



Fourth Quarter 2016 Performance and Growth Strategy Overview

February 9, 2017

Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's fourth quarter 2016 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 Inc. undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this presentation.

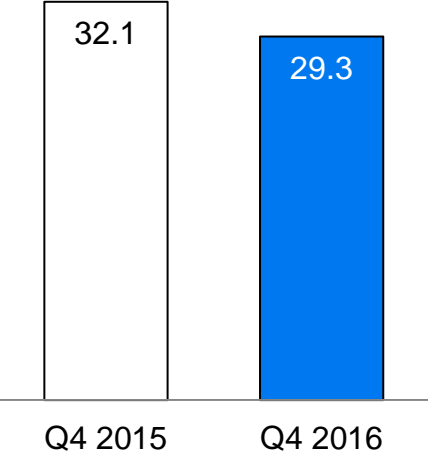
Part 1:
Fourth Quarter 2016 Performance

Part 2:
Growth Strategy Overview

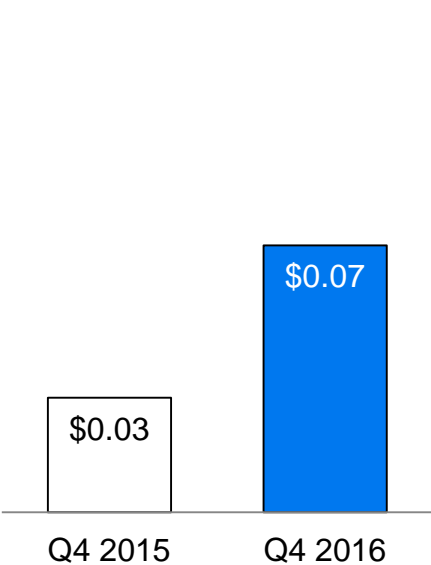
Revenues declined, but earnings improved as we operated smarter.

