

Travelzoo Inc. Fourth Quarter 2009 Performance and Growth Strategy Overview

February 3, 2010

IMPORTANT NOTICE

Please read this management presentation together with the Company's press release issued earlier today announcing the Company's fourth quarter 2009 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 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 2009 Financial Performance**
- Part 2:
Growth Strategy Overview

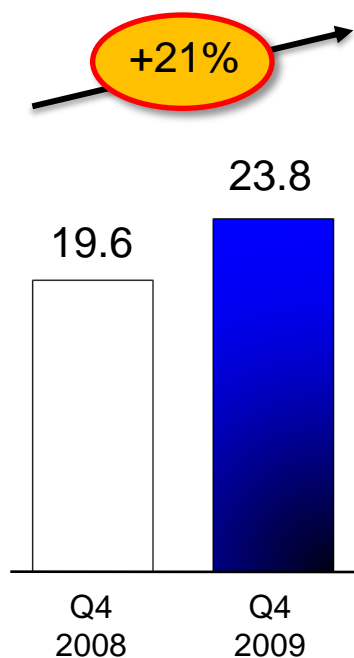


In a challenging economy, Travelzoo continued solid growth in revenues and operating income during Q4 2009.

Q4 2009 FINANCIAL PERFORMANCE

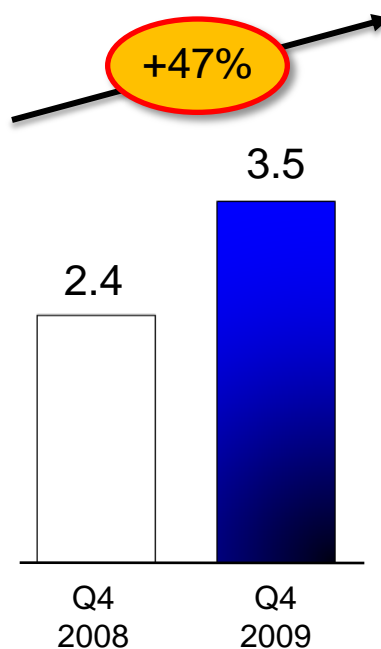
Revenues

(continuing operations)
\$ millions



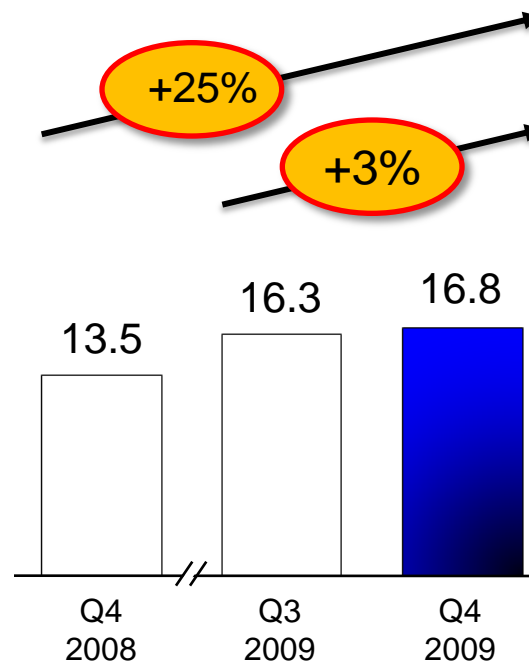
Operating Income

