



Fourth Quarter 2017 Performance and Business Update

February 8, 2018

Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's fourth quarter 2017 financial results and in conjunction with the Company's recent Annual Report and Quarterly Results as filed with the Securities and Exchange Commission (SEC).

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

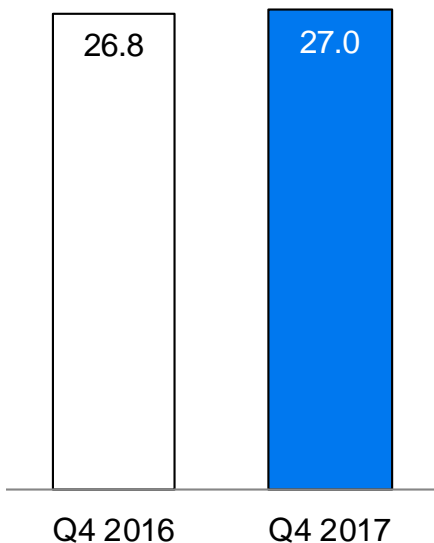
Part 1:
Fourth Quarter 2017 Performance

Part 2:
Business Update

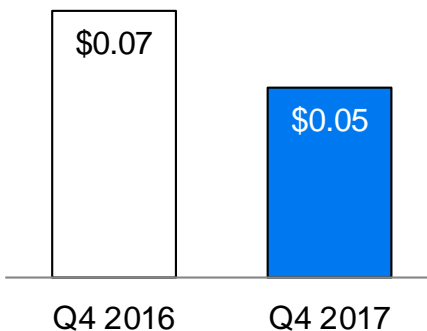
Revenues grew year-over-year for the first time in 16 quarters.

Q4 2017 Financial Performance

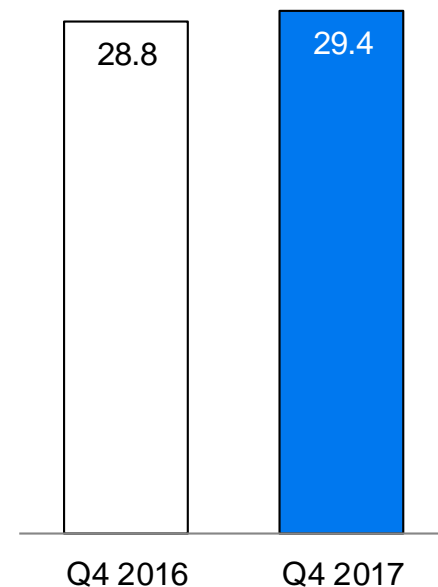
Revenue
(continuing operations)
\$ millions



