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FOR IMMEDIATE RELEASE

Travelzoo Reports Second Quarter 2015 Results

NEW YORK, July 16, 2015 - Travelzoo Inc. (NASDAQ: TZOO):

- Revenue of \$34.1 million, down 8% year-over-year (down 3% in constant currencies)
- Operating profit of \$2.6 million
- Non-GAAP earnings per share of \$0.09, compared to \$0.30 in the prior-year period
- 950,000 new members

Travelzoo Inc., a global Internet media company, today announced financial results for the second quarter ended June 30, 2015, with revenue of \$34.1 million, a decrease of 8% year-over-year. Net income was \$1.3 million, with earnings per share of \$0.09.

"In the second quarter of 2015, Travelzoo welcomed 950,000 new members," said Chris Loughlin, chief executive officer. "The strong U.S. dollar had an unfavorable currency effect on reported revenue. We remain ambitious to grow Travelzoo's global brand and business."

North America

North America business segment revenue decreased 6% year-over-year to \$23.7 million. Operating income for the second quarter was \$2.5 million, or 11% of revenue, down from \$3.8 million, or 15% of revenue, in the prior-year period.

Europe

Europe business segment revenue decreased 12% year-over-year to \$10.3 million. In local currency terms, revenue increased 1% year-over-year. Operating income for the second quarter was \$35,000, or 0.3% of revenue, down from \$2.9 million, or 24% of revenue in the prior-year period.

Members

Travelzoo had a total unduplicated number of members in North America and Europe of 24.8 million as of June 30, 2015, up 1% from March 31, 2015. In North America, total unduplicated number of members was 17.2 million as of June 30, 2015, same as of March 31, 2015. In Europe, total unduplicated number of members was 7.6 million as of June 30, 2015, up 1% from March 31, 2015.

Income Taxes

Income tax expense was \$1.3 million, compared to \$2.3 million income tax expense in the prior-year period. The effective income tax rate, as calculated on the basis of non-GAAP Income before tax was 49%, up from 34% in the prior-year period, driven primarily by the geographic mix of taxable income.

Asset Management

During the second quarter of 2015, Travelzoo generated \$374,000 of cash from operating activities. Accounts receivable increased by \$851,000 over the prior-year period to \$17.4 million. Accounts payable decreased by \$2.6 million over the prior-year period to \$21.5 million. Capital expenditures were \$554,000, up from \$405,000 in the prior-year period. As of June 30, 2015, cash and cash equivalents were \$55.3 million.

Non-GAAP Information

To give an enhanced view of Travelzoo's operating performance, management has calculated non-GAAP operating expense, non-GAAP operating income, non-GAAP operating margin, non-GAAP effective tax rate, non-GAAP net income and non-GAAP earnings per share by excluding the release of reserve related to our unexchanged promotional shares. 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 reserve related to our 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.

Conference Call

Travelzoo will host a conference call to discuss second 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 Inc. is a global Internet media company. With more than 27 million members in North America, Europe, and Asia Pacific and 25 offices worldwide, Travelzoo® publishes deals from more than 2,000 travel and entertainment companies. Travelzoo's deal experts review offers to find the best deals and confirm their true value. In Asia Pacific, Travelzoo is independently owned and operated by Travelzoo (Asia) Ltd. and Travelzoo Japan K.K. under a license agreement with Travelzoo Inc.

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 | | Six months ended | |
|--------------------------------|---------------------------|-----------------|-------------------------|------------------|
| | June 30, | | June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | \$ 34,064 | \$ 36,883 | \$ 70,556 | \$ 77,078 |
| Cost of revenues | 4,905 | 4,374 | 9,140 | 9,151 |
| Gross profit | <u>29,159</u> | <u>32,509</u> | <u>61,416</u> | <u>67,927</u> |
| Operating expenses: | | | | |
| Sales and marketing | 17,279 | 15,305 | 35,428 | 33,148 |
| General and administrative | 9,307 | 10,570 | 19,613 | 21,148 |
| Unexchanged promotional shares | — | (3,500) | — | (3,500) |
| Total operating expenses | <u>26,586</u> | <u>22,375</u> | <u>55,041</u> | <u>50,796</u> |
| Income from operations | 2,573 | 10,134 | 6,375 | 17,131 |
| Other income (loss) | 21 | 56 | (66) | 177 |
| Income before income taxes | 2,594 | 10,190 | 6,309 | 17,308 |
| Income taxes | 1,268 | 2,266 | 3,074 | 4,747 |
| Net income | <u>\$ 1,326</u> | <u>\$ 7,924</u> | <u>\$ 3,235</u> | <u>\$ 12,561</u> |
| Net income per share: | | | | |
| Basic | <u>\$ 0.09</u> | <u>\$ 0.54</u> | <u>\$ 0.22</u> | <u>\$ 0.85</u> |
| Diluted | <u>\$ 0.09</u> | <u>\$ 0.54</u> | <u>\$ 0.22</u> | <u>\$ 0.84</u> |
| Weighted average shares: | | | | |
| Basic | 14,730 | 14,734 | 14,730 | 14,806 |
| Diluted | 14,730 | 14,794 | 14,730 | 14,881 |