Q4 2016 Financial Performance

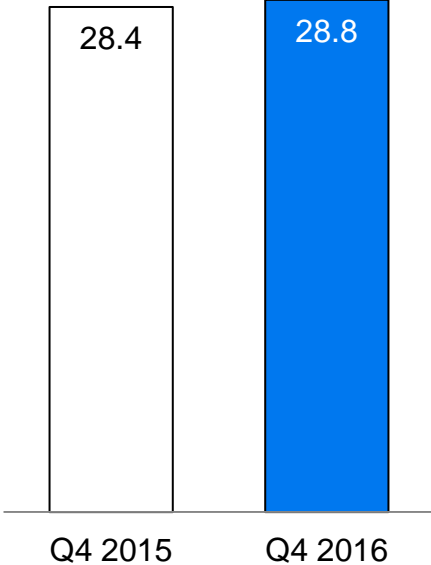
Revenue
\$ millions



EPS
\$ per share

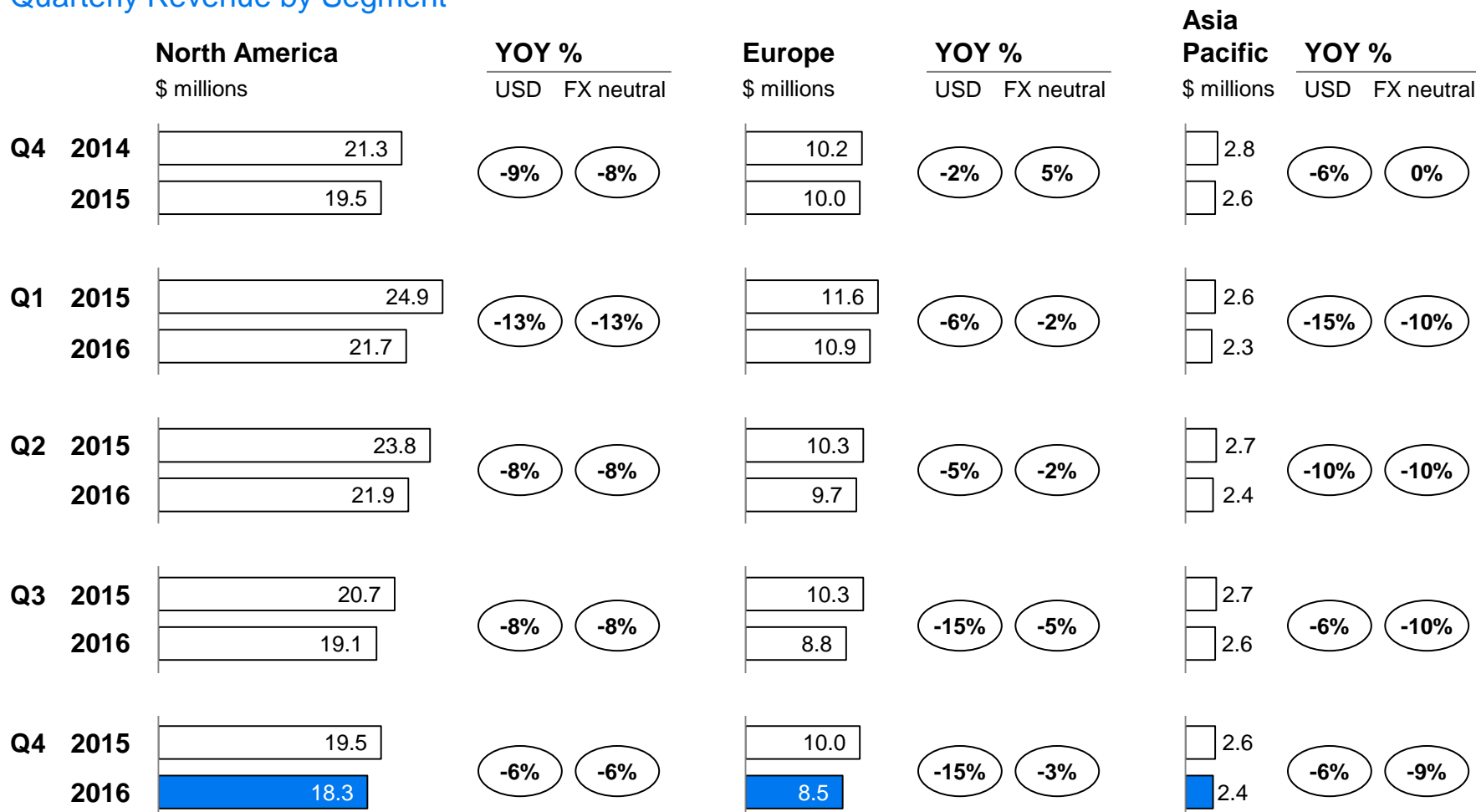


Members
Millions



Reported revenues in USD are still impacted by unfavorable F/X trends mostly due to effect of Brexit on the GBP.

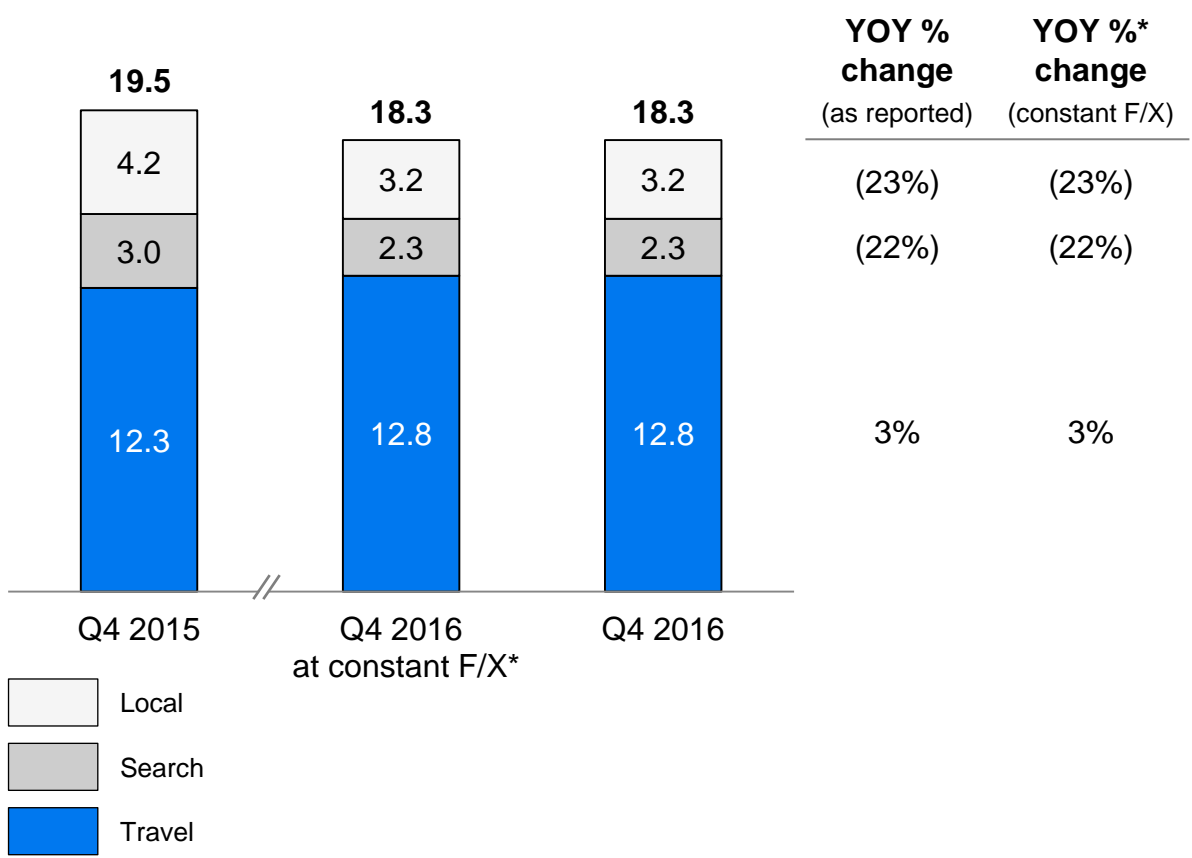
Quarterly Revenue by Segment*



* Overall impact of unfavorable F/X trends during Q4 2016 is \$1.1 million

In North America, Travel revenue increased for the first time in twelve quarters.