EPS
(continuing operations)
\$ per share

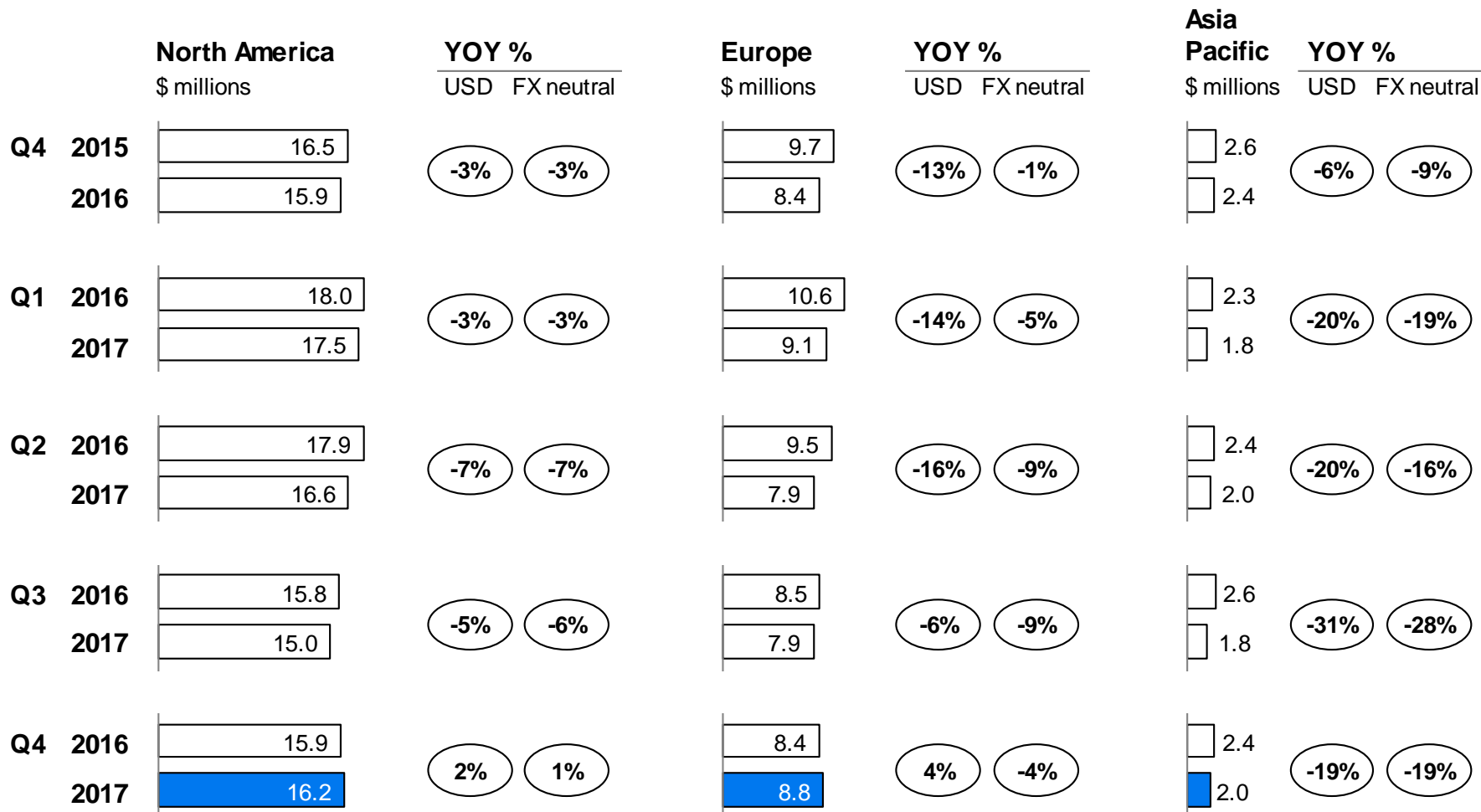


Members
Millions



Revenue trends improved in all three regions.

Quarterly Revenue by Segment*

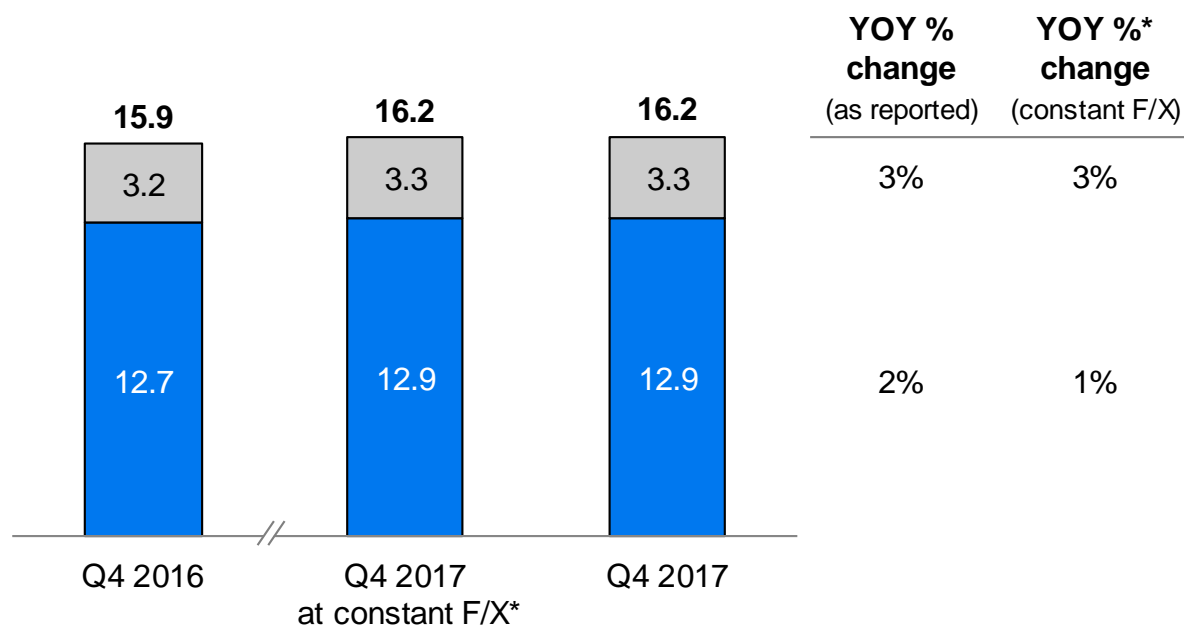


* Overall impact of favorable F/X trends during Q4 2017 is \$719,000

In North America, revenues returned to growth for both our Travel and Local products.

