



The Deal Experts. Over 28 Million Members Worldwide.

First Quarter 2016 Performance and Growth Strategy Overview

April 28, 2016

Important Notice

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's first 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). 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 first quarter 2016. 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.

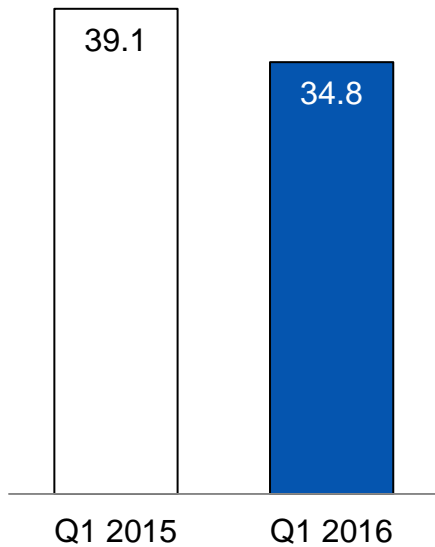
Part 1:
First Quarter 2016 Performance

Part 2:
Growth Strategy Overview

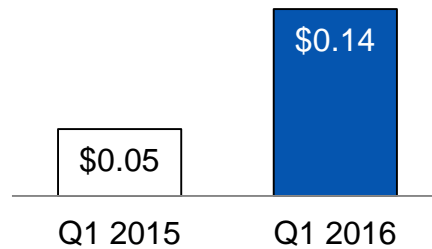
Revenue declined but earnings improved significantly over the last year while member growth continued.

Q1 2016 Financial Performance

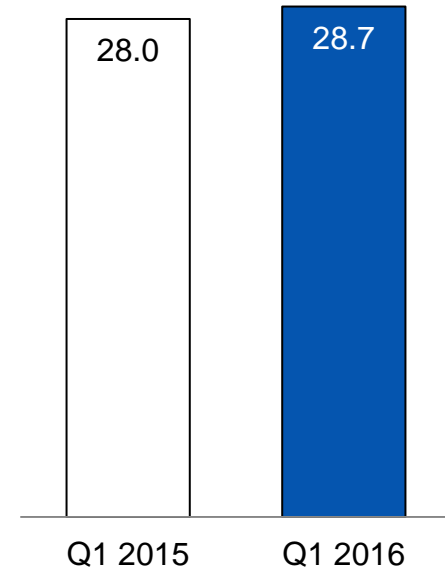
Revenue
\$ millions



EPS
\$ per share

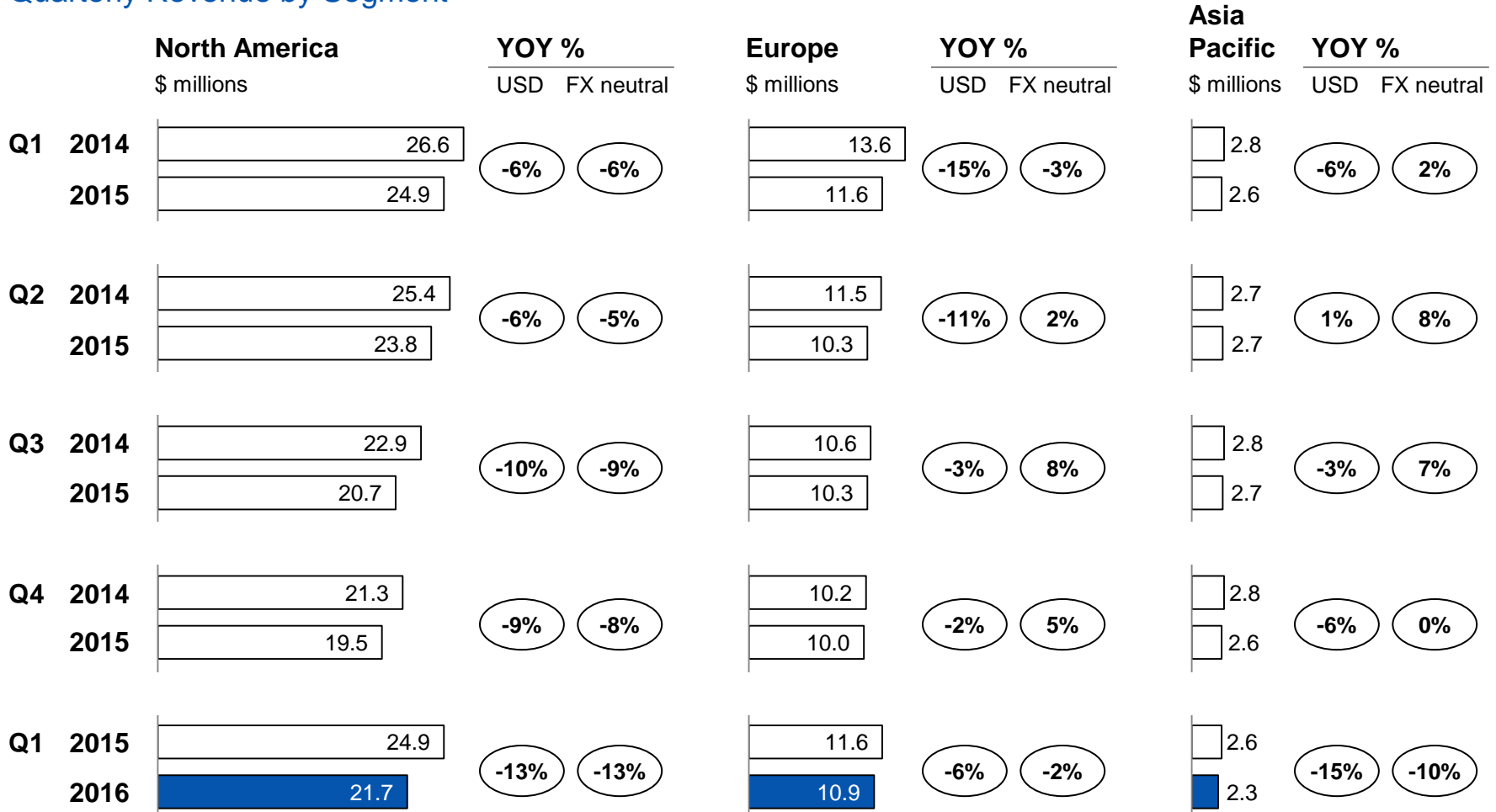


Members
Millions



Reported revenues in USD continue to be impacted by unfavorable F/X trends.