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

| | June 30, 2015 | December 31, 2014 |
|---|--------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 55,283 | \$ 54,812 |
| Accounts receivable, net | 17,380 | 14,608 |
| Income taxes receivable | 2,060 | 3,756 |
| Deposits | 621 | 74 |
| Prepaid expenses and other | 2,312 | 2,802 |
| Deferred tax assets | 1,288 | 1,311 |
| Total current assets | 78,944 | 77,363 |
| Deposits | 522 | 1,087 |
| Deferred tax assets | 1,707 | 1,460 |
| Restricted cash | 1,344 | 1,393 |
| Property and equipment, net | 8,413 | 9,022 |
| Intangible assets, net | 55 | 163 |
| Total assets | \$ 90,985 | \$ 90,488 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 21,485 | \$ 23,008 |
| Accrued expenses and other | 10,830 | 10,135 |
| Deferred revenue | 1,105 | 1,192 |
| Income tax payable | 581 | 574 |
| Reserve for unexchanged promotional shares | — | 1,393 |
| Total current liabilities | 34,001 | 36,302 |
| Long-term tax liabilities | 11,731 | 10,936 |
| Long-term deferred rent and other | 3,118 | 3,436 |
| Total liabilities | 48,850 | 50,674 |
| Common stock | 163 | 163 |
| Treasury stock | (21,517) | (21,517) |
| Additional paid-in capital | 11,339 | 11,043 |
| Accumulated other comprehensive loss | (4,105) | (2,997) |
| Retained earnings | 56,255 | 53,122 |
| Total stockholders' equity | 42,135 | 39,814 |
| Total liabilities and stockholders' equity | \$ 90,985 | \$ 90,488 |

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

| | Three months ended | | Six months ended | |
|---|---------------------------|------------------|-------------------------|------------------|
| | June 30, | | June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Cash flows from operating activities: | | | | |
| Net income | \$ 1,326 | \$ 7,924 | \$ 3,235 | \$ 12,561 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 636 | 640 | 1,406 | 1,342 |
| Impairment of software | — | 249 | — | 249 |
| Deferred income taxes | (21) | (584) | (242) | (508) |
| Stock-based compensation | 148 | 395 | 296 | 790 |
| Provision for losses on accounts receivable | 25 | 41 | 51 | (11) |
| Net foreign currency effects | 2 | (6) | 113 | (36) |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (1,178) | (1,123) | (2,943) | (2,411) |
| Deposits | 41 | 27 | 4 | 160 |
| Income tax receivable | 830 | (717) | 1,681 | 549 |
| Prepaid expenses and other | 228 | 60 | 509 | 564 |
| Accounts payable | (1,369) | (4,350) | (1,169) | (7,389) |
| Accrued expenses and other | (297) | (740) | 432 | (1,920) |
| Income tax payable | (121) | 1,061 | 23 | 1,783 |
| Reserve for unexchanged promotional shares | — | (3,500) | (1,393) | (4,726) |
| Other non-current liabilities | 124 | 114 | 795 | 225 |
| Net cash provided by (used in) operating activities | <u>374</u> | <u>(509)</u> | <u>2,798</u> | <u>1,222</u> |
| Cash flows from investing activities: | | | | |
| Release of restricted cash | — | — | — | 200 |
| Purchases of property and equipment | (554) | (405) | (737) | (1,424) |
| Net cash used in investing activities | <u>(554)</u> | <u>(405)</u> | <u>(737)</u> | <u>(1,224)</u> |
| Cash flows from financing activities: | | | | |
| Repurchase of common stock | — | (287) | — | (5,855) |
| Reverse/forward stock split, including transaction costs | (102) | — | (102) | (479) |
| Net cash used in financing activities | <u>(102)</u> | <u>(287)</u> | <u>(102)</u> | <u>(6,334)</u> |
| Effect of exchange rate on cash and cash equivalents | 1,590 | 668 | (1,488) | 615 |
| Net increase (decrease) in cash and cash equivalents | 1,308 | (533) | 471 | (5,721) |
| Cash and cash equivalents at beginning of period | 53,975 | 61,035 | 54,812 | 66,223 |
| Cash and cash equivalents at end of period | <u>\$ 55,283</u> | <u>\$ 60,502</u> | <u>\$ 55,283</u> | <u>\$ 60,502</u> |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid for income taxes, net | \$ 372 | \$ 2,508 | \$ 733 | \$ 2,843 |