(continuing operations)
\$ millions



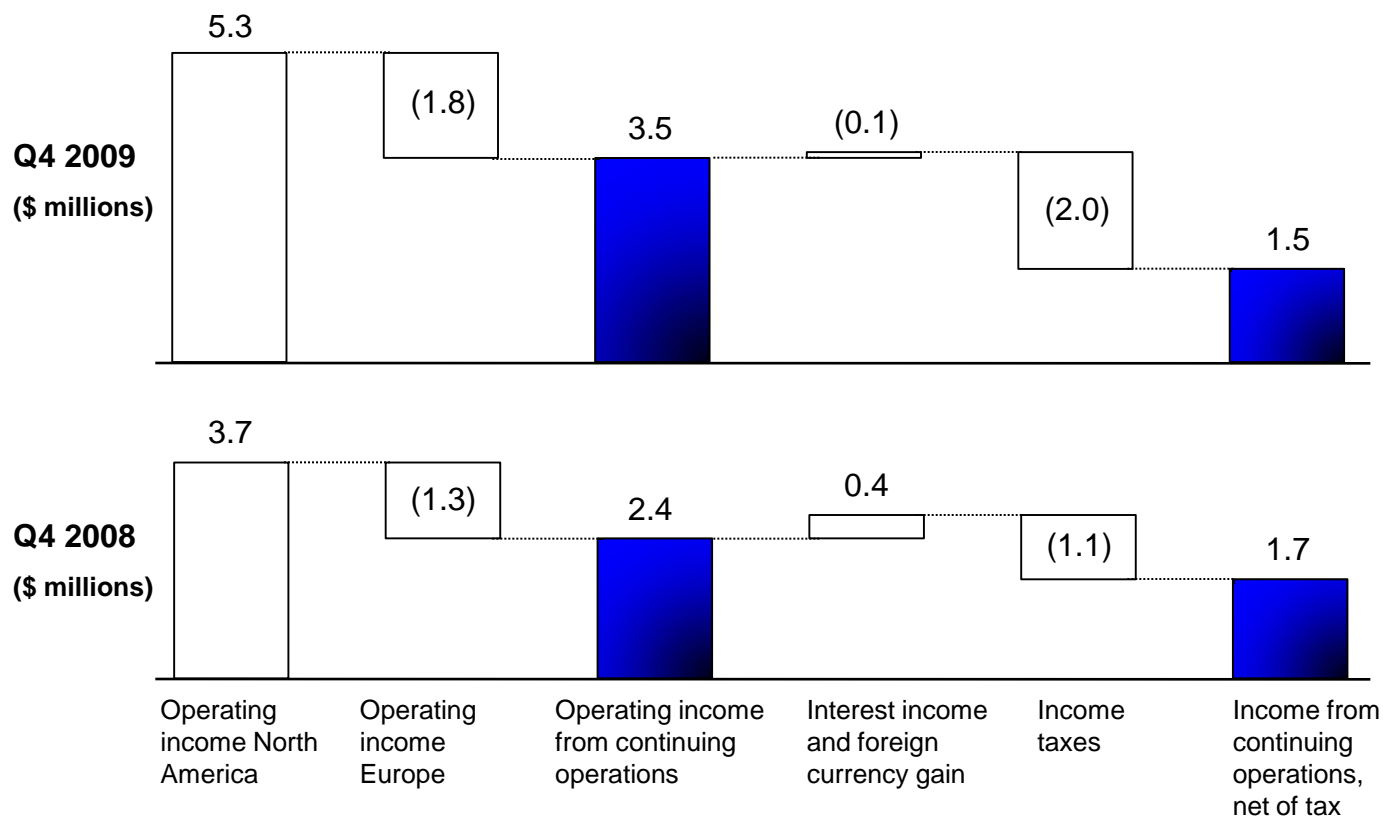
Subscribers

(continuing operations)
Millions



While operating income increased 47% year-over-year, earnings per share decreased due to lower foreign currency gains and a higher effective tax rate.

YEAR-OVER-YEAR COMPARISONS OF Q4 INCOME



- Effective income tax rate of 56%
- FX loss of \$94,000
- EPS \$0.09*

- Effective income tax rate of 39%
- FX gain of \$424,000
- EPS \$0.11*

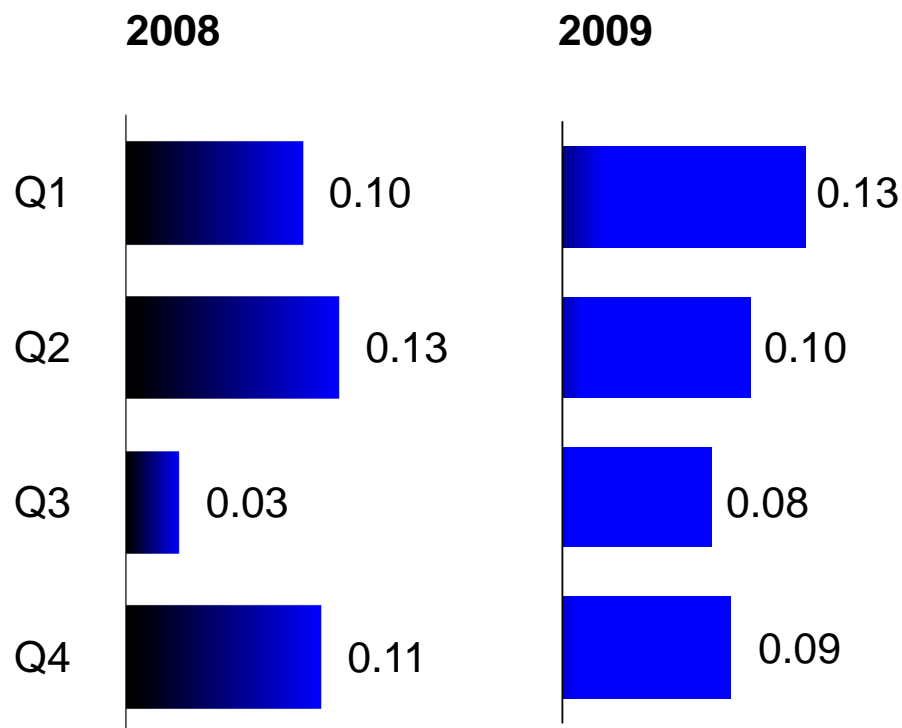
* Fully diluted net income per share from continuing operations
 Note: Numbers don't precisely match due to rounding

The sale of our Asia Pacific assets was completed during the quarter, and the business segment was treated as discontinued operations.

