

TRAVELZOO

FORM 8-K (Current report filing)

Filed 04/25/18 for the Period Ending 04/25/18

| | |
|-------------|---|
| Address | 590 MADISON AVENUE 37TH FLOOR NEW YORK, NY, 10022 |
| Telephone | 2124844900 |
| CIK | 0001133311 |
| Symbol | TZOO |
| SIC Code | 7373 - Services-Computer Integrated Systems Design |
| Industry | Leisure & Recreation |
| Sector | Consumer Cyclical |
| Fiscal Year | 12/31 |

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

CURRENT REPORT

**Pursuant To Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 25, 2018

Travelzoo

(Exact name of registrant as specified in its charter)

Delaware
(State or Other
Jurisdiction of
Incorporation)

000-50171
(**Commission**
File Number)

36-4415727
(I.R.S. Employer
Identification No.)

590 Madison Avenue, 37th Floor
New York, New York
(Address of principal executive offices)

10022
(Zip Code)

Registrant's telephone number, including area code (212) 484-4900
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On April 25, 2018 , Travelzoo (the "Company") reported its first quarter 2018 financial results. A copy of the Company's press release containing this information is being furnished as Exhibit 99.1 to this report on Form 8-K and is incorporated herein by reference.

The information furnished pursuant to Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

- (d) Exhibits. See Exhibit Index
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRAVELZOO

Date: April 25, 2018

By: /s/ Glen Ceremony

Glen Ceremony
Chief Financial Officer

EXHIBIT INDEX

| Exhibit | Description |
|----------------------|--------------------------------------|
| 99.1 | Press Release, dated April 25, 2018. |



Travelzoo
590 Madison Avenue
37th Floor
New York, NY 10022

Investor Relations:
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FOR IMMEDIATE RELEASE

Travelzoo Reports First Quarter 2018 Results

NEW YORK, April 25, 2018 — Travelzoo® (NASDAQ: TZOO):

- Revenue of \$30.9 million, up 9% year-over-year
- Operating profit of \$3.7 million
- Earnings per share (EPS) of \$0.20
- Cash flow from operations of \$179,000

Travelzoo, a global publisher of exclusive offers and experiences for members, today announced financial results for the first quarter ended March 31, 2018, with revenue of \$30.9 million and operating profit of \$3.7 million. In nominal terms, revenue increased by 9% year-over-year. In constant currencies, revenue increased by 4% year-over-year. Net income was \$2.5 million, with EPS from continuing operations of \$0.20, up from \$0.07 in the prior-year period.

"Revenue growth accelerated in all three regions, leading to much stronger earnings," said Dr. Holger Bartel, Travelzoo's Global CEO. "With the travel and tourism industry worldwide showing steady growth, we like to leverage Travelzoo's global reach and trusted brand to further improve earnings in future periods."

Asia Pacific

Asia Pacific business segment revenue increased 12% year-over-year to \$2.0 million. In constant currencies, revenue increased 4% year-over-year. Operating loss for the first quarter was \$1.7 million, compared to an operating loss of \$1.5 million in the prior-year period.

Europe

Europe business segment revenue increased 13% year-over-year to \$10.3 million. In constant currencies, revenue was flat year-over-year. Operating profit for the first quarter was \$2.0 million, or 19% of revenue, compared to an operating profit of \$949,000, or 10% of revenue in the prior-year period.

North America

North America business segment revenue increased 6% year-over-year to \$18.6 million. Operating profit for the first quarter was \$3.4 million, or 18% of revenue, compared to an operating profit of \$2.7 million, or 15% of revenue in the prior-year period.

Members

As of March 31, 2018, Travelzoo had a worldwide unduplicated number of members of 29.7 million. In Asia Pacific, unduplicated number of members was 3.6 million as of March 31, 2018, consistent with March 31, 2017. In Europe, unduplicated number of members was 8.7 million as of March 31, 2018, up 5% from March 31, 2017. In North America, unduplicated number of members was 17.5 million as of March 31, 2018, up 1% from March 31, 2017.

Income Taxes

Income tax expense was \$1.3 million, compared to a \$1.2 million income tax expense in the prior-year period.

Asset Management

During the first quarter of 2018, Travelzoo generated \$179,000 of cash from operating activities. Accounts receivable decreased by \$1.3 million over the prior-year period to \$12.9 million. Accounts payable decreased by \$1.8 million over the prior-year period to \$14.8 million. Capital expenditures were \$65,000, down from \$120,000 in the prior-year period. As of March 31, 2018, cash and cash equivalents were \$22.4 million.

Conference Call

Travelzoo will host a conference call to discuss first quarter results today at 11:00 a.m. ET. 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® provides our 28 million members insider deals and one-of-a-kind experiences personally reviewed by one of our deal experts around the globe. With more than 25 offices worldwide, we have our finger on the pulse of outstanding travel, entertainment, and lifestyle experiences. For over 15 years we have worked in partnership with more than 2,000 top travel suppliers—our long-standing relationships give Travelzoo members access to the very best deals.

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.