Quarterly Revenue by Segment*

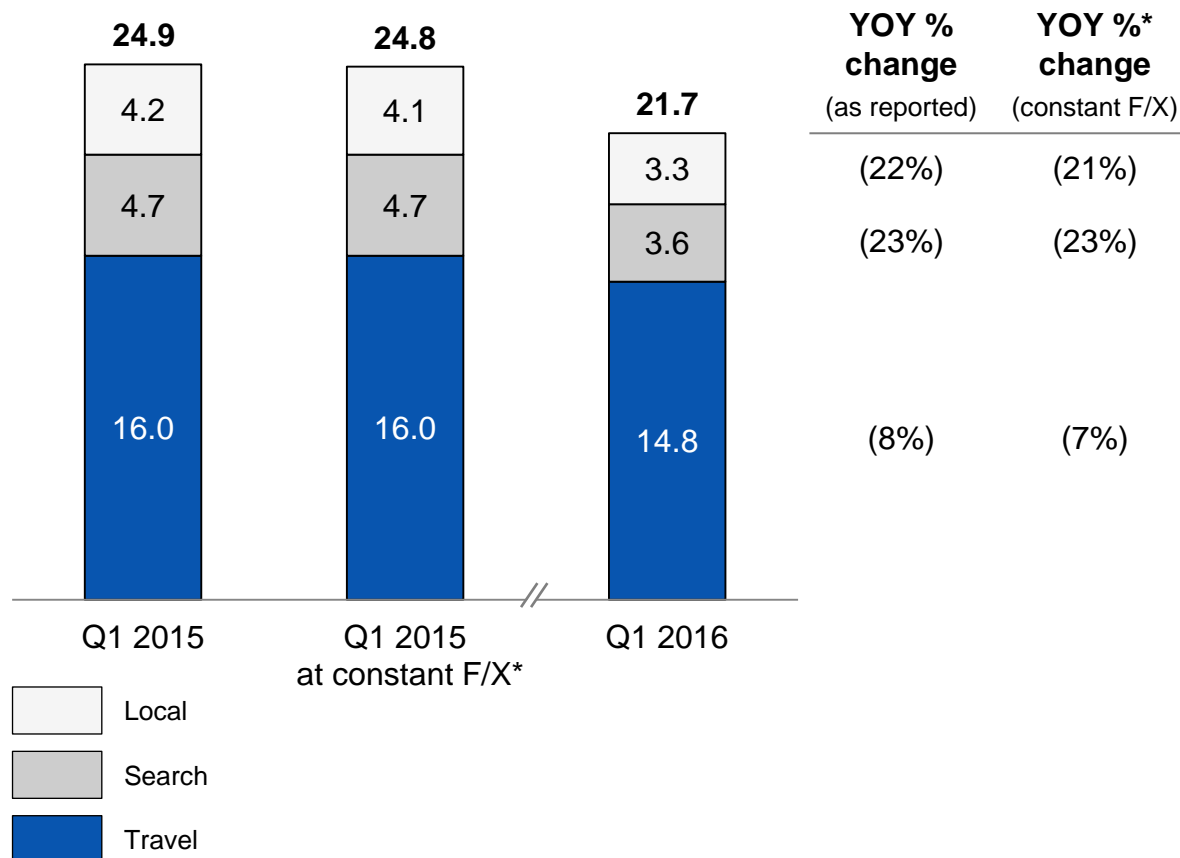


* Overall impact of unfavorable F/X trends is 0.7 million

North America revenue decreased as we continued to focus and streamline our business.

North America Revenue by Type

\$ millions



Highlights*

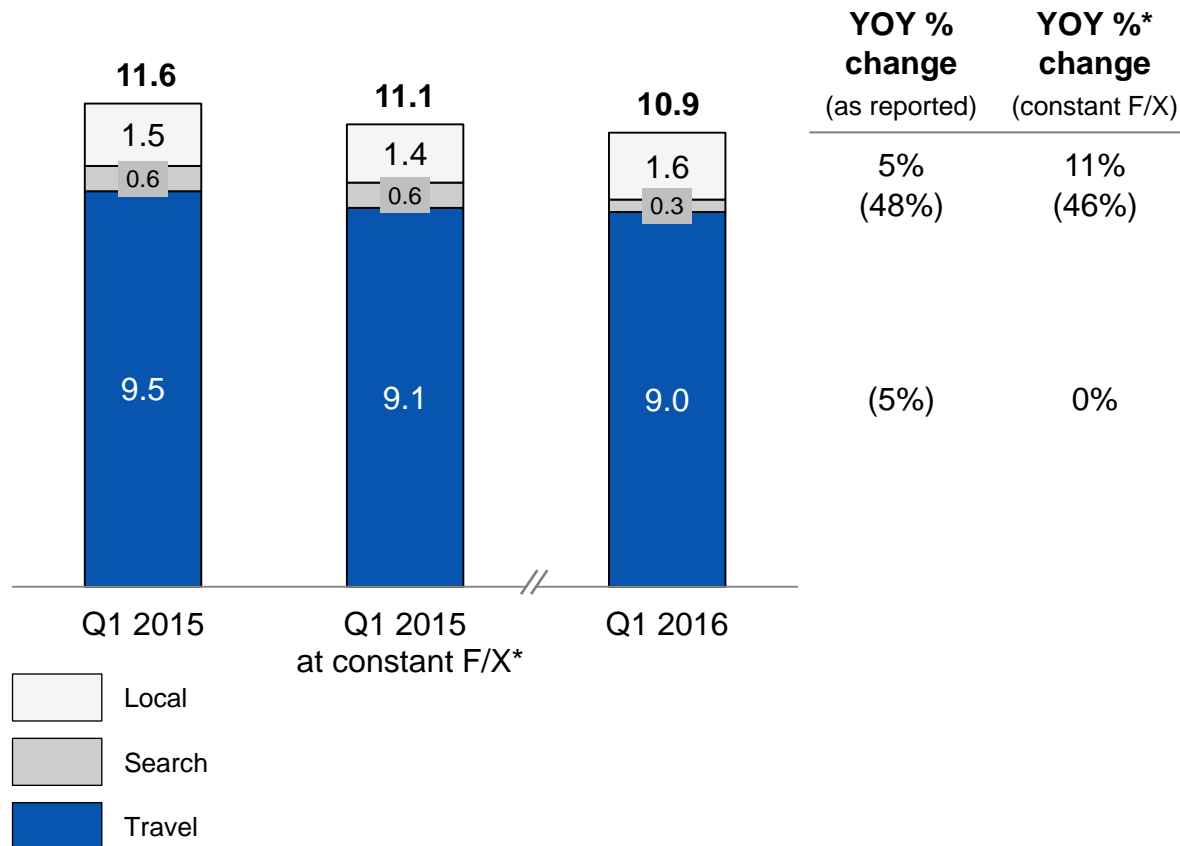
- **Travel** –YOY 7% decrease driven primarily by shift from vouchers to the hotel platform with delayed revenue recognition and elimination of unprofitable business activities.
- **Search** –YOY 23% decrease due to product changes and reduced traffic acquisition spend.
- **Local** –YOY 21% decrease driven by lower voucher sales from “push” promotions.