North America Revenue by Type
\$ millions



Highlights*

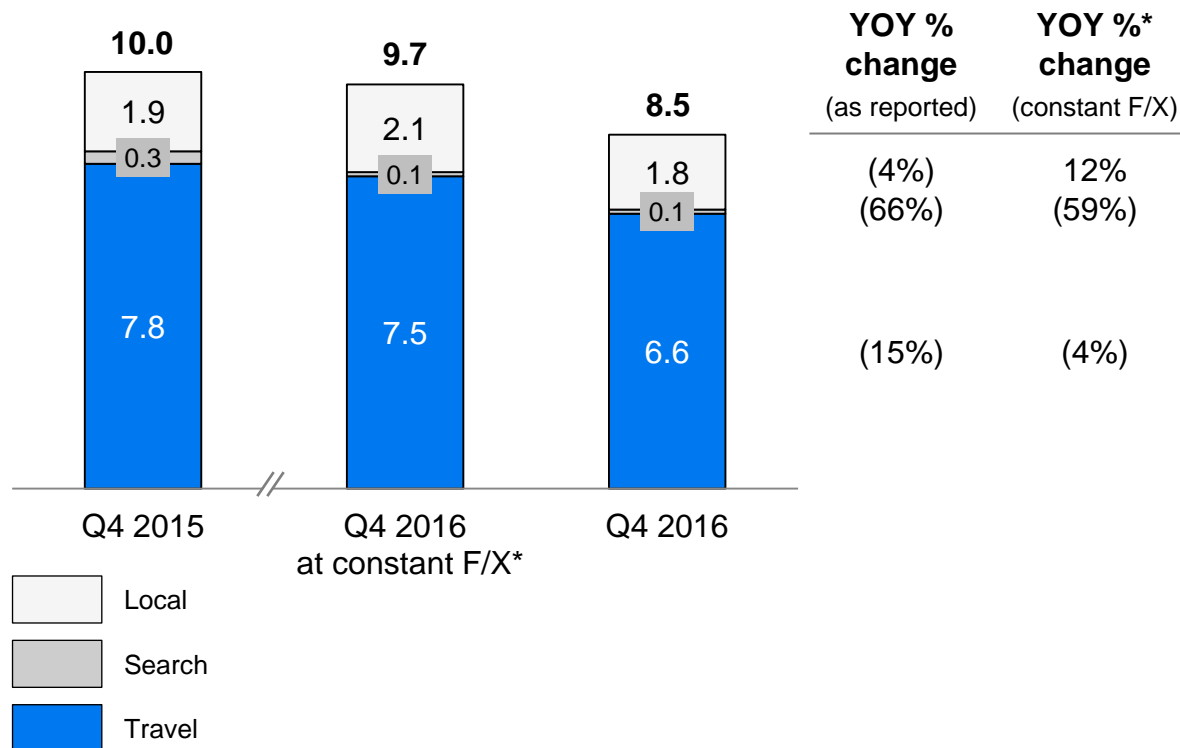
- **Travel** –YOY 3% increase driven primarily by growth in revenue from hotels and other deals.
- **Search** –YOY 22% decrease due to reduced traffic acquisition during the quarter.
- **Local** –YOY 23% decrease driven by focusing on fewer cities and elimination of unprofitable activities.

* Based on constant F/X rates for CAD

In Europe, Travel revenues were down, but revenues from Local Deals grew in constant currency.

Europe Revenue by Type

\$ millions



Highlights*

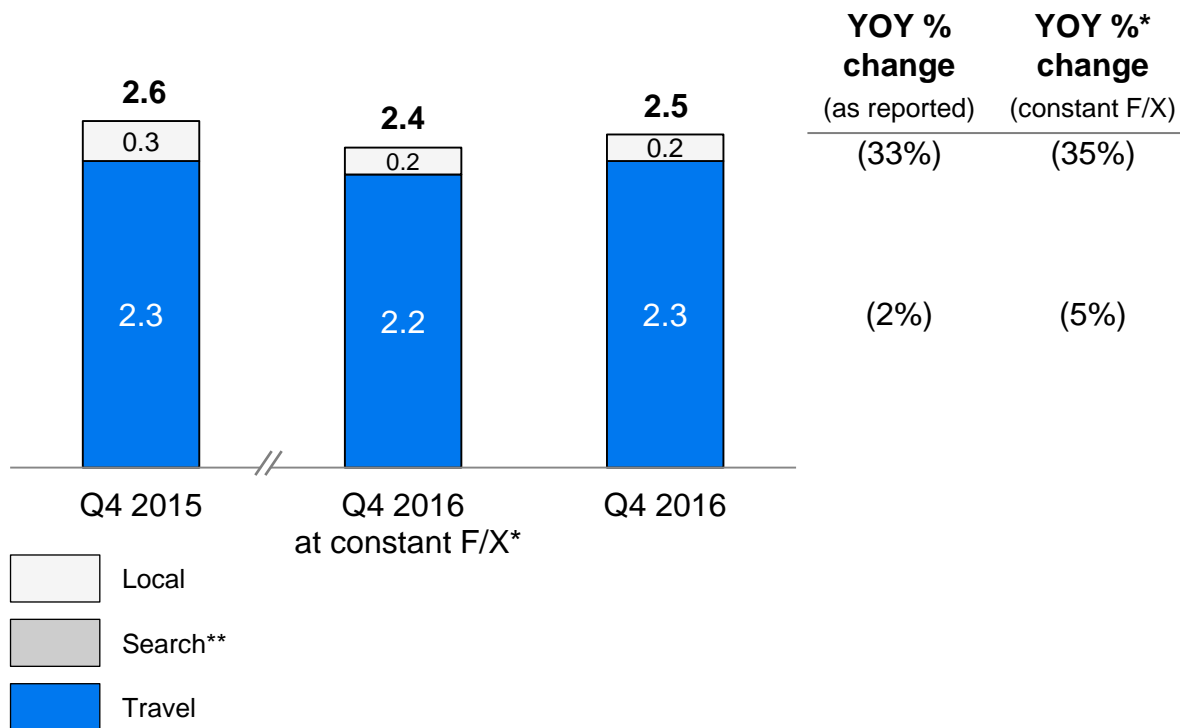
- **Travel** – YOY 4% decrease due to industry headwinds.
- **Search** –YOY 59% decrease driven by reduced traffic acquisition spend.
- **Local** –YOY 12% increase driven by higher voucher sales.

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

In Asia Pacific, re-staffing of our sales operations continues to impact revenues.

Asia Pacific Revenue by Type

\$ millions



Highlights*

- **Travel** –YOY 5% decrease driven by reorganization of sales teams in various countries.
- **Local** –YOY 35% decrease driven by focusing on most attractive local opportunities.