North America Revenue by Type

\$ millions



Highlights*

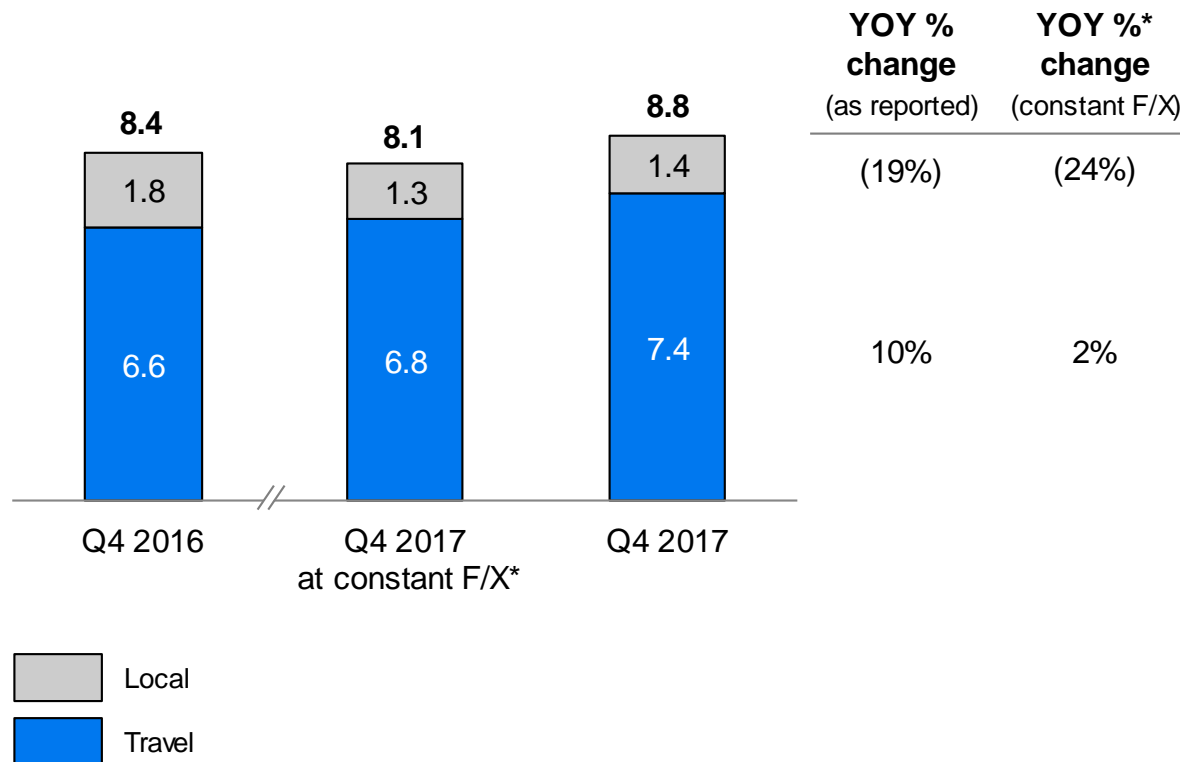
- **Travel** – YOY 3% increase due to increasing activity of advertisers and partners.
- **Local** – YOY 1% increase due to better offers and better execution.

* Based on constant F/X rates for CAD

In Europe, revenue from Travel products returned to growth yet Local revenue declined.

Europe Revenue by Type

\$ millions



Highlights*

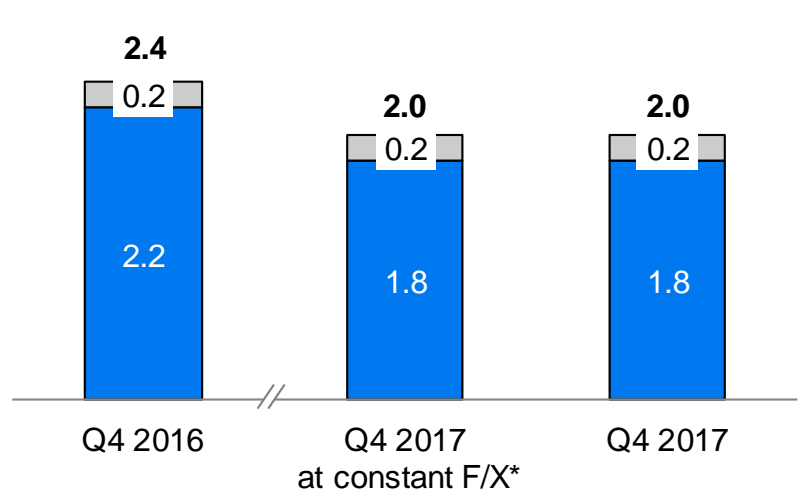
- **Travel** – YOY 2% increase from core travel products.
- **Local** – YOY 24% decrease driven temporary smaller sales staff.

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

Asia Pacific revenues came in lower than expected driven by recent management turnover.

Asia Pacific Revenue by Type

\$ millions



YOY % change	YOY %* change
(as reported)	(constant F/X)
(14%)	(15%)
(19%)	(19%)