* Based on constant F/X rates for CAD

Revenue in Europe (at constant F/X) was down slightly due to reduced Search traffic acquisition spend. Our Local business grew by 11%.

Europe Revenue by Type

\$ millions



Highlights*

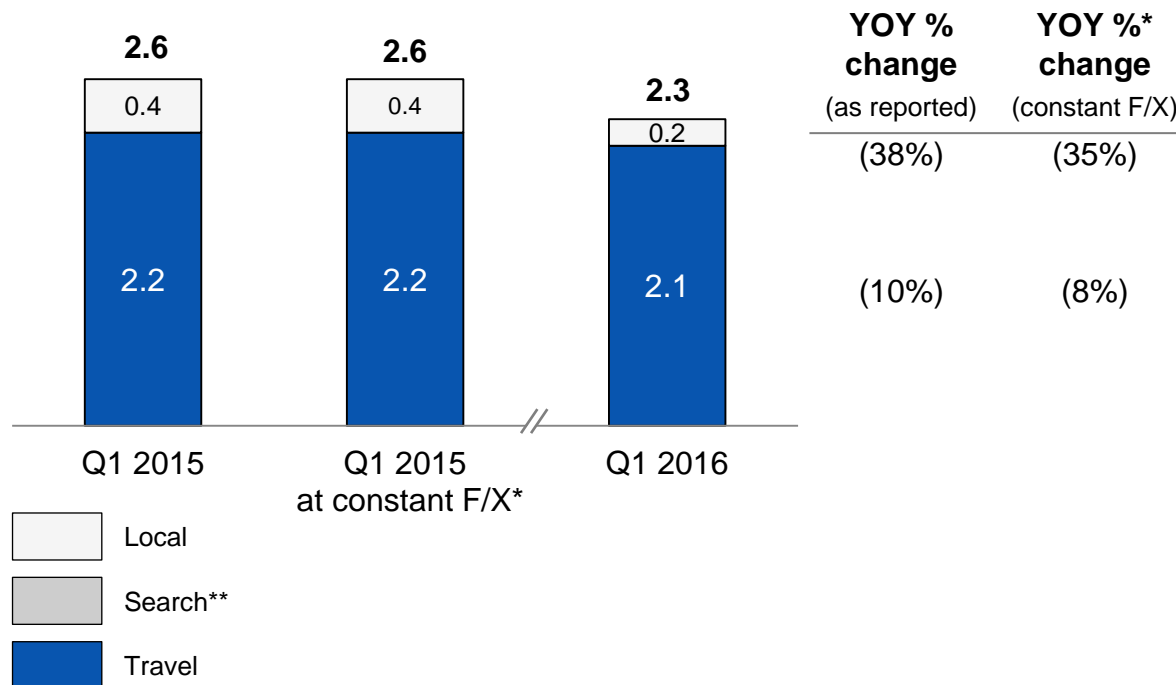
- **Travel** – YOY 0% relatively flat.
- **Search** –YOY 46% decrease driven by reduced traffic acquisition spend.
- **Local** –YOY 11% increase driven by additional voucher sales.

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

Asia Pacific revenue down as we are restructuring our sales operations to become more effective.

Asia Pacific Revenue by Type

\$ millions



Highlights*

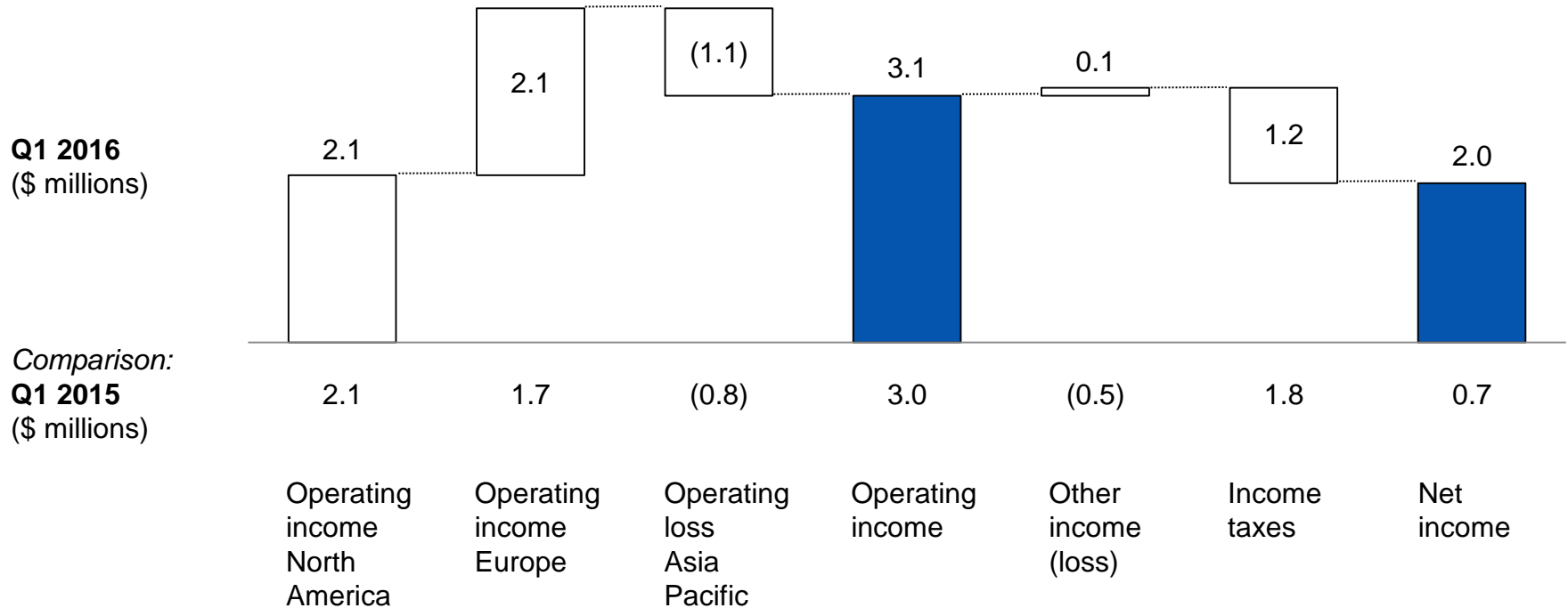
- **Travel** –YOY 8% decrease driven by lower voucher sales from Getaways.
- **Local** –YOY 35% decrease driven by to lower voucher sales from “push” promotions.