EPS FROM CONTINUING OPERATIONS

\$ per share

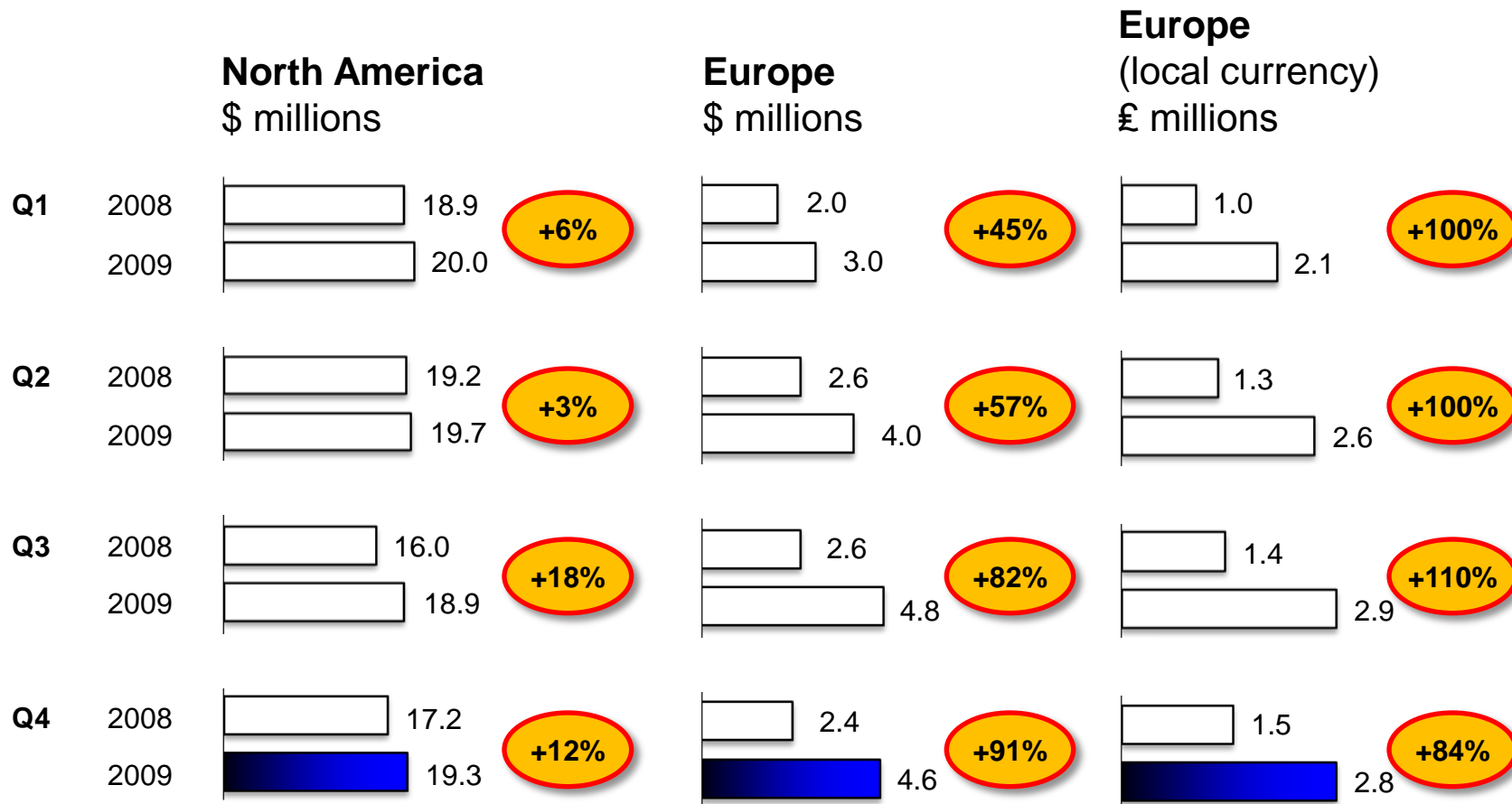
- Sale of Asia Pacific completed on October 31.
- Asia Pacific business segment treated as discontinued operations
- 2008 EPS from continuing operations: \$0.37, compared to previously reported loss of \$(0.29) per share





Solid year-over-year revenue growth continued. North America and Europe combined achieved record revenues.

QUARTERLY REVENUES BY SEGMENT



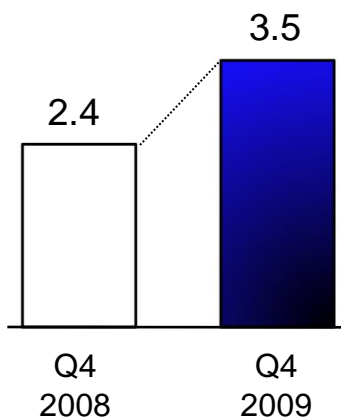


Operating income increased in spite of significantly higher spending on subscriber acquisition and continuing investments into Fly.com.

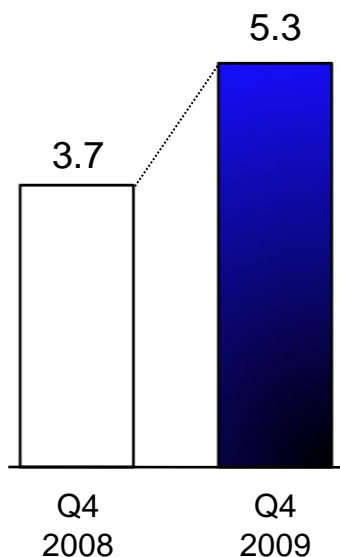
Q4 OPERATING INCOME – 2009 VS. 2008

\$ millions

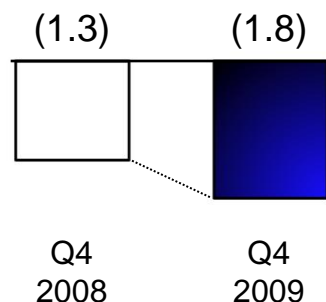
Total*



North America



Europe



Increased investment levels in Q4 2009:

- Subscriber acquisition up by **\$0.9 million** versus Q4 2008
- Fly.com added over **\$1.5 million** in expenses, compared to Q4 2008

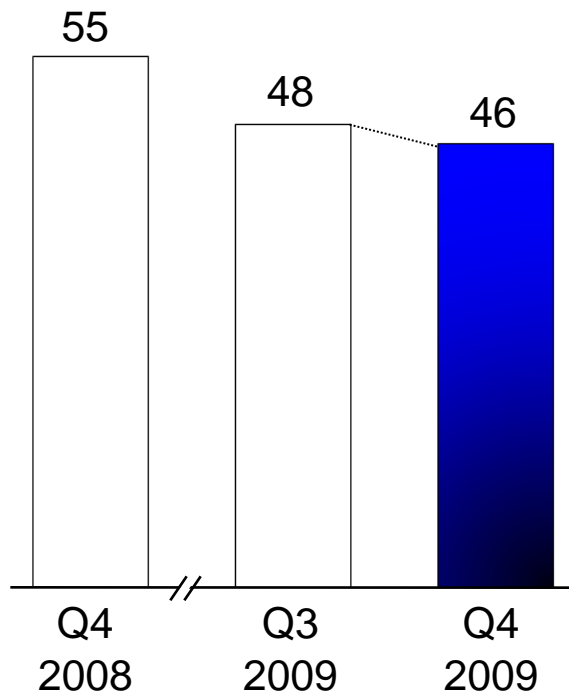
* From continuing operations

Cash management during Q4 2009 improved versus last year and the previous quarter.

DSO AND CASH BALANCES

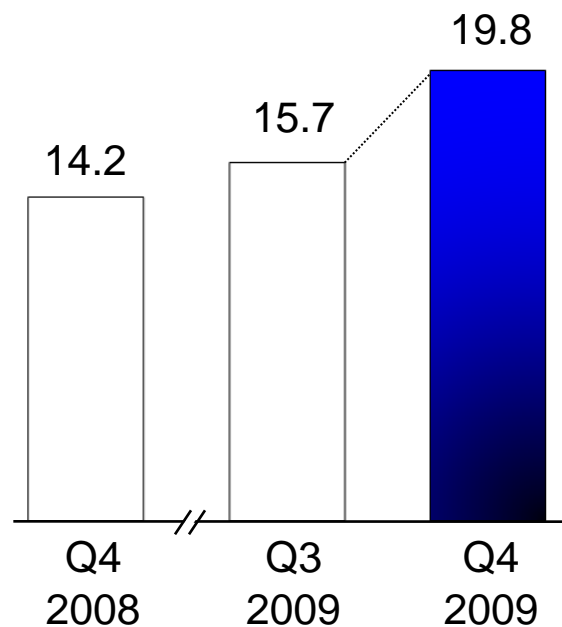
DSO (Days Sales Outstanding)