Highlights*

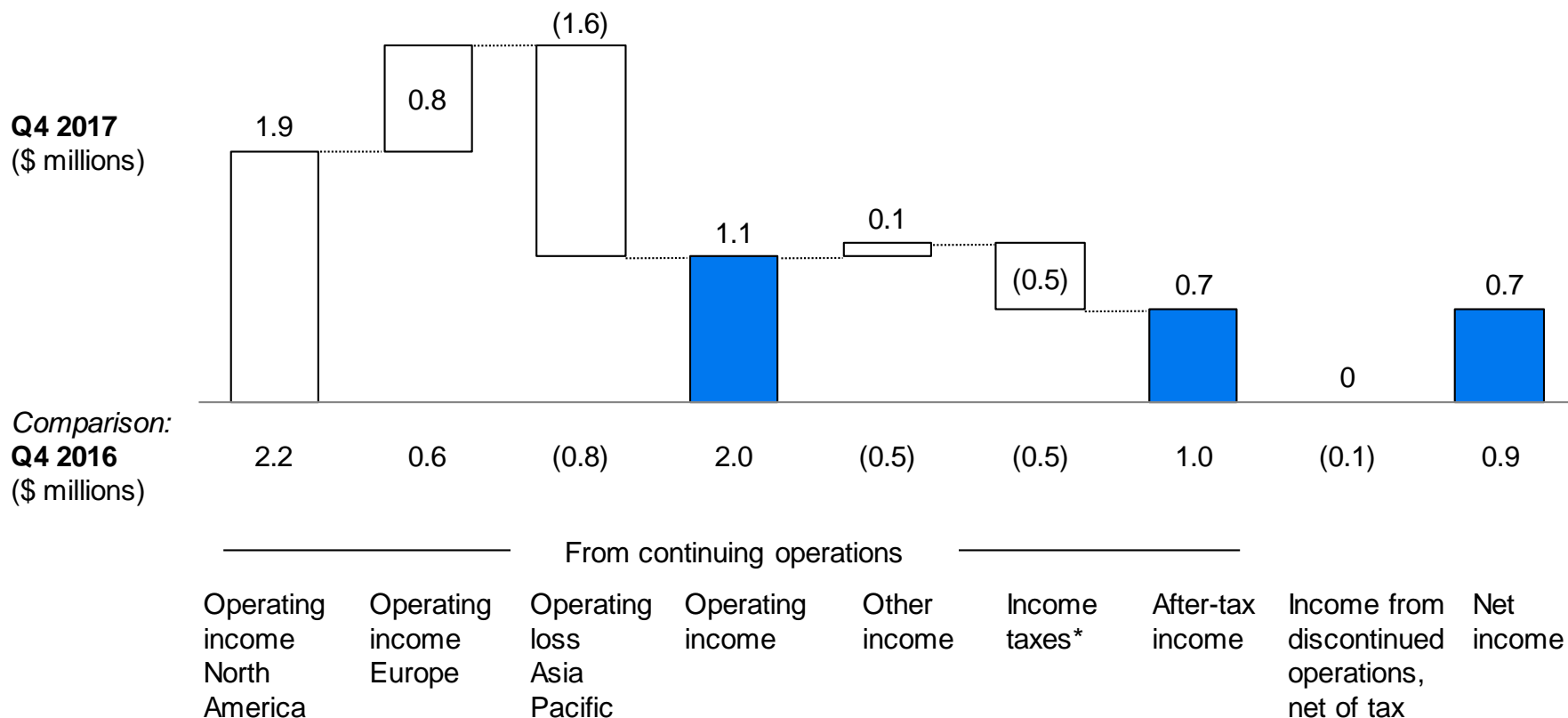
- **Travel** – YOY 19% decrease driven by unfilled sales positions in various countries, and the loss of a large bankrupt customer in Japan.
- **Local** – YOY 15% decrease driven by retraction from unprofitable markets.



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

North America and Europe generated solid profits of \$2.7 million, which were partially offset by investments in Asia Pacific.

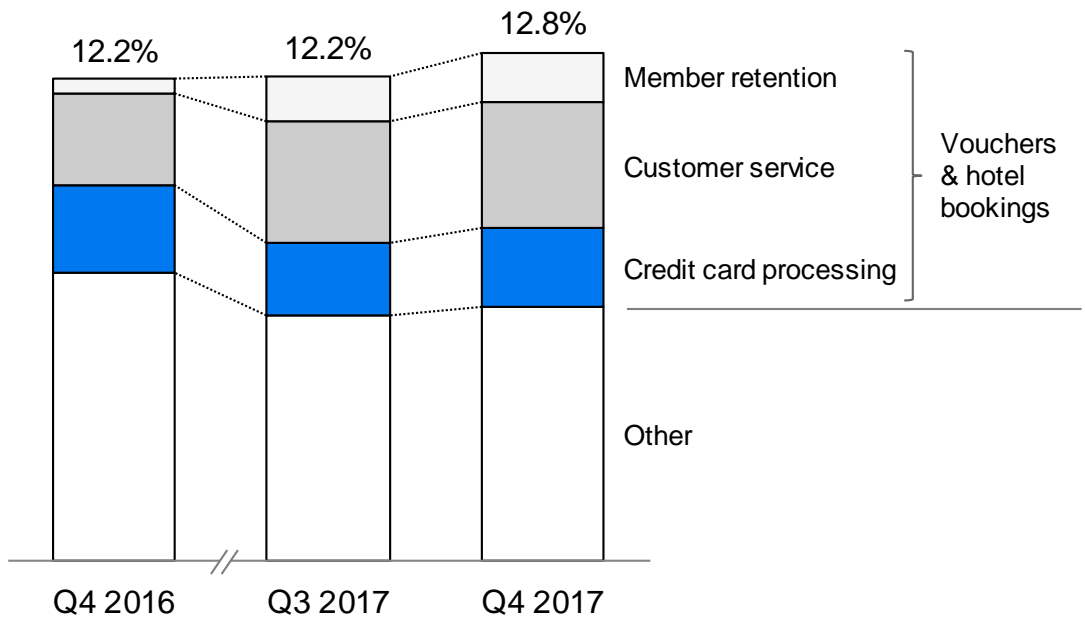
Year-Over-Year Comparison



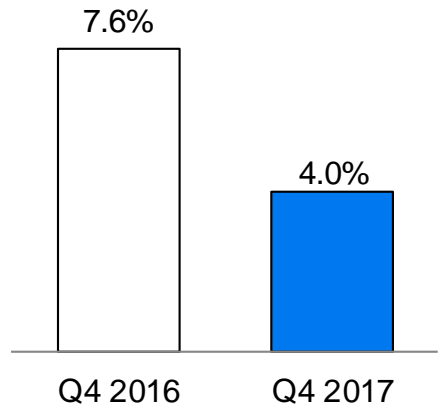
* Income taxes reflect taxes on North America and Europe income without any offsetting tax benefit from the separate tax jurisdiction Asia Pacific losses.