Travelzoo
Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share amounts)

| | Three months ended | |
|--|---------------------------|-----------------|
| | March 31, | |
| | 2018 | 2017 |
| Net revenues | \$ 30,884 | \$ 28,429 |
| Cost of net revenues | 3,385 | 3,207 |
| Gross profit | 27,499 | 25,222 |
| Operating expenses: | | |
| Sales and marketing | 15,542 | 15,356 |
| Product development | 2,511 | 2,357 |
| General and administrative | 5,789 | 5,447 |
| Total operating expenses | 23,842 | 23,160 |
| Income from continuing operations | 3,657 | 2,062 |
| Other income, net | 161 | 7 |
| Income from continuing operations before income taxes | 3,818 | 2,069 |
| Income tax expense | 1,316 | 1,209 |
| Income from continuing operations | \$ 2,502 | \$ 860 |
| Income from discontinued operations including gain on sale of Fly.com domain name, net of income taxes | — | 1,884 |
| Net income | <u>\$ 2,502</u> | <u>\$ 2,744</u> |
| Income per share—basic: | | |
| Continuing operations | \$ 0.20 | \$ 0.07 |
| Discontinued operations | — | 0.14 |
| Net income per share—basic | <u>\$ 0.20</u> | <u>\$ 0.21</u> |
| Income per share—diluted: | | |
| Continuing operations | \$ 0.20 | \$ 0.07 |
| Discontinued operations | — | 0.14 |
| Net income per share—diluted | <u>\$ 0.20</u> | <u>\$ 0.21</u> |
| Weighted average shares: | | |
| Basic | 12,462 | 13,288 |
| Diluted | 12,462 | 13,288 |

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

| | March 31, 2018 | December 31, 2017 |
|---|-------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 22,394 | \$ 22,553 |
| Accounts receivable, net | 12,898 | 11,769 |
| Income taxes receivable | 89 | 517 |
| Deposits | 174 | 259 |
| Prepaid expenses and other | 2,189 | 2,141 |
| Total current assets | 37,744 | 37,239 |
| Deposits and other | 637 | 548 |
| Deferred tax assets | 1,437 | 1,516 |
| Restricted cash | 2,177 | 1,448 |
| Property and equipment, net | 4,641 | 4,921 |
| Total assets | \$ 46,636 | \$ 45,672 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 14,817 | \$ 19,105 |
| Accrued expenses and other | 9,688 | 8,702 |
| Deferred revenue | 931 | 825 |
| Income tax payable | 1,202 | 961 |
| Total current liabilities | 26,638 | 29,593 |
| Long-term tax liabilities | 380 | 373 |
| Long-term deferred rent and other | 2,734 | 2,628 |
| Total liabilities | 29,752 | 32,594 |
| Common stock | 125 | 125 |
| Additional paid-in capital | 173 | — |
| Accumulated other comprehensive loss | (3,780) | (3,597) |
| Retained earnings | 20,366 | 16,550 |
| Total stockholders' equity | 16,884 | 13,078 |
| Total liabilities and stockholders' equity | \$ 46,636 | \$ 45,672 |

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

| | Three months ended | |
|---|--------------------|-----------|
| | March 31, | |
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$ 2,502 | \$ 2,744 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 384 | 579 |
| Discontinued operations gain on sale of Fly.com domain name | — | (2,890) |
| Deferred income taxes | (110) | (36) |
| Stock-based compensation | 173 | 240 |
| Provision for losses on accounts receivable | (83) | 7 |
| Net foreign currency effects | (171) | (89) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (997) | 287 |
| Income tax receivable | 428 | 544 |
| Prepaid expenses and other | (10) | (86) |
| Accounts payable | (3,185) | (3,263) |
| Accrued expenses and other | 1,024 | 990 |
| Income tax payable | 217 | 1,466 |
| Other non-current liabilities | 7 | 62 |
| Net cash provided by operating activities | 179 | 555 |
| Cash flows from investing activities: | | |
| Proceeds from sale of Fly.com domain name | — | 2,890 |
| Purchases of property and equipment | (65) | (120) |
| Net cash provided by (used in) investing activities | (65) | 2,770 |
| Cash flows from financing activities: | | |
| Repurchase of common stock, net | — | (1,762) |
| Net cash used in financing activities | — | (1,762) |
| Effect of exchange rate on cash and cash equivalents | 456 | 171 |
| Net increase in cash and cash equivalents | 570 | 1,734 |
| Cash, cash equivalents and restricted cash at beginning of period | 24,001 | 28,236 |
| Cash, cash equivalents and restricted cash at end of period | \$ 24,571 | \$ 29,970 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for income taxes, net | \$ 779 | \$ 310 |

**Travelzoo
Segment Information
(Unaudited)
(In thousands)**

| Three months ended March 31, 2018 | Asia Pacific | Europe | North America | Consolidated |
|--|---------------------|---------------|--------------------------|---------------------|
| Revenue from unaffiliated customers | \$ 2,042 | \$ 10,332 | \$ 18,510 | \$ 30,884 |
| Intersegment revenue | (20) | (52) | 72 | — |
| Total net revenues | 2,022 | 10,280 | 18,582 | 30,884 |
| Operating income (loss) | \$ (1,740) | \$ 1,966 | \$ 3,431 | \$ 3,657 |

| Three months ended March 31, 2017 | Asia Pacific | Europe | North America | Consolidated |
|--|---------------------|---------------|--------------------------|---------------------|
| Revenue from unaffiliated customers | \$ 1,844 | \$ 9,218 | \$ 17,367 | \$ 28,429 |
| Intersegment revenue | (31) | (147) | 178 | — |
| Total net revenues | 1,813 | 9,071 | 17,545 | 28,429 |
| Operating income (loss) | \$ (1,541) | \$ 949 | \$ 2,654 | \$ 2,062 |

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