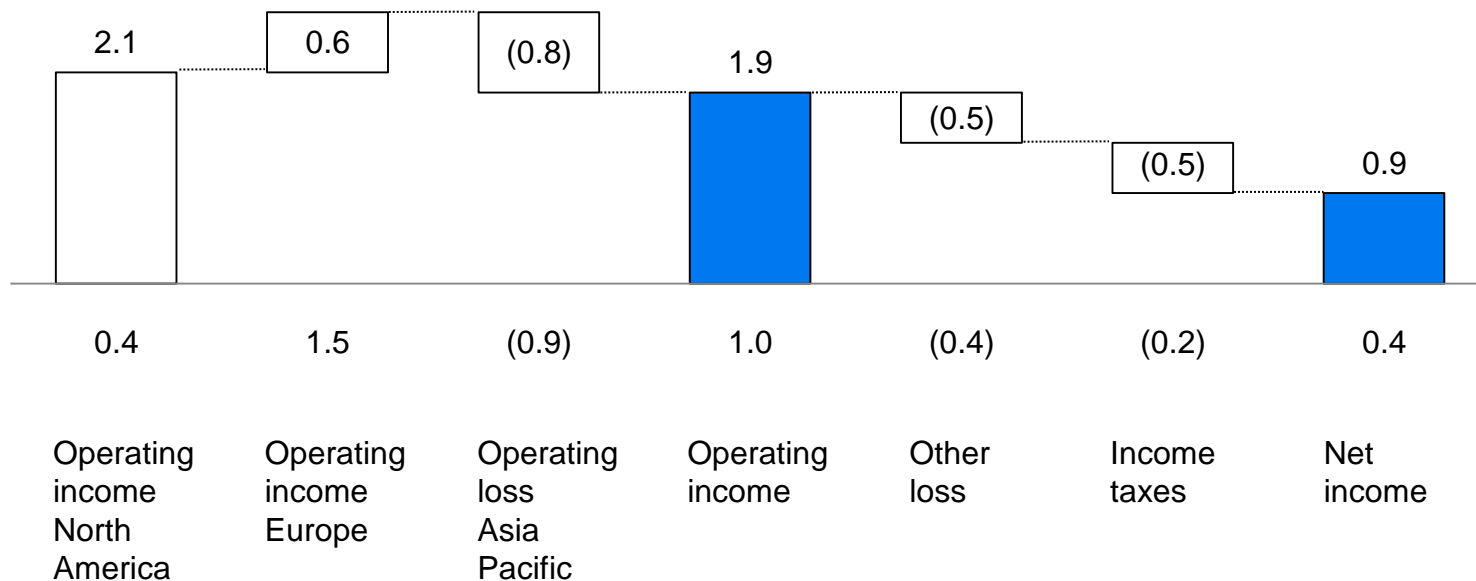
* Based on constant F/X rates for Asian currencies

** Asia Pacific has limited Search revenues

Operating income nearly doubled year-over-year and improved particularly in North America.

Year-Over-Year Comparison

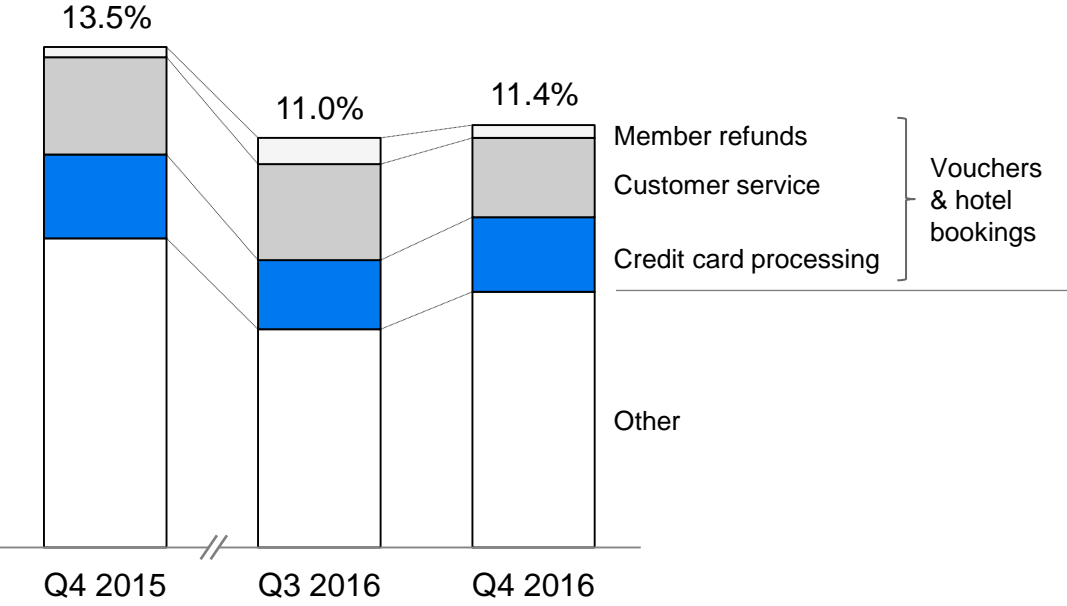
Q4 2016
(\$ millions)



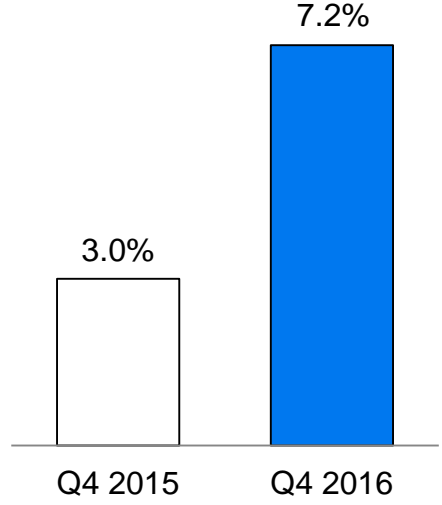
Comparison:
Q4 2015
(\$ millions)

With a smaller portion of voucher sales and syndication, cost of revenues decreased YoY. Operating margin more than doubled year-over-year.