Cost of revenues increased due to higher customer service costs.
Operating margin decreased due to continued investments in Asia.

Cost of Revenue
as percentage of revenue



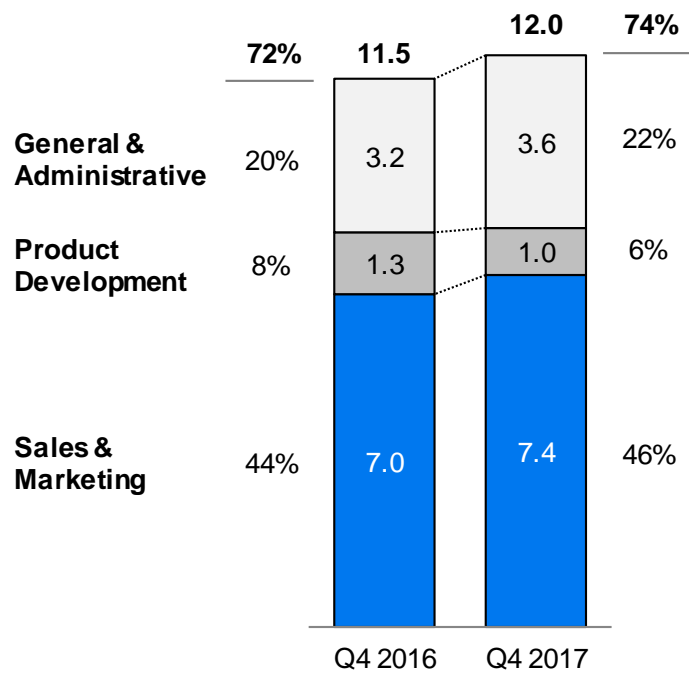
Operating Margin
as percentage of revenue



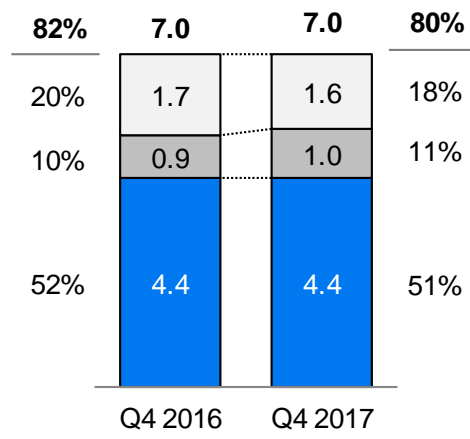
Operating expenses increased due to marketing investment and selective headcount additions.

Operating Expenses

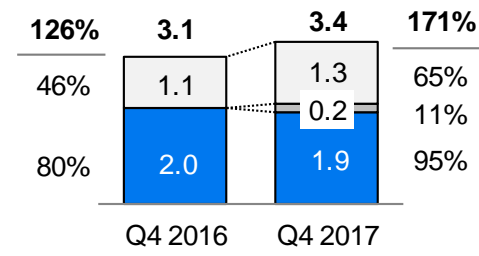
\$ millions and as percentage of revenue