* Based on constant F/X rates for Asian currencies

** Asia Pacific has limited Search revenues

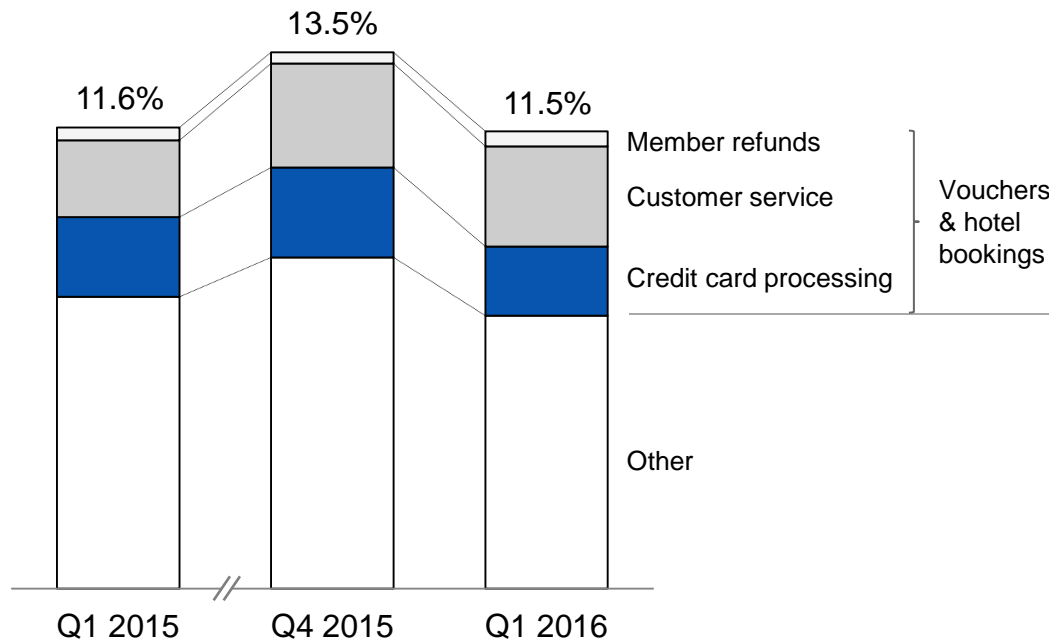
Operating income stable year-over-year despite reduced revenue. Asia Pacific operating loss was up due to increased marketing spend.

Year-Over-Year Comparison

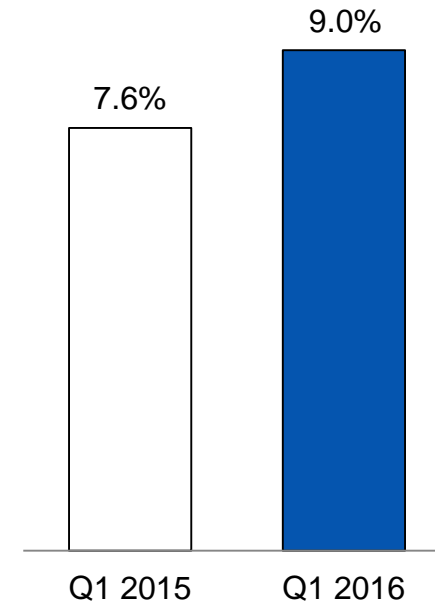


Cost of revenue as a percentage of revenues down sequentially due to lower syndication and voucher sales. Operating margin increased year-over-year.