of days



Cash Balance at End of Quarter*

\$ millions

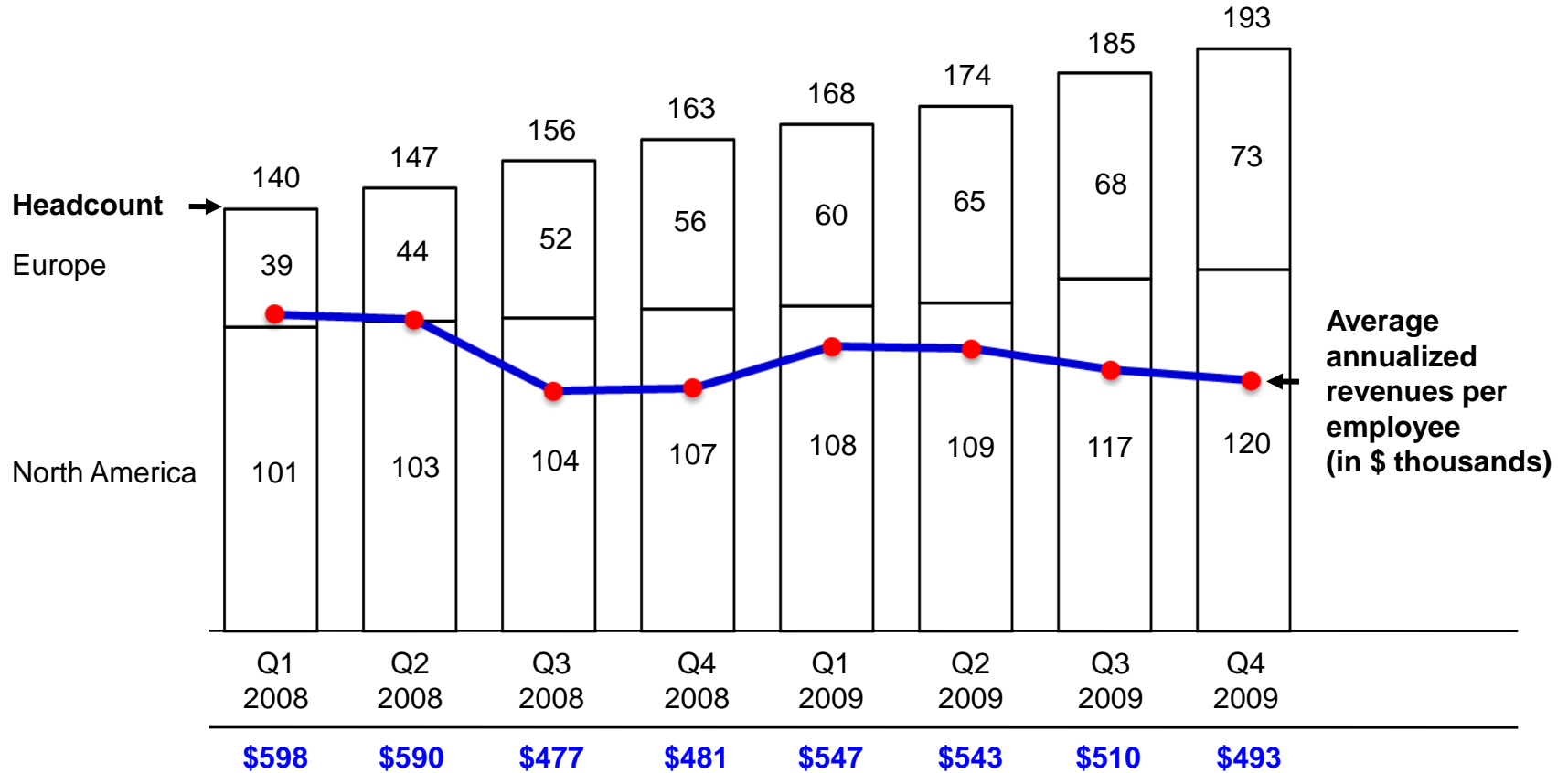


* Includes cash and cash equivalents



While headcount has increased, productivity has remained relatively stable.

HEADCOUNT AND AVERAGE ANNUALIZED REVENUE PER EMPLOYEE*



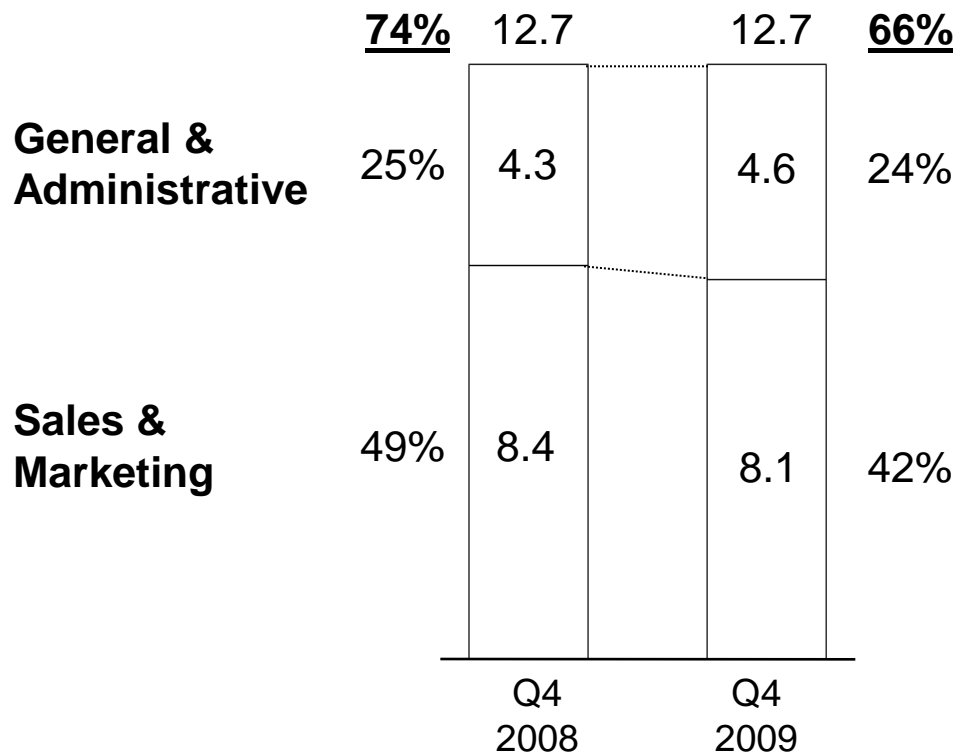
* Continuing operations only



Operating expenses in North America remained flat. As a percentage of revenue, they decreased from 74% to 66%.