Cost of Revenue
as percentage of revenue



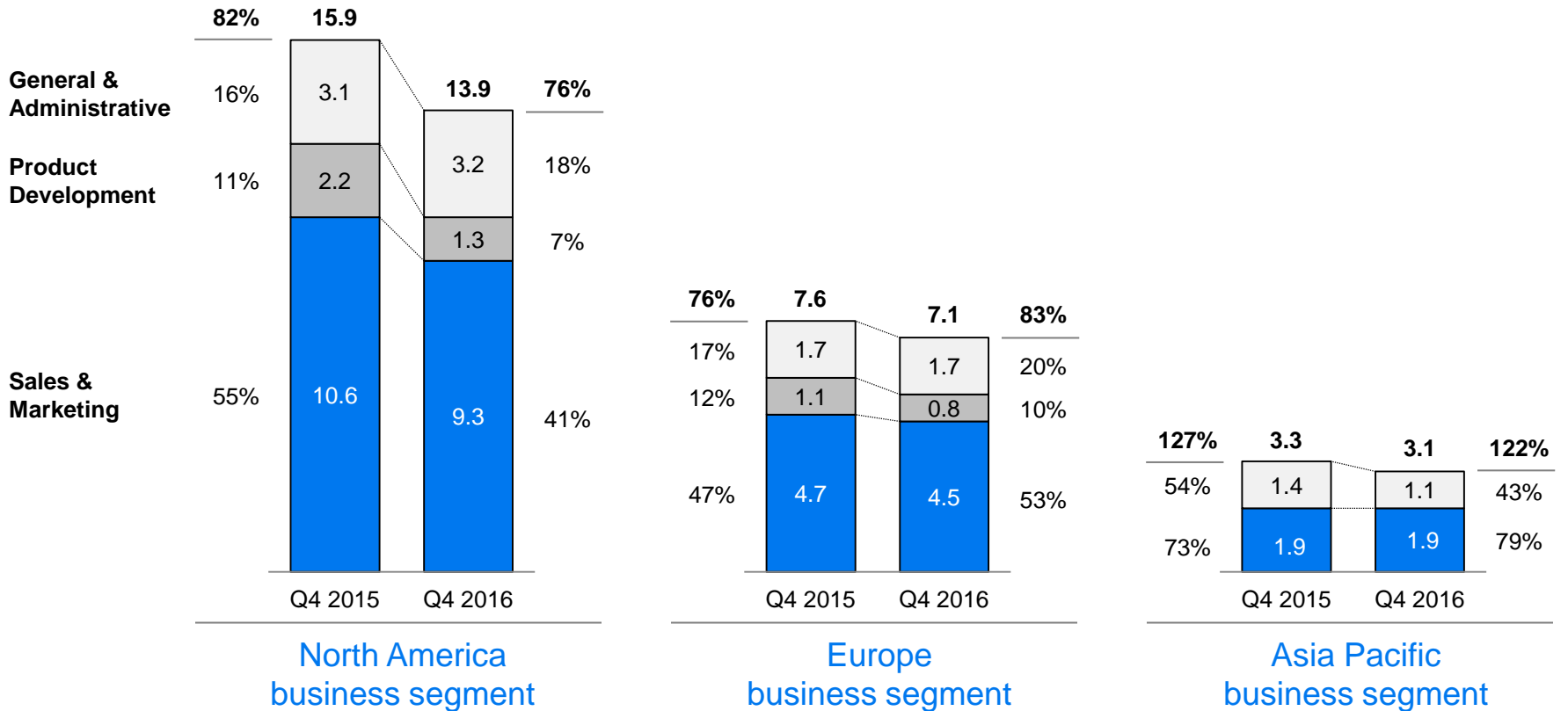
Operating Margin
as percentage of revenue



Operating expenses decreased in all three business segments.