Cost of Revenue
as percentage of revenue



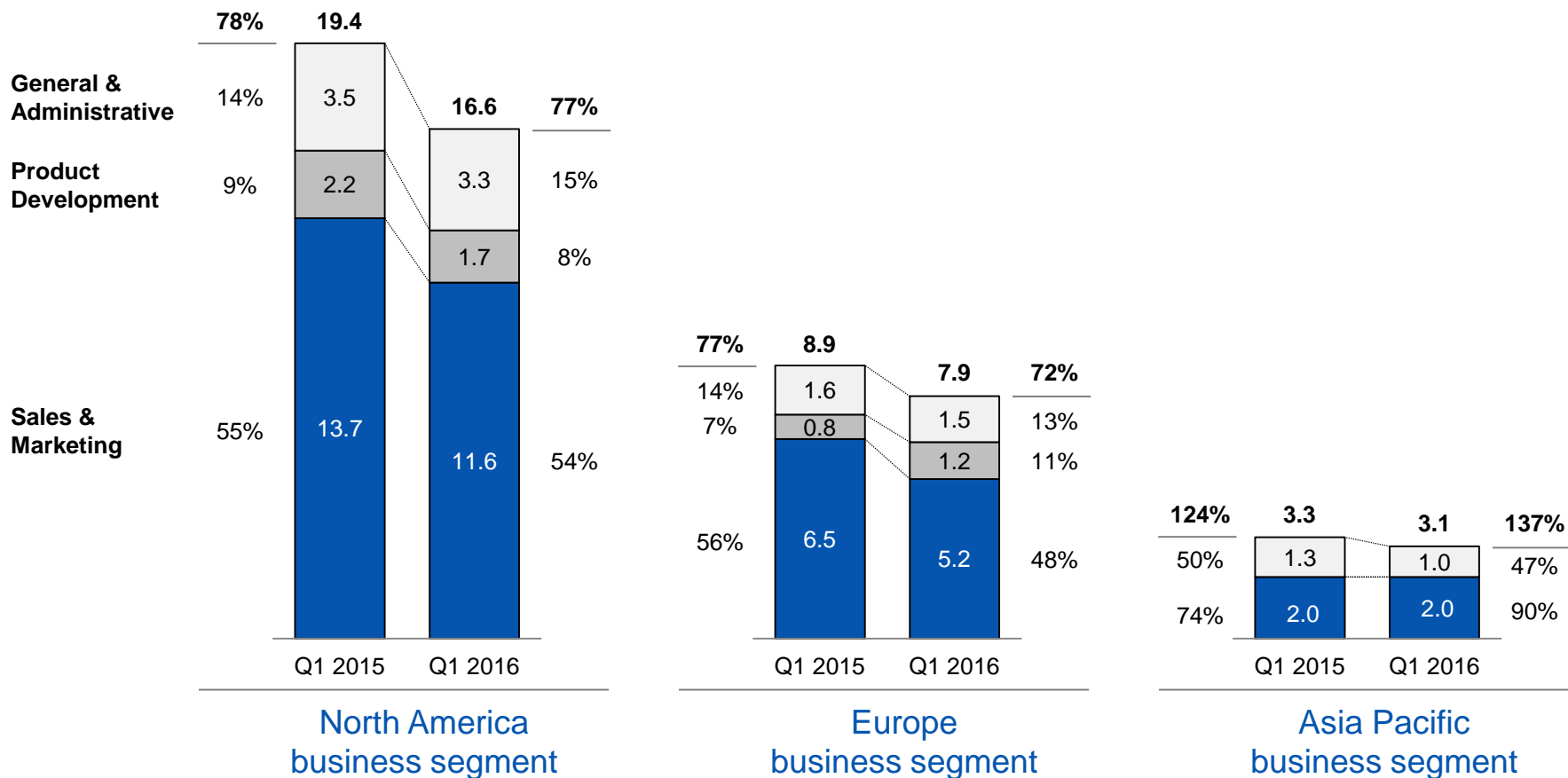
Operating Margin
as percentage of revenue



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

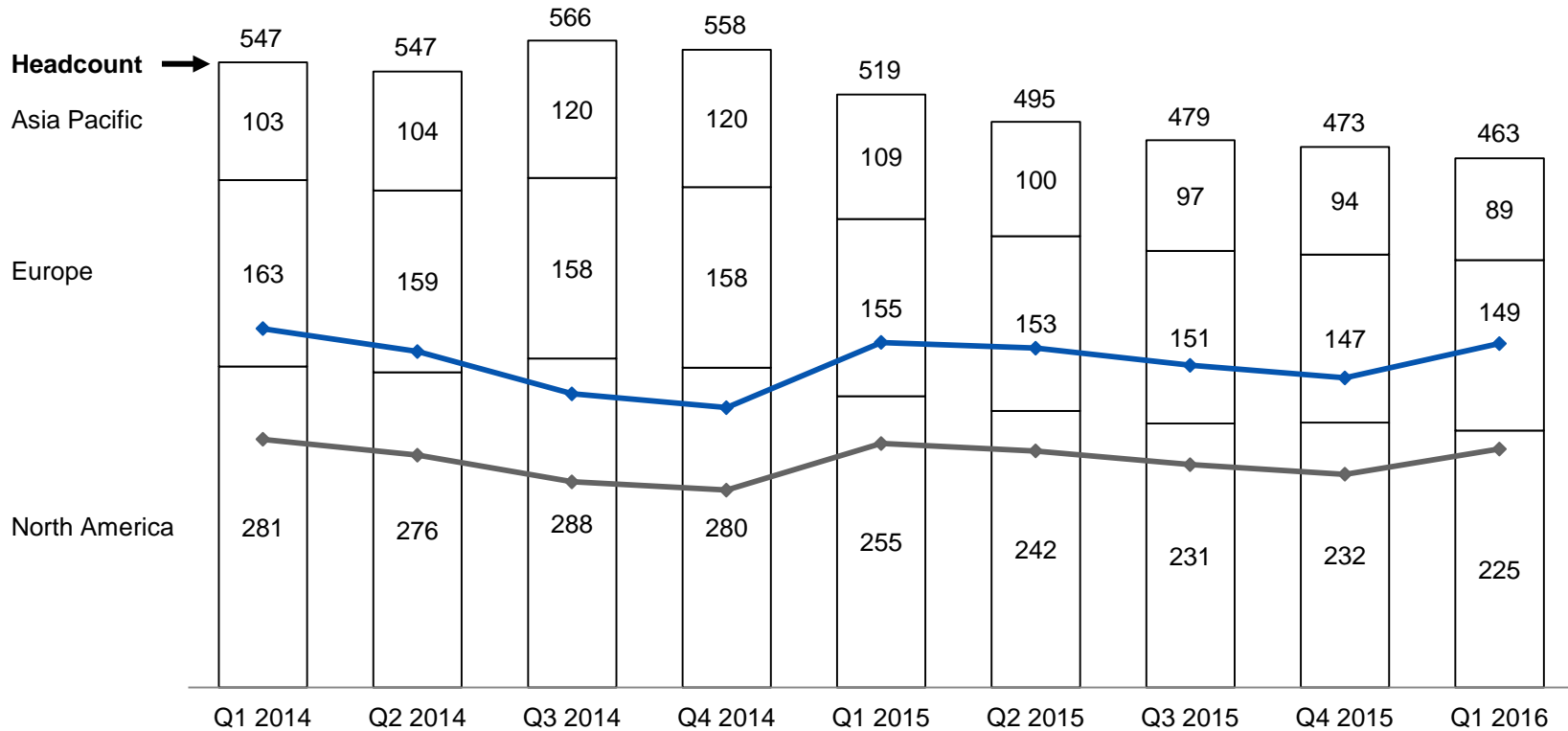
Operating Expenses

\$ millions and as percentage of revenue



Productivity is up sequentially due to seasonality and stable year-over-year.