OPERATING EXPENSES – NORTH AMERICA DIVISION

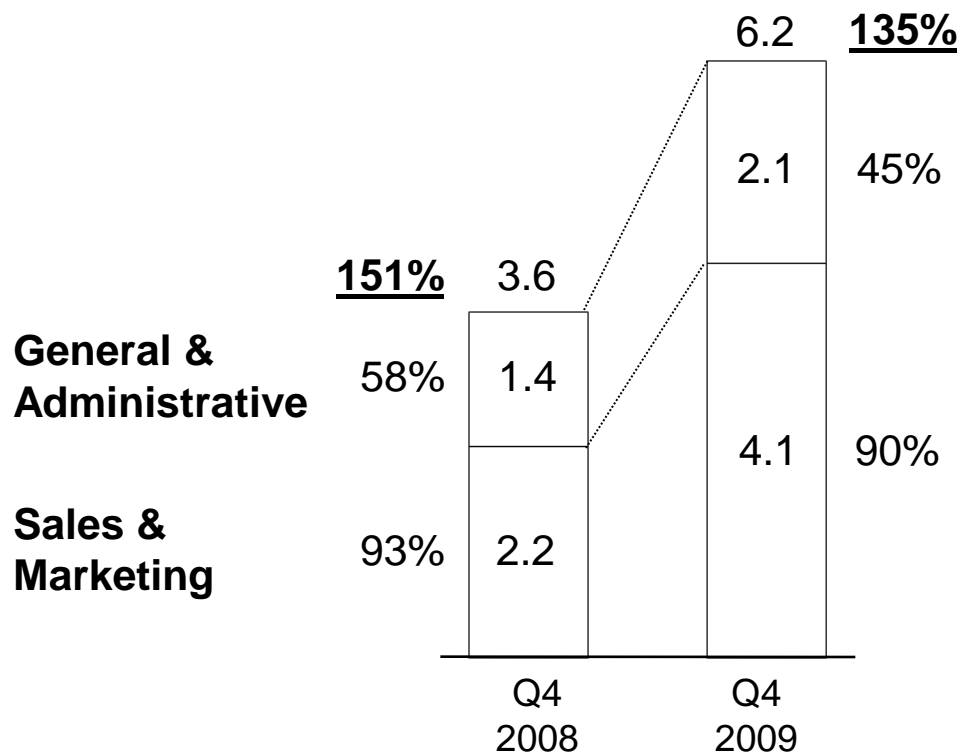
\$ millions and as percentage of revenues



In Europe, operating expenses as a percentage of revenues declined from 151% to 135% in spite of increased spend on subscriber acquisition.

OPERATING EXPENSES – EUROPE DIVISION

\$ millions and as percentage of revenues



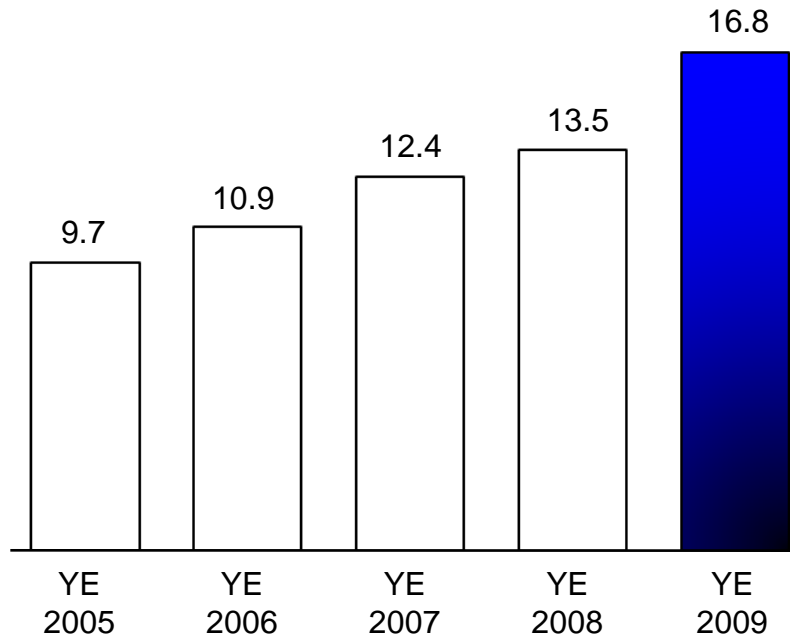
Major reasons for Y/Y increase in operating expenses

	Impact
• Increased subscriber acquisition	\$1.2 million
• Increased salary and employee expenses	\$0.6 million
• Investment in Fly.com	\$0.5 million

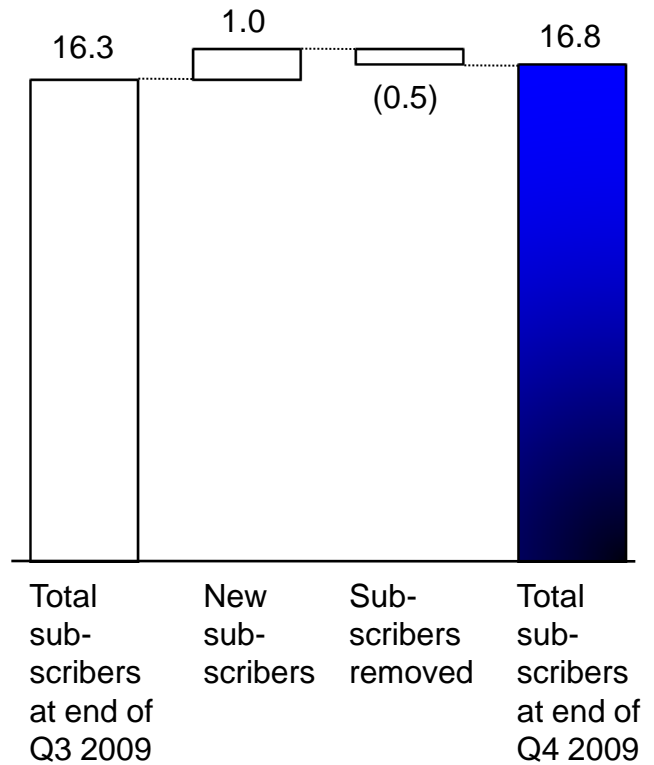


During Q4 2009 we continued our aggressive subscriber acquisition. We see audience growth as an investment into future revenues & profits.

