the three months ended December 31, 2014 related to settlement agreements in connection with a dispute over unclaimed property audits.