North America
business segment



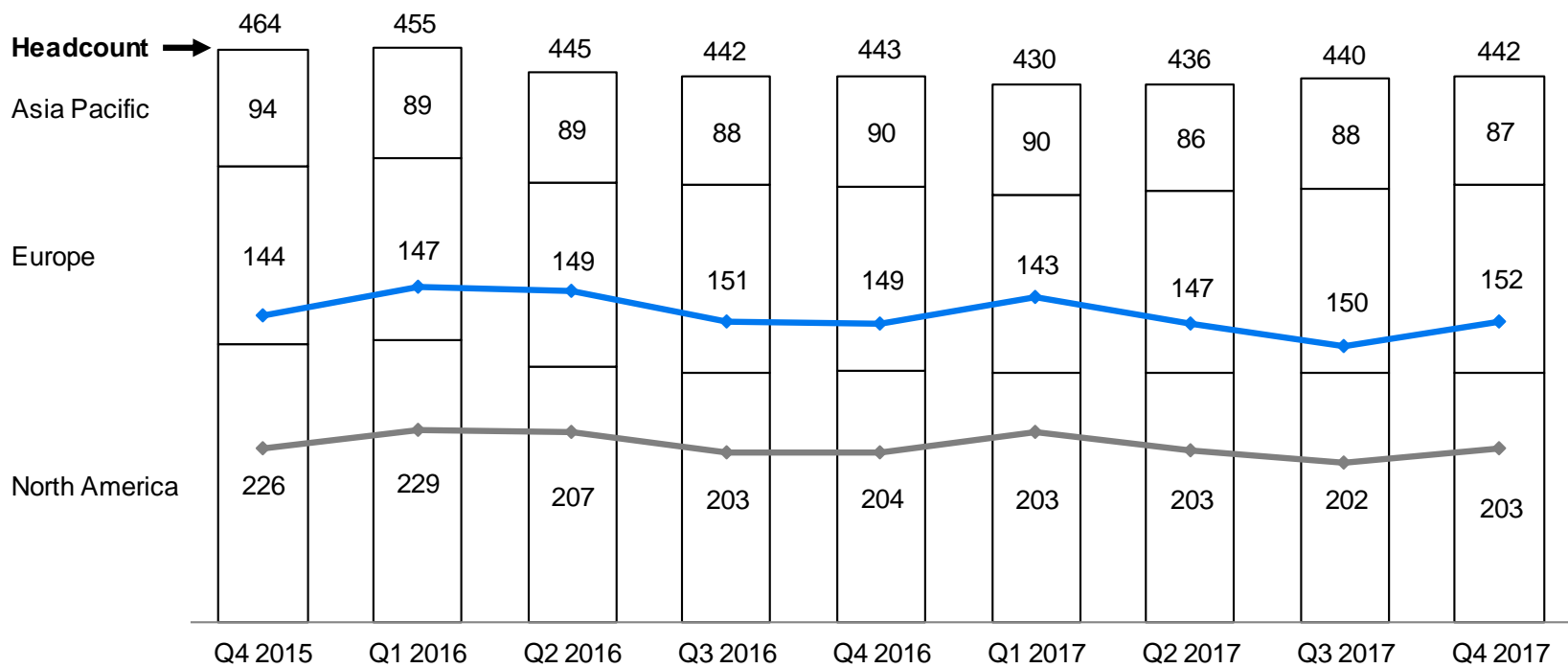
Europe
business segment



Asia Pacific
business segment

Productivity increased quarter over quarter and year over year, even as we invest in headcount in selected areas.

Headcount and Average Annualized Revenue per Employee



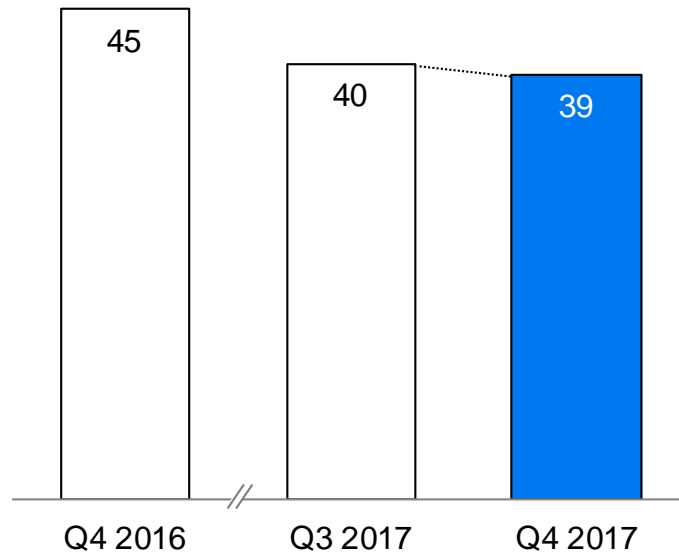
Revenue per employee (\$ thousands)

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Without Asia	\$283	\$313	\$308	\$274	\$276	\$307	\$280	\$260	\$282
With Asia	\$248	\$271	\$268	\$243	\$242	\$264	\$242	\$224	\$244

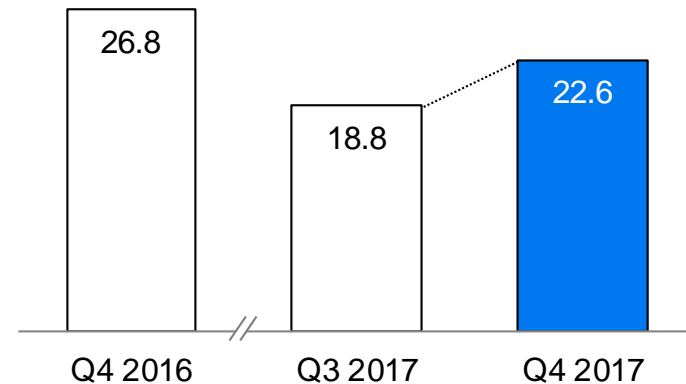
DSO improved, and positive operating cash flow increased our cash position.

DSO and Cash Balances

DSO (Days Sales Outstanding)
of days



Cash Balance at End of Quarter*
\$ millions



* Includes cash and cash equivalents

Fourth Quarter 2017 Performance Summary

- Revenue growth returned in North America and Europe core Travel products
- Management changes impacting Asia Pacific.
- Operating profit maintained with investments in Asia Pacific and marketing.
- Positive operating cash flow adds to solid cash position.

Part 1:
Fourth Quarter 2017 Performance

Part 2:
Business Update

We are expanding offerings, improve products and launch new marketing programs, which we expect to increase purchases and bookings in 6-9 months.