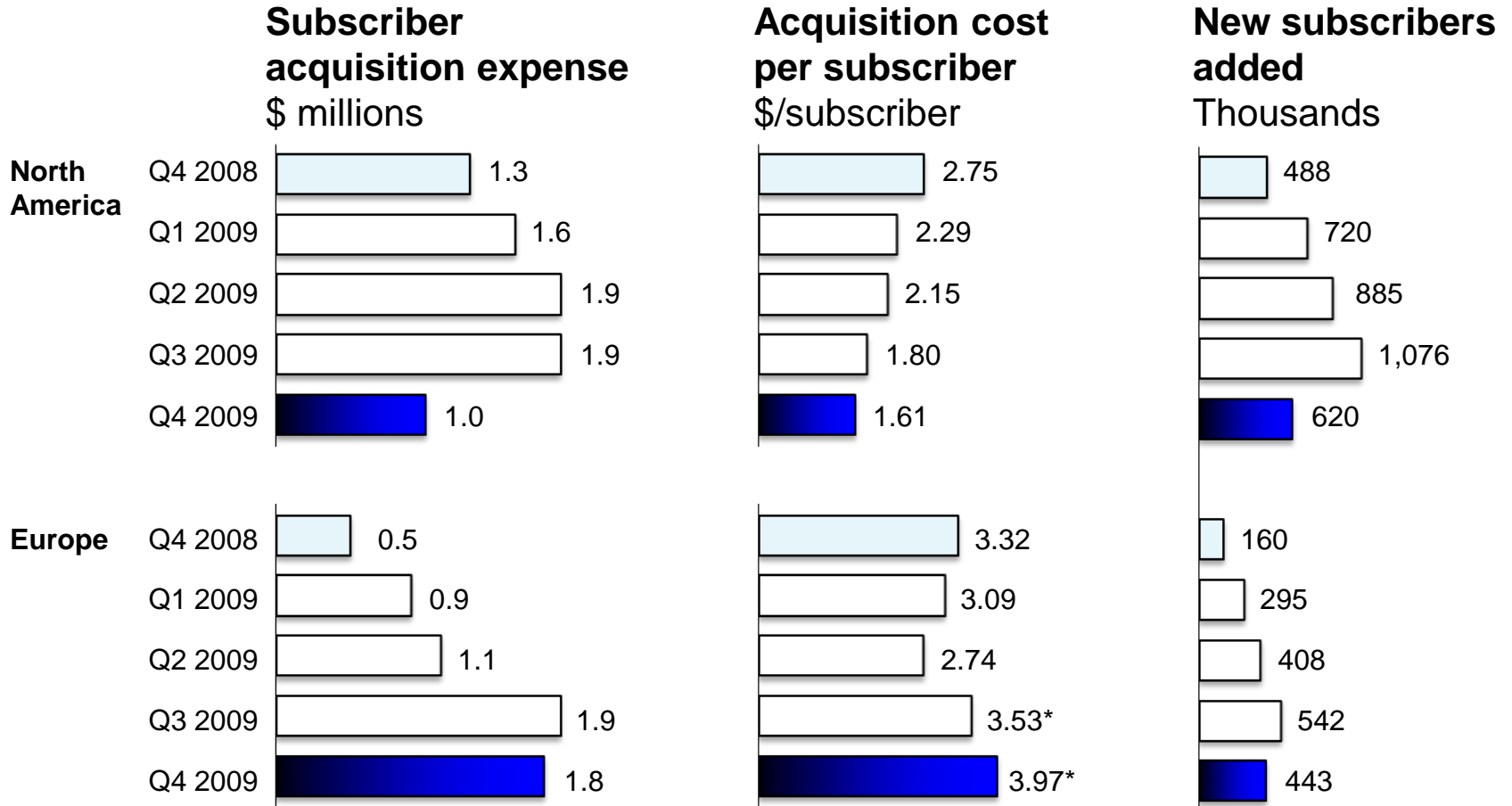
Subscribers to Travelzoo publications in North America & Europe
Millions



Quarter-over-quarter comparison: Q4 09 vs. Q3 09
Millions



Improved execution helped us drive down acquisition costs for new subscribers significantly year-over-year. In Europe, average cost per acquisition increased due to a stronger focus on Germany.



* Note: In Q3 and Q4 2009 subscriber acquisition in Europe continued to focus on Germany, where acquisition costs are higher.

- Part 1:
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Growth Strategy Overview**

Our North America business continued its growth at 12% year-over-year, while improving operating margin by 7 basis points.