Headcount and Average Annualized Revenue per Employee



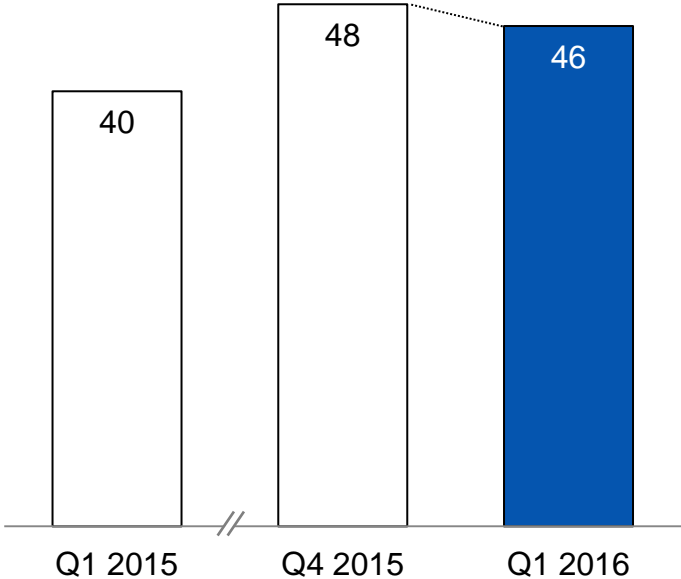
Revenue per employee (\$ thousands)

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Without Asia	\$362	\$339	\$300	\$288	\$356	\$345	\$325	\$311	\$348
With Asia	\$314	\$294	\$257	\$245	\$302	\$297	\$282	\$271	\$301

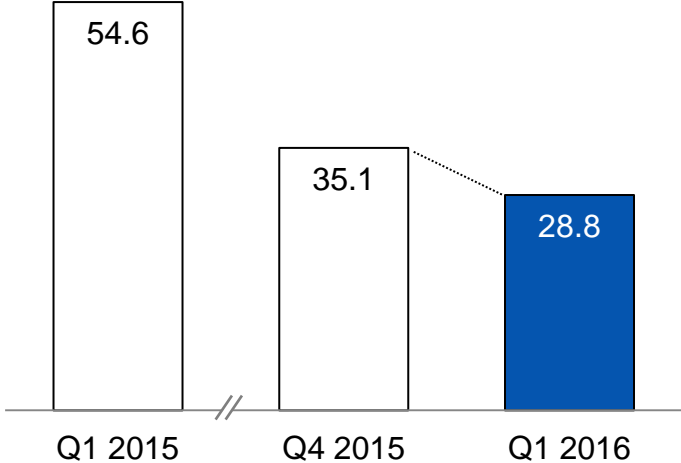
DSO increased year-over-year due to longer collection cycles in Search and Asia Pacific. Cash position solid after paying off loans and repurchasing more stock.

DSO and Cash Balances

DSO (Days Sales Outstanding)
of days



Cash Balance at End of Quarter*
\$ millions



* Includes cash and cash equivalents



First Quarter 2016 Performance Summary

- Majority of revenue declines driven by planned reduction in Search and Local as well as negative F/X.
- Improvements in profitability and operating costs down across all segments given our continued focus on operating smarter.
- Solid cash position after paying off loans and repurchasing more stock.

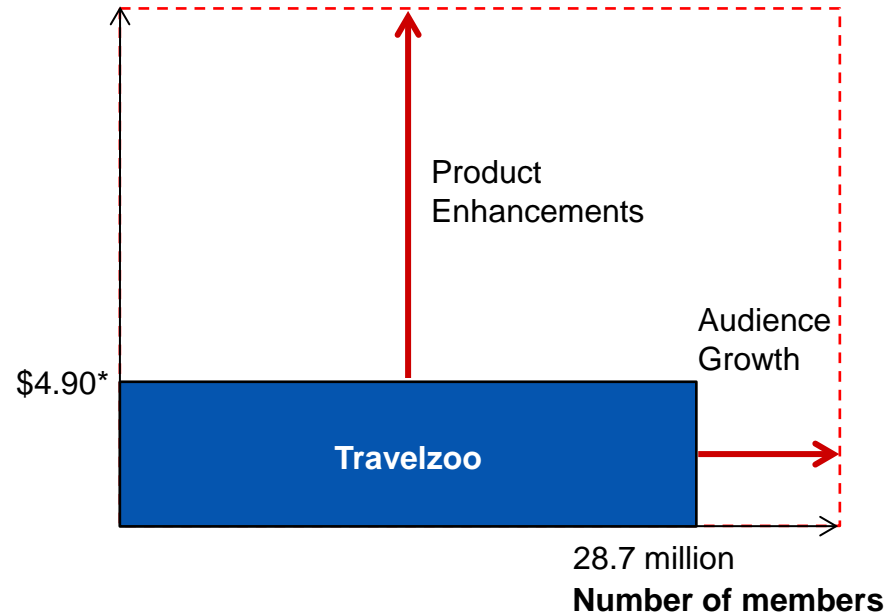
Part 1:
First Quarter 2016 Performance

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 1 million 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