Growth Initiatives

Offerings

- Stronger membership offering with exclusive benefits and member perks
- More distinctive hotel offering:
 - More exclusive offers
 - Globalization of hotel platform now complete
- Exclusive vacation package offers via partnerships or acquisitions

Products

- New responsive site and hotel platform now rolled out to all countries
- Enhanced technology to make it easier for hotels and other partners to create exclusive member offers quickly and easily
- Personalized alert services
- Increased personalization of offers, products and the user experience as result of new technology being implemented

Marketing

- More active communication of member benefits to existing and prospective new members
- Development of marketing partnerships to acquire new members
- Member-exclusive events

- Maintain our quality leadership position by publishing high-quality deals and tightening brand control.
- Expand exclusive offers to our members in the areas of hotels, vacations and local businesses.
- Invest in technology to personalize products and make offers more easily accessible.
- Maintain top-line revenue growth in 2018.
- Invest for future growth while remaining profitable.

APPENDIX

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

North America		Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2015	YTD 2016	YTD 2017
Travel		16,041	14,689	12,986	12,339	14,758	14,240	12,493	12,759	14,859	13,910	12,146	12,964	56,054	54,250	53,879
	Q/Q growth rate	26%	-8%	-12%	-5%	20%	-4%	-12%	2%	16%	-6%	-13%	7%			
	Y/Y growth rate	-7%	-3%	-7%	-3%	-8%	-3%	-4%	3%	1%	-2%	-3%	2%	-5%	-3%	-1%
Local		4,157	5,232	3,891	4,141	3,257	3,664	3,298	3,190	2,687	2,653	2,822	3,283	17,420	13,409	11,444
	Q/Q growth rate	-18%	26%	-26%	6%	-21%	13%	-10%	-3%	-16%	-1%	6%	16%			
	Y/Y growth rate	-21%	-14%	-18%	-19%	-22%	-30%	-15%	-23%	-18%	-28%	-14%	3%	-18%	-23%	-15%
Total North America Revenues		20,198	19,920	16,876	16,480	18,014	17,904	15,791	15,949	17,546	16,563	14,968	16,247	73,474	67,659	65,323
	Q/Q growth rate	13%	-1%	-15%	-2%	9%	-1%	-12%	1%	10%	-6%	-10%	9%			
	Y/Y growth rate	-10%	-6%	-10%	-8%	-11%	-10%	-6%	-3%	-3%	-7%	-5%	2%	-9%	-8%	-3%
Europe		Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2015	YTD 2016	YTD 2017
Travel		9,449	8,154	8,191	7,810	9,007	8,075	7,357	6,646	8,005	6,796	7,052	7,328	33,603	31,086	29,181
	Q/Q growth rate	19%	-14%	0%	-5%	15%	-10%	-9%	-10%	20%	-15%	4%	4%			
	Y/Y growth rate	-11%	-8%	-3%	-2%	-5%	-1%	-10%	-15%	-11%	-16%	-4%	10%	-6%	-7%	-6%
Local		1,473	1,406	1,402	1,852	1,551	1,382	1,117	1,770	1,066	1,102	894	1,439	6,133	5,820	4,501
	Q/Q growth rate	-22%	-5%	0%	32%	-16%	-11%	-19%	59%	-40%	3%	-19%	61%			
	Y/Y growth rate	-12%	-25%	-16%	-2%	5%	-2%	-20%	-4%	-31%	-20%	-20%	-19%	-14%	-5%	-23%
Total Europe Revenues		10,922	9,560	9,592	9,662	10,559	9,457	8,474	8,417	9,071	7,898	7,946	8,767	39,736	36,907	33,682
	Q/Q growth rate	11%	-12%	0%	1%	9%	-10%	-10%	-1%	8%	-13%	1%	10%			
	Y/Y growth rate	-11%	-11%	-5%	-2%	-3%	-1%	-12%	-13%	-14%	-16%	-6%	4%	-8%	-7%	-9%
Asia		Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2015	YTD 2016	YTD 2017
Travel		2,259	2,345	2,425	2,326	2,027	2,220	2,335	2,263	1,668	1,858	1,645	1,823	9,355	8,845	6,993
	Q/Q growth rate	-6%	4%	3%	-4%	-13%	10%	5%	-3%	-26%	11%	-11%	11%			
	Y/Y growth rate	-4%	4%	4%	-3%	-10%	-5%	-4%	-3%	-18%	-16%	-30%	-19%	1%	-5%	-21%
Local		377	353	289	274	228	218	223	184	146	92	129	160	1,294	853	527
	Q/Q growth rate	1%	-6%	-18%	-5%	-17%	-5%	2%	-17%	-21%	-37%	40%	24%			
	Y/Y growth rate	-17%	-11%	-35%	-27%	-40%	-38%	-23%	-33%	-36%	-58%	-42%	-13%	-22%	-34%	-38%
Total Asia Revenues		2,637	2,697	2,714	2,600	2,255	2,438	2,558	2,447	1,813	1,950	1,773	1,983	10,648	9,698	7,519
	Q/Q growth rate	-5%	2%	1%	-4%	-13%	8%	5%	-4%	-26%	8%	-9%	12%			
	Y/Y growth rate	-6%	2%	-2%	-6%	-14%	-10%	-6%	-6%	-20%	-20%	-31%	-19%	-3%	-9%	-22%
Consolidated		Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2015	YTD 2016	YTD 2017
Travel		27,749	25,187	23,601	22,475	25,792	24,535	22,185	21,668	24,532	22,564	20,843	22,114	99,012	94,181	90,053
	Q/Q growth rate	20%	-9%	-6%	-5%	15%	-5%	-10%	-2%	13%	-8%	-8%	6%			
	Y/Y growth rate	-8%	-4%	-5%	-3%	-7%	-3%	-6%	-4%	-5%	-8%	-6%	2%	-5%	-5%	-4%
Local		6,007	6,991	5,582	6,267	5,036	5,264	4,638	5,145	3,898	3,847	3,845	4,883	24,846	20,083	16,472
	Q/Q growth rate	-18%	16%	-20%	12%	-20%	5%	-12%	11%	-24%	-1%	0%	27%			
	Y/Y growth rate	-19%	-16%	-19%	-15%	-16%	-25%	-17%	-18%	-23%	-27%	-17%	-5%	-17%	-19%	-18%
Total Consolidated Revenues		33,756	32,178	29,183	28,742	30,828	29,799	26,823	26,813	28,429	26,411	24,687	26,997	123,858	114,264	106,525
	Q/Q growth rate	11%	-5%	-9%	-2%	7%	-3%	-10%	0%	6%	-7%	-7%	9%			
	Y/Y growth rate	-10%	-7%	-8%	-6%	-9%	-7%	-8%	-7%	-8%	-11%	-8%	1%	-8%	-8%	-7%