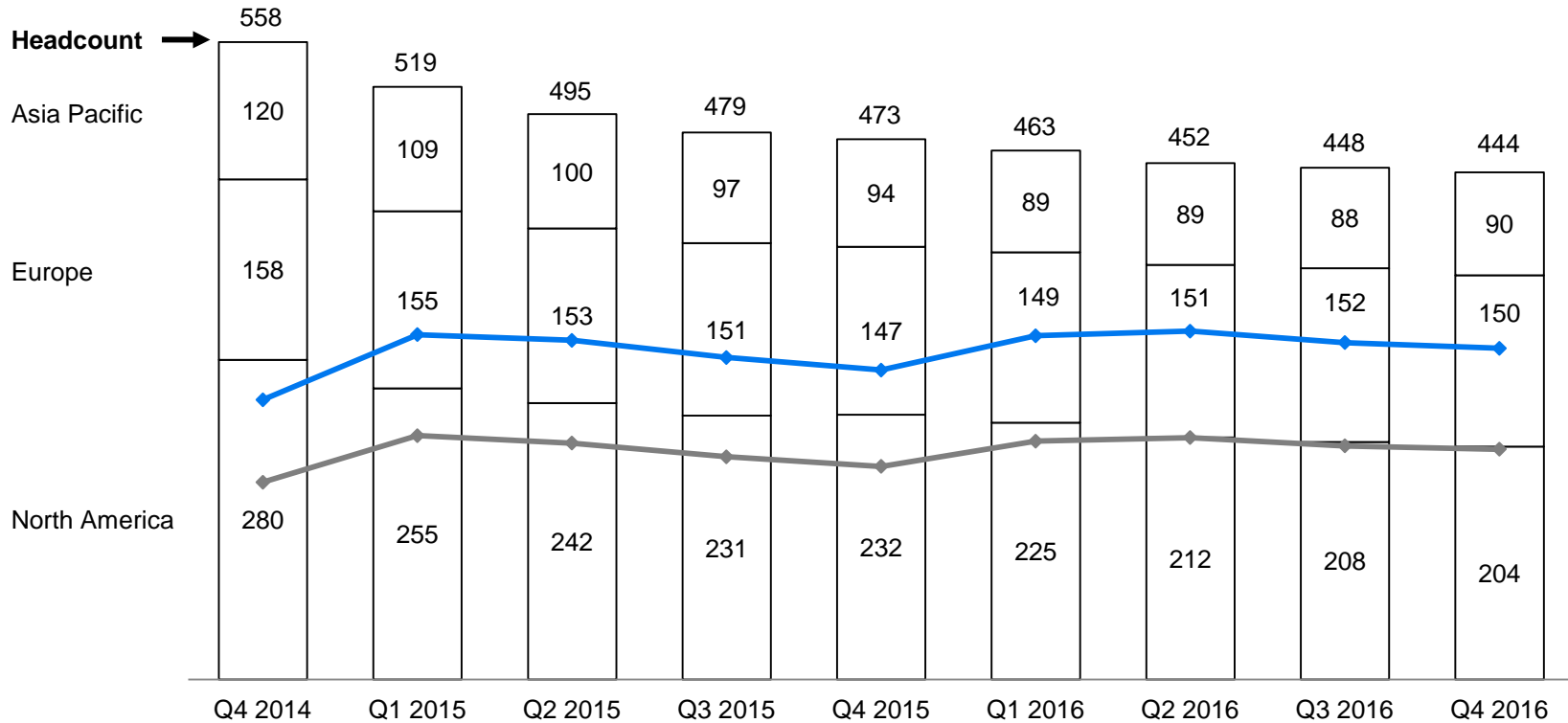
Operating Expenses

\$ millions and as percentage of revenue



Productivity is up year-over-year.

Headcount and Average Annualized Revenue per Employee



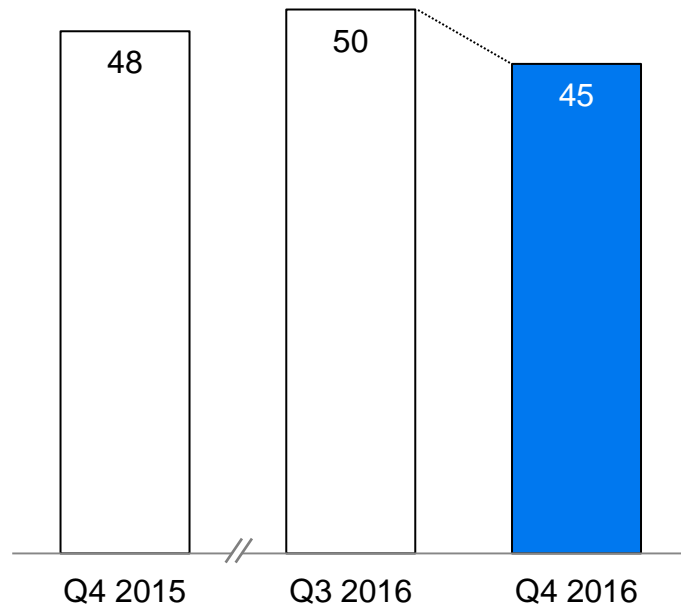
Revenue per employee (\$ thousands)

	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Without Asia	\$288	\$356	\$345	\$325	\$311	\$348	\$353	\$341	\$336
With Asia	\$245	\$302	\$297	\$282	\$271	\$301	\$305	\$295	\$290

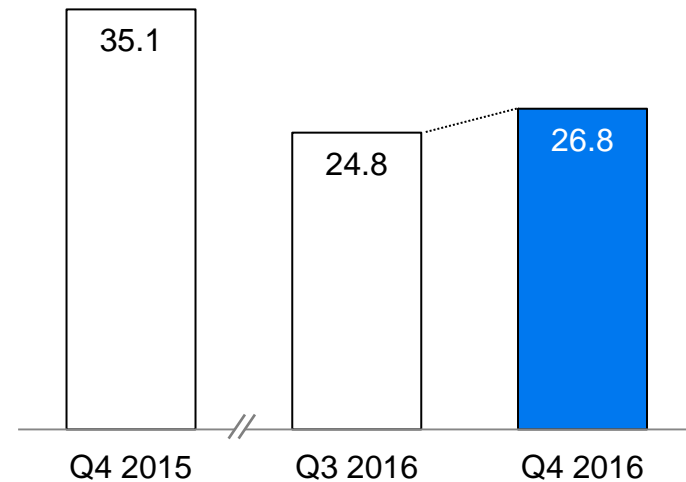
Cash position increased from positive operating cash flow of \$6.8 million, partially offset by continued stock repurchases.

DSO and Cash Balances

DSO (Days Sales Outstanding)
of days



Cash Balance at End of Quarter*
\$ millions



* Includes cash and cash equivalents

Fourth Quarter 2016 Performance Summary

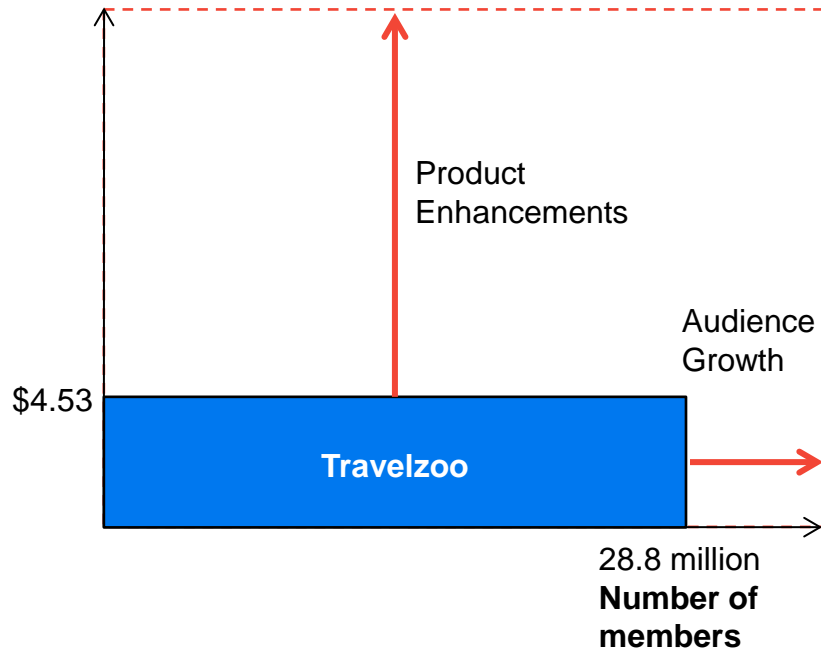
- Majority of revenue declines driven by planned reductions in Local, Search and syndication revenue as well as negative F/X.
- Improvements in profitability and operating costs came from our continued focus on operating smarter.
- Solid cash position despite continued stock repurchases.