- 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

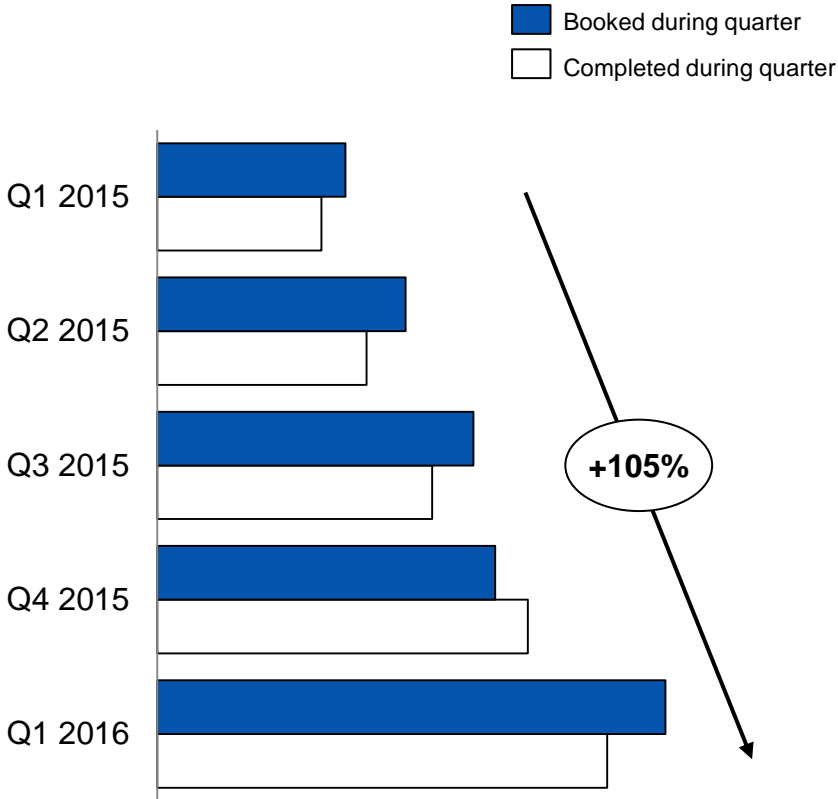
- Enable members and users to find hotel deals and recommendations where and when they need them
- Enhance user experience and hotel relations via the global universal hotel platform

Progress and Outlook

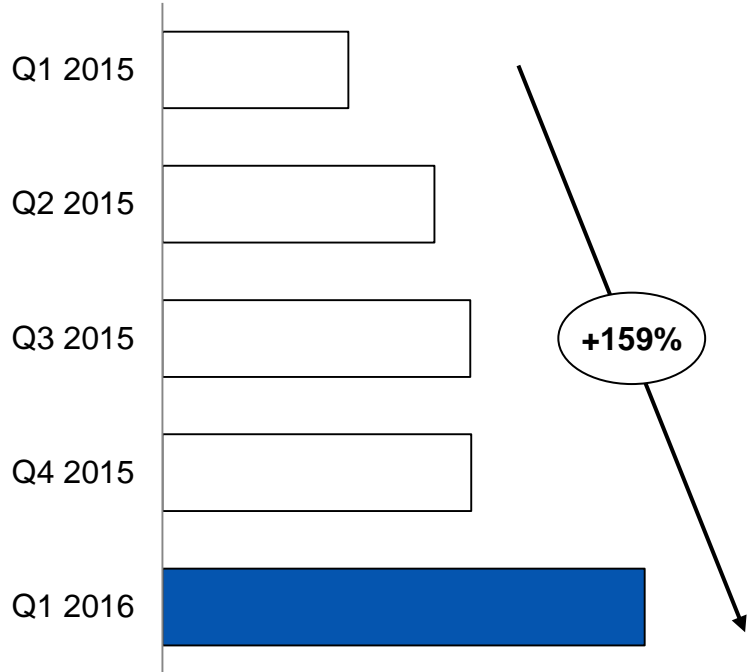
- Hotel search live in U.S., Canada and the UK
- Transactions and conversion rates on the platform continue to increase
- Starting to promote hotel search more heavily to existing and new members

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

Quarterly Bookings on the Hotel Platform



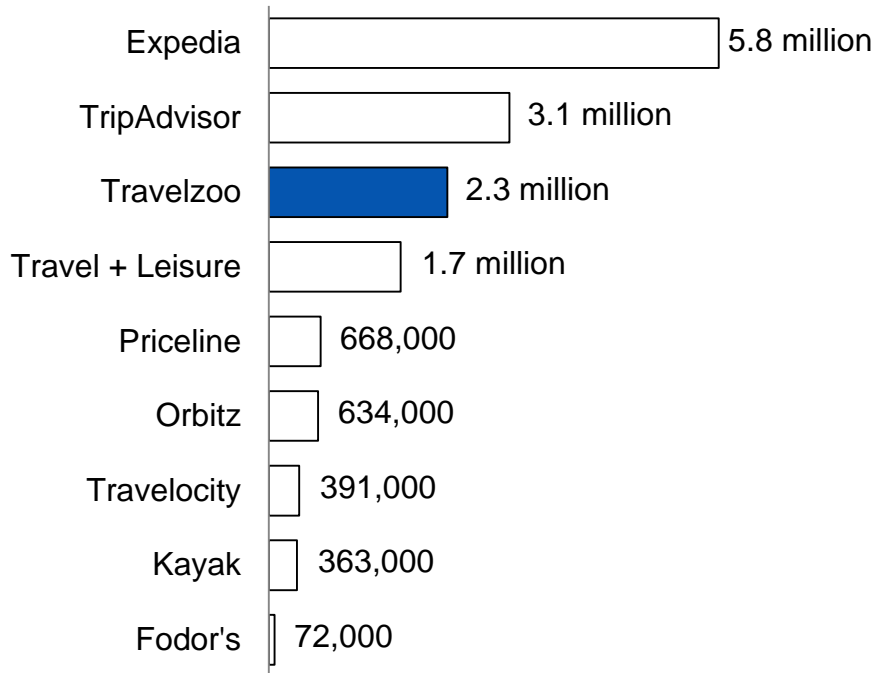
Hotel Search Sessions



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

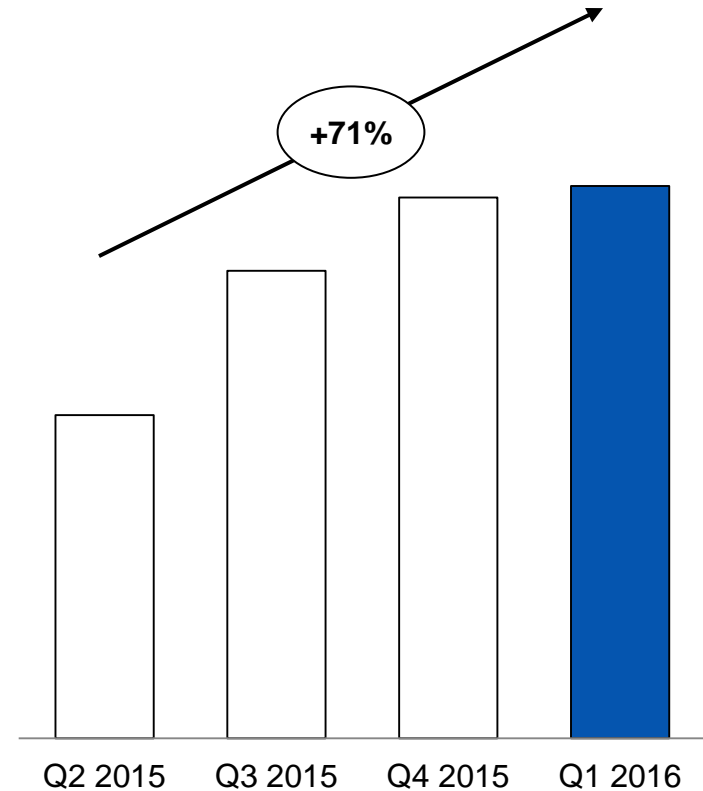
Facebook Audience Compared to Other Travel Brands (as of April 13, 2016)