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

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

Travelzoo Inc.
Quarterly Statements of Operations
Adjusted for Search Discontinued Operations

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
	(In thousands, except per share amounts)											
Revenues	\$33,756	\$32,178	\$29,183	\$28,742	\$30,828	\$29,799	\$26,823	\$26,813	\$28,429	\$26,411	\$24,687	\$26,997
Cost of revenues	4,352	5,049	4,577	4,170	3,851	3,472	3,270	3,262	3,207	3,222	3,018	3,462
Gross profit	29,404	27,129	24,607	24,572	26,978	26,327	23,552	23,551	25,222	23,189	21,669	23,535
Operating expenses:												
Sales and marketing	18,261	17,388	15,832	14,129	15,530	15,455	14,075	13,368	15,355	14,213	13,973	13,746
Product development	3,044	3,150	2,859	3,229	2,788	2,001	2,230	2,077	2,357	2,344	2,315	2,208
General and administrative	6,449	5,334	6,116	6,270	5,813	5,434	5,373	6,077	5,447	5,246	5,363	6,502
Total operating expenses	27,754	25,873	24,807	23,628	24,131	22,890	21,678	21,522	23,160	21,803	21,651	22,456
Income (loss) from continuing operations	1,650	1,256	(201)	944	2,846	3,437	1,875	2,029	2,062	1,386	18	1,079
Other income (loss), net	(446)	(218)	(202)	(376)	133	(91)	251	(480)	7	18	86	62
Income (loss) from continuing operations before income taxes	1,204	1,038	(403)	568	2,979	3,346	2,126	1,549	2,069	1,404	104	1,141
Income tax expense (benefit)	1,356	934	(8,525)	186	1,154	1,548	748	542	1,209	771	680	466
Income (loss) from continuing operations	(151)	104	8,122	382	1,826	1,798	1,377	1,006	860	633	(576)	675
Income (loss) from discontinued operations, net of income taxes	881	738	735	53	224	222	241	(64)	1,884	54	-	-
Net income	\$730	\$842	\$8,857	\$435	\$2,049	\$2,020	\$1,619	\$943	\$2,744	\$687	\$(576)	\$675
Income (loss) per share - basic:												
Continuing operations	\$ (0.01)	\$0.01	\$0.55	\$0.03	\$0.13	\$0.13	\$0.10	\$0.07	\$0.07	\$0.05	\$(0.05)	0.05
Discontinued operations	0.06	0.05	0.05	0.00	0.01	0.01	0.02	(0.00)	0.14	0.00	0.00	-
Net income per share - basic	\$0.05	\$0.06	\$0.60	\$0.03	\$0.14	\$0.14	\$0.12	\$0.07	\$0.21	\$0.05	\$(0.05)	\$0.05
Income (loss) per share - diluted:												
Continuing operations	\$ (0.01)	\$0.01	\$0.55	\$0.03	\$0.13	\$0.13	\$0.10	\$0.07	\$0.07	\$0.05	\$(0.05)	\$0.05
Discontinued operations	0.06	0.05	0.05	0.00	0.01	0.01	0.02	(0.00)	0.14	0.00	0.00	-
Net income per share - diluted	\$0.05	\$0.06	\$0.60	\$0.03	\$0.14	\$0.14	\$0.12	\$0.07	\$0.21	\$0.05	\$(0.05)	\$0.05
Weighted average shares:												
Basic	14,730	14,730	14,730	14,699	14,425	14,066	13,839	13,665	13,288	13,030	12,628	12,462
Diluted for income per share **	14,730	14,730	14,730	14,699	14,425	14,066	13,867	13,714	13,288	13,058	12,628	12,462

* Income tax expense (benefit) includes an \$8.4 million release of a tax reserve for the three months ended September 30, 2015, related to unexchanged promotional shares. Non-GAAP amounts without this release of a tax reserve are \$112,000 of tax benefit, \$444,000 million of net income, \$(0.02) of diluted loss per share from continuing operations and \$0.03 of diluted earnings from net income.

** Weighted average shares of 13,665 were used for the Q4 2016 diluted EPS for discontinued operations.