Part 1:
Fourth Quarter 2016 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

- Over 500,000 new members added during the quarter
- 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

- New, fully responsive website now live in the U.S., U.K., Canada and Germany
- Members can now search for “what”, “where”, and “when” on both desktop and mobile

Date-specific Hotel Search

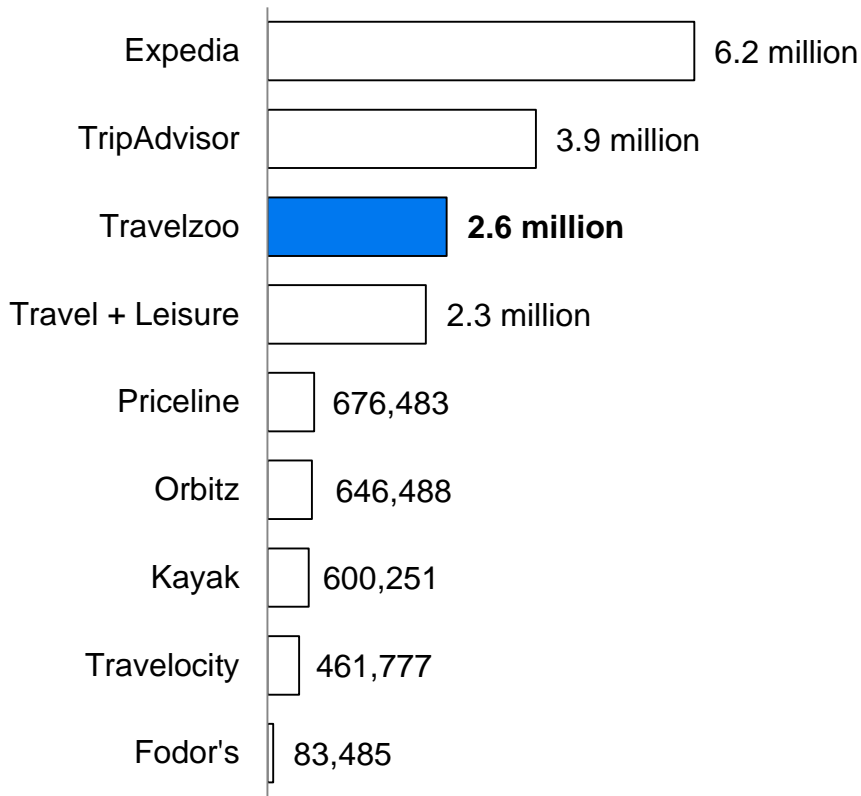
- Enable members and users to find hotel deals where and when they need them
- Enhance user experience and hotel relations via the global universal hotel platform

Progress and Outlook

- Hotel search live in U.S., Canada, UK and Germany
- Number of hotels on platform increased 123% year-over-year
- Platform roll out in APAC over next two quarters

We continue to increase engagement beyond email. Social media is now driving significant traffic on high-quality offers.

Facebook Audience Compared to Other Travel Brands
Million



U.S. Example: Users Referred to Travelzoo by Email vs. Social Media
Percent

Travelzoo
November 15, 2016

Yes, \$499 includes flights, hotel & rental car. (Sale ends Thursday.)

\$499 – Tuscany Vacation Including Emirates Flights
This deal is cheaper than airfare alone. Way cheaper.
TRAVELZOO.COM

3.1K Likes 370 Comments 846 Shares



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.



- ✓ 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
(in thousands except for percentages)