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

			Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
North America											
Travel			17,265	15,149	13,944	12,747	16,041	14,689	12,986	12,340	14,757
	Q/Q growth rate		16%	-12%	-8%	-9%	26%	-8%	-12%	-5%	20%
	Y/Y growth rate		-1%	-7%	-6%	-15%	-7%	-3%	-7%	-3%	-8%
Search			4,071	4,154	4,216	3,447	4,738	3,900	3,816	2,973	3,638
	Q/Q growth rate		1%	2%	2%	-18%	37%	-18%	-2%	-22%	22%
	Y/Y growth rate		-30%	-33%	-23%	-14%	16%	-6%	-9%	-14%	-23%
Local			5,267	6,080	4,763	5,089	4,157	5,232	3,891	4,141	3,257
	Q/Q growth rate		-23%	15%	-22%	7%	-18%	26%	-26%	6%	-21%
	Y/Y growth rate		-22%	-22%	-22%	-25%	-21%	-14%	-18%	-19%	-22%
Total North America Revenues			26,602	25,383	22,922	21,283	24,935	23,820	20,693	19,454	21,652
	Q/Q growth rate		3%	-5%	-10%	-7%	17%	-4%	-13%	-6%	11%
	Y/Y growth rate		-11%	-16%	-13%	-17%	-6%	-6%	-10%	-9%	-13%
Europe											
Travel			10,590	8,850	8,473	7,933	9,449	8,154	8,191	7,810	9,006
	Q/Q growth rate		22%	-16%	-4%	-6%	19%	-14%	0%	-5%	15%
	Y/Y growth rate		15%	9%	4%	-9%	-11%	-8%	-3%	-2%	-5%
Search			1,352	798	455	405	640	698	725	332	333
	Q/Q growth rate		78%	-41%	-43%	-11%	58%	9%	4%	-54%	0%
	Y/Y growth rate		40%	-18%	-46%	-47%	-53%	-12%	59%	-18%	-48%
Local			1,673	1,887	1,668	1,891	1,473	1,406	1,402	1,852	1,551
	Q/Q growth rate		-27%	13%	-12%	13%	-22%	-5%	0%	32%	-16%
	Y/Y growth rate		-22%	8%	-13%	-17%	-12%	-25%	-16%	-2%	5%
Total Europe Revenues			13,615	11,535	10,595	10,230	11,562	10,259	10,317	9,994	10,891
	Q/Q growth rate		16%	-15%	-8%	-3%	13%	-11%	1%	-3%	9%
	Y/Y growth rate		11%	4%	-3%	-13%	-15%	-11%	-3%	-2%	-6%
Asia											
Travel			2,343	2,251	2,322	2,392	2,259	2,345	2,425	2,326	2,028
	Q/Q growth rate		-5%	-4%	3%	3%	-6%	4%	3%	-4%	-13%
	Y/Y growth rate		-4%	-11%	-2%	-3%	-4%	4%	4%	-3%	-10%
Search			30	34	25	12	11	16	3	4	5
	Q/Q growth rate		5%	14%	-27%	-51%	-5%	38%	-78%	6%	41%
	Y/Y growth rate		-51%	-61%	-56%	-58%	-62%	-53%	-86%	-70%	-55%
Local			454	397	443	374	377	353	289	274	228
	Q/Q growth rate		-18%	-12%	11%	-16%	1%	-6%	-18%	-5%	-17%
	Y/Y growth rate		4%	-28%	-14%	-32%	-17%	-11%	-35%	-27%	-40%
Total Asia Revenues			2,826	2,681	2,790	2,778	2,648	2,713	2,718	2,604	2,261
	Q/Q growth rate		-7%	-5%	4%	0%	-5%	2%	0%	-4%	-13%
	Y/Y growth rate		-4%	-15%	-5%	-9%	-6%	1%	-3%	-6%	-15%
Consolidated											
Travel			30,198	26,250	24,739	23,072	27,749	25,187	23,601	22,476	25,791
	Q/Q growth rate		16%	-13%	-6%	-7%	20%	-9%	-6%	-5%	15%
	Y/Y growth rate		4%	-3%	-2%	-12%	-8%	-4%	-5%	-3%	-7%
Search			5,453	4,985	4,695	3,864	5,389	4,614	4,545	3,309	3,977
	Q/Q growth rate		13%	-9%	-6%	-18%	39%	-14%	-1%	-27%	20%
	Y/Y growth rate		-20%	-31%	-26%	-20%	-1%	-7%	-3%	-14%	-26%
Local			7,393	8,364	6,873	7,354	6,007	6,991	5,582	6,267	5,036
	Q/Q growth rate		-23%	13%	-18%	7%	-18%	16%	-20%	12%	-20%
	Y/Y growth rate		-20%	-20%	-19%	-24%	-19%	-16%	-19%	-15%	-16%
Total Consolidated Revenues			43,043	39,599	36,307	34,291	39,145	36,792	33,728	32,052	34,804
	Q/Q growth rate		6%	-8%	-8%	-6%	14%	-6%	-8%	-5%	9%
	Y/Y growth rate		-5%	-11%	-10%	-15%	-9%	-7%	-7%	-7%	-11%

(1) Travel includes travel publications (Top 20, Website, Newflash, Network), Getaway vouchers and Hotel Booking
(2) Search includes SuperSearch and Fly.com
(3) Local includes Local Deals vouchers and Entertainment non-vouchers