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

| Three months ended June 30, 2015 | North America | Europe | Elimination | Consolidated |
|---|--------------------------|---------------|--------------------|---------------------|
| Revenue from unaffiliated customers | \$ 23,727 | \$ 10,337 | \$ — | \$ 34,064 |
| Intersegment revenue | 259 | 177 | (436) | — |
| Total net revenues | <u>23,986</u> | <u>10,514</u> | <u>(436)</u> | <u>34,064</u> |
| Operating income | <u>\$ 2,538</u> | <u>\$ 35</u> | <u>\$ —</u> | <u>\$ 2,573</u> |

| Three months ended June 30, 2014 | North America | Europe | Elimination and Other (a) | Consolidated |
|---|--------------------------|-----------------|--------------------------------------|---------------------|
| Revenue from unaffiliated customers | \$ 25,175 | \$ 11,708 | \$ — | \$ 36,883 |
| Intersegment revenue | 302 | 129 | (431) | — |
| Total net revenues | <u>25,477</u> | <u>11,837</u> | <u>(431)</u> | <u>36,883</u> |
| Operating income | <u>\$ 3,771</u> | <u>\$ 2,863</u> | <u>\$ 3,500</u> | <u>\$ 10,134</u> |

| Six months ended June 30, 2015 | North America | Europe | Elimination | Consolidated |
|---------------------------------------|--------------------------|-----------------|--------------------|---------------------|
| Revenue from unaffiliated customers | \$ 48,440 | \$ 22,116 | \$ — | \$ 70,556 |
| Intersegment revenue | 472 | 215 | (687) | — |
| Total net revenues | <u>48,912</u> | <u>22,331</u> | <u>(687)</u> | <u>70,556</u> |
| Operating income | <u>\$ 4,617</u> | <u>\$ 1,758</u> | <u>\$ —</u> | <u>\$ 6,375</u> |

| Six months ended June 30, 2014 | North America | Europe | Elimination and Other (a) | Consolidated |
|---------------------------------------|--------------------------|-----------------|--------------------------------------|---------------------|
| Revenue from unaffiliated customers | \$ 51,528 | \$ 25,550 | \$ — | \$ 77,078 |
| Intersegment revenue | 716 | 141 | (857) | — |
| Total net revenues | <u>52,244</u> | <u>25,691</u> | <u>(857)</u> | <u>77,078</u> |
| Operating income | <u>\$ 8,375</u> | <u>\$ 5,256</u> | <u>\$ 3,500</u> | <u>\$ 17,131</u> |

- (a) Includes a \$3.5 million release of reserve for the three and six months ended June 30, 2014 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 | | Six months ended | |
|------------------------------------|---------------------------|-------------|-------------------------|-------------|
| | June 30, | | June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| GAAP operating expense | \$ 26,586 | \$ 22,375 | \$ 55,041 | \$ 50,796 |
| Unexchanged promotional shares (a) | — | (3,500) | — | (3,500) |
| Non-GAAP operating expense | \$ 26,586 | \$ 25,875 | \$ 55,041 | \$ 54,296 |
| | | | | |
| GAAP operating income | \$ 2,573 | \$ 10,134 | \$ 6,375 | \$ 17,131 |
| Unexchanged promotional shares (a) | — | (3,500) | — | (3,500) |
| Non-GAAP operating income | \$ 2,573 | \$ 6,634 | \$ 6,375 | \$ 13,631 |
| | | | | |
| GAAP operating margin | 7.6 % | 27.5 % | 9.0 % | 22.2 % |
| Unexchanged promotional shares (a) | — % | (9.5)% | — % | (4.5)% |
| Non-GAAP operating margin | 7.6 % | 18.0 % | 9.0 % | 17.7 % |
| | | | | |
| GAAP effective tax rate | 48.9 % | 22.2 % | 48.7 % | 27.4 % |
| Unexchanged promotional shares (a) | — % | 11.6 % | — % | 7.0 % |
| Non-GAAP effective tax rate | 48.9 % | 33.8 % | 48.7 % | 34.4 % |
| | | | | |
| GAAP net income | \$ 1,326 | \$ 7,924 | \$ 3,235 | \$ 12,561 |
| Unexchanged promotional shares (a) | — | (3,500) | — | (3,500) |
| Non-GAAP net income | \$ 1,326 | \$ 4,424 | \$ 3,235 | \$ 9,061 |
| | | | | |
| Earnings per share | \$ 0.09 | \$ 0.54 | \$ 0.22 | \$ 0.84 |
| Unexchanged promotional shares (a) | — | (0.24) | — | (0.24) |
| Non-GAAP earnings per share | \$ 0.09 | \$ 0.30 | \$ 0.22 | \$ 0.60 |

- (a) Includes a \$3.5 million release of reserve for the three and six months ended June 30, 2014 related to settlement agreements in connection with a dispute over unclaimed property audits.