North America		Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	FY 2014	FY 2015	FY 2016
Travel		17,265	15,149	13,944	12,747	16,041	14,689	12,986	12,340	14,757	14,240	12,493	12,760	59,105	56,055	54,249
	Q/Q growth rate	16%	-12%	-8%	-9%	26%	-8%	-12%	-5%	20%	-4%	-12%	2%			
	Y/Y growth rate	-1%	-7%	-6%	-15%	-7%	-3%	-9%	-3%	-8%	-3%	-4%	3%	22%	-5%	-3%
Search		4,071	4,154	4,216	3,447	4,738	3,900	3,816	2,973	3,638	3,996	3,268	2,334	15,888	15,427	13,235
	Q/Q growth rate	1%	2%	2%	-18%	37%	-18%	-2%	-22%	22%	10%	-18%	-29%			
	Y/Y growth rate	-30%	-33%	-23%	-14%	16%	-6%	-9%	-14%	-23%	2%	-14%	-22%	-9%	-3%	-14%
Local		5,267	6,080	4,763	5,089	4,157	5,232	3,891	4,141	3,257	3,664	3,298	3,190	21,198	17,420	13,409
	Q/Q growth rate	-23%	15%	-22%	7%	-18%	26%	-26%	6%	-21%	13%	-10%	-3%			
	Y/Y growth rate	-22%	-22%	-22%	-25%	-21%	-14%	-18%	-19%	-22%	-30%	-15%	-3%	3%	-18%	-23%
Total North America Revenues		26,602	25,383	22,922	21,283	24,935	23,820	20,693	19,454	21,652	21,900	19,059	18,283	96,190	88,901	80,894
	Q/Q growth rate	3%	-5%	-10%	-7%	17%	-4%	-13%	-6%	11%	1%	-13%	-4%			
	Y/Y growth rate	-11%	-16%	-13%	-17%	-6%	-6%	-10%	-9%	-13%	-8%	-8%	-6%	11%	-8%	-9%
Europe		Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	FY 2014	FY 2015	FY 2016
Travel		10,590	8,850	8,473	7,933	9,449	8,154	8,191	7,810	9,006	8,075	7,358	6,646	35,846	33,603	31,086
	Q/Q growth rate	22%	-16%	-4%	-6%	19%	-14%	0%	-5%	15%	-10%	-9%	-10%			
	Y/Y growth rate	15%	9%	4%	-9%	-11%	-8%	-3%	-2%	-5%	-1%	-10%	-15%	41%	-6%	-7%
Search		1,352	798	455	405	640	698	725	332	333	242	341	113	3,009	2,396	1,030
	Q/Q growth rate	78%	-41%	-43%	-11%	58%	9%	4%	-54%	0%	-27%	41%	-67%			
	Y/Y growth rate	40%	-18%	-46%	-47%	-53%	-12%	59%	-18%	-48%	-65%	-53%	-66%	8%	-20%	-57%
Local		1,673	1,887	1,668	1,891	1,473	1,406	1,402	1,852	1,551	1,382	1,117	1,770	7,119	6,133	5,820
	Q/Q growth rate	-27%	13%	-12%	13%	-22%	-5%	0%	32%	-16%	-11%	-19%	59%			
	Y/Y growth rate	-22%	-8%	-13%	-17%	-12%	-25%	-2%	-2%	5%	-2%	-20%	-4%	17%	-14%	-5%
Total Europe Revenues		13,615	11,535	10,595	10,230	11,562	10,259	10,317	9,994	10,891	9,699	8,816	8,530	45,975	42,132	37,937
	Q/Q growth rate	16%	-15%	-8%	-3%	13%	-11%	1%	-3%	9%	-11%	-9%	-3%			
	Y/Y growth rate	11%	4%	-3%	-13%	-15%	-11%	-3%	-2%	-6%	-5%	-15%	-15%	34%	-8%	-10%
Asia		Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	FY 2014	FY 2015	FY 2016
Travel		2,343	2,251	2,322	2,392	2,259	2,345	2,425	2,326	2,028	2,220	2,334	2,263	9,308	9,355	8,845
	Q/Q growth rate	-5%	-4%	3%	3%	-6%	4%	3%	-4%	-13%	9%	5%	-3%			
	Y/Y growth rate	-4%	-11%	-2%	-3%	-4%	4%	4%	-3%	-10%	-5%	-4%	-3%	27%	1%	-5%
Search		30	34	25	12	11	16	3	4	5	9	8	2	100	34	24
	Q/Q growth rate	5%	14%	-27%	-51%	-5%	38%	-78%	6%	41%	72%	-8%	-72%			
	Y/Y growth rate	-51%	-61%	-56%	-58%	-62%	-53%	-86%	-70%	-55%	-44%	136%	-37%	-51%	-66%	-29%
Local		454	397	443	374	377	353	289	274	228	218	223	184	1,667	1,294	853
	Q/Q growth rate	-18%	-12%	11%	-16%	1%	-6%	-18%	-5%	-17%	-5%	2%	-17%			
	Y/Y growth rate	4%	-28%	-14%	-32%	-17%	-11%	-35%	-27%	-40%	-38%	-23%	-33%	11%	-22%	-34%
Total Asia Revenues		2,826	2,681	2,790	2,778	2,648	2,713	2,718	2,604	2,261	2,447	2,565	2,449	11,075	10,682	9,722
	Q/Q growth rate	-7%	-5%	4%	0%	-5%	2%	0%	-4%	-13%	8%	5%	-5%			
	Y/Y growth rate	-4%	-15%	-5%	-9%	-6%	1%	-3%	-6%	-15%	-10%	-6%	-6%	23%	-4%	-9%
Consolidated		Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	FY 2014	FY 2015	FY 2016
Travel		30,198	26,250	24,739	23,072	27,749	25,187	23,601	22,476	25,791	24,535	22,185	21,669	104,259	99,013	94,180
	Q/Q growth rate	16%	-13%	-6%	-7%	20%	-9%	-6%	-5%	15%	-5%	-10%	-2%			
	Y/Y growth rate	4%	-3%	-2%	-12%	-8%	-4%	-5%	-3%	-7%	-3%	-6%	-4%	28%	-5%	-5%
Search		5,453	4,985	4,695	3,864	5,389	4,614	4,545	3,309	3,977	4,247	3,617	2,449	18,997	17,857	14,289
	Q/Q growth rate	13%	-9%	-6%	-18%	39%	-14%	-1%	-27%	20%	7%	-15%	-32%			
	Y/Y growth rate	-20%	-31%	-26%	-20%	-1%	-7%	-3%	-14%	-26%	-8%	-20%	-26%	-7%	-6%	-20%
Local		7,393	8,364	6,873	7,354	6,007	6,991	5,582	6,267	5,036	5,264	4,638	5,145	29,984	24,846	20,083
	Q/Q growth rate	-23%	13%	-18%	7%	-18%	12%	-20%	12%	-20%	5%	-12%	11%			
	Y/Y growth rate	-20%	-20%	-19%	-24%	-19%	-16%	-19%	-15%	-16%	-25%	-17%	-18%	6%	-17%	-19%
Total Consolidated Revenues		43,043	39,599	36,307	34,291	39,145	36,792	33,728	32,052	34,804	34,046	30,440	29,262	153,240	141,716	128,553
	Q/Q growth rate	6%	-8%	-8%	-6%	14%	-6%	3%	-5%	9%	-2%	-11%	-4%			
	Y/Y growth rate	-5%	-11%	-10%	-15%	-9%	-7%	-7%	-7%	-11%	-7%	-10%	-9%	18%	-8%	-9%

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

(2) Search includes SuperSearch and Fly.com

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