NORTH AMERICA: REVENUES, OPERATING PROFIT & MARGIN

\$ millions, percent

North America publications

- Solid Q4 with 17% revenue growth year-over-year

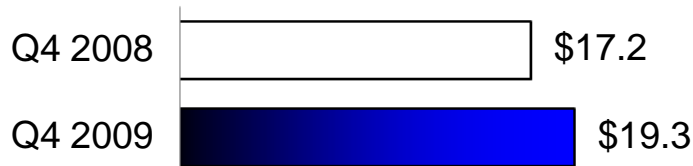
SuperSearch

- Q4 seasonally weak quarter for search
- Elimination of booking fees in 2009 impacted revenues and profitability negatively versus 2008

Fly.com

- Launched in February 2009
- Still incurring significant losses due to investments into product and marketing

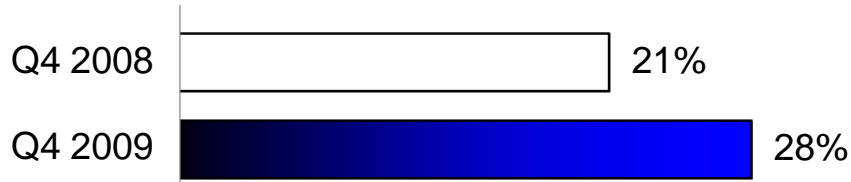
Segment revenues



Segment operating profit



Segment operating margin



Our growth strategy is built on three pillars that include both geographical and product expansion.

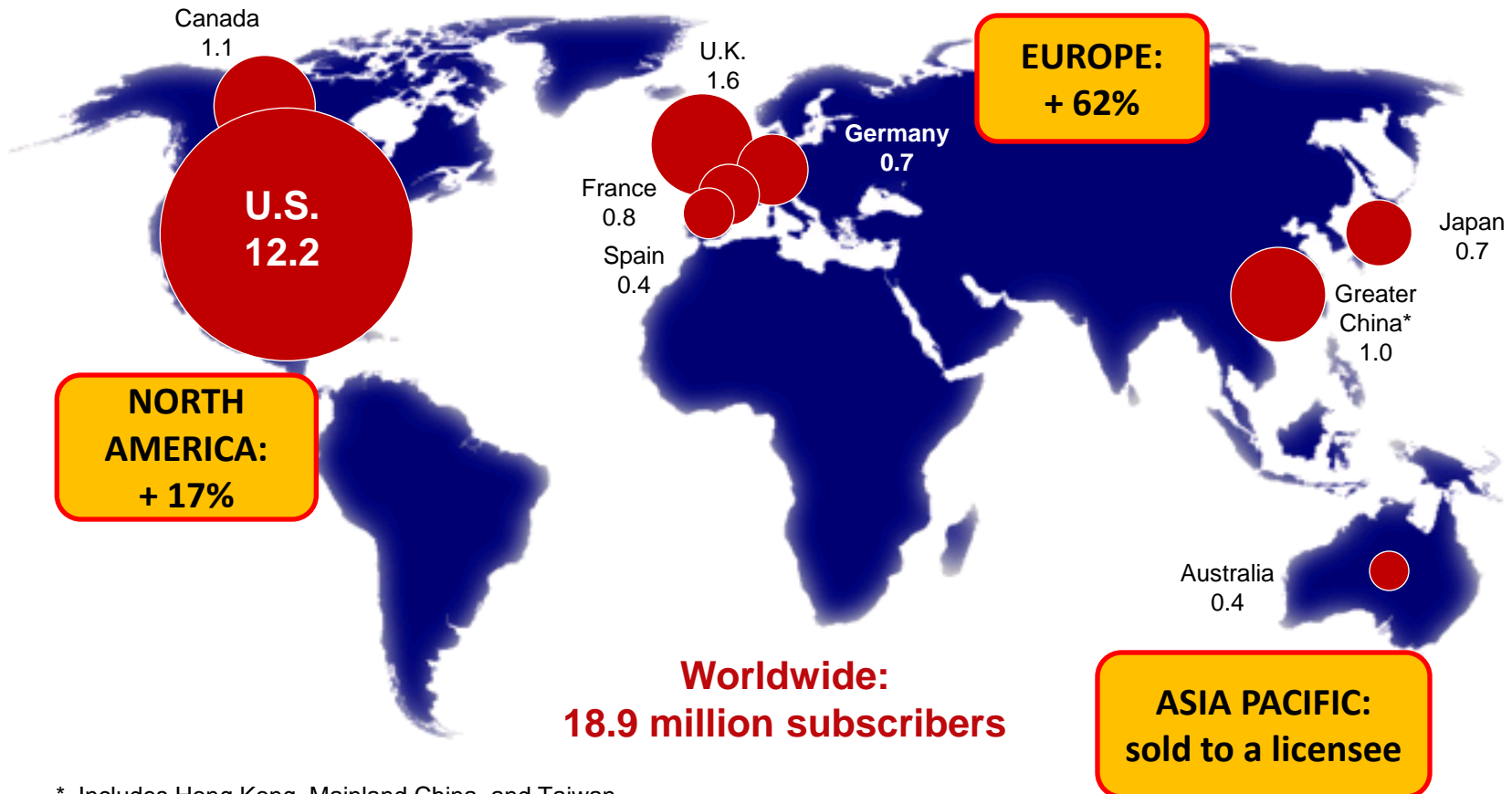
TRAVELZOO'S GROWTH STRATEGY

- **International Expansion**
Multiply the Travelzoo business in attractive international markets; build global brand and global content
- **Expand scope of Travelzoo® business**
Expand Travelzoo product offerings and content into entertainment (e.g., Broadway shows, sports events)
- **Fly.com**
Meta-search identified as opportunity with attractive economics and great synergies with Travelzoo business

During 2009, our international expansion continued with a strong focus on subscriber growth in Europe.

TRAVELZOO SUBSCRIBERS AT END OF 2009

Millions, and year-over-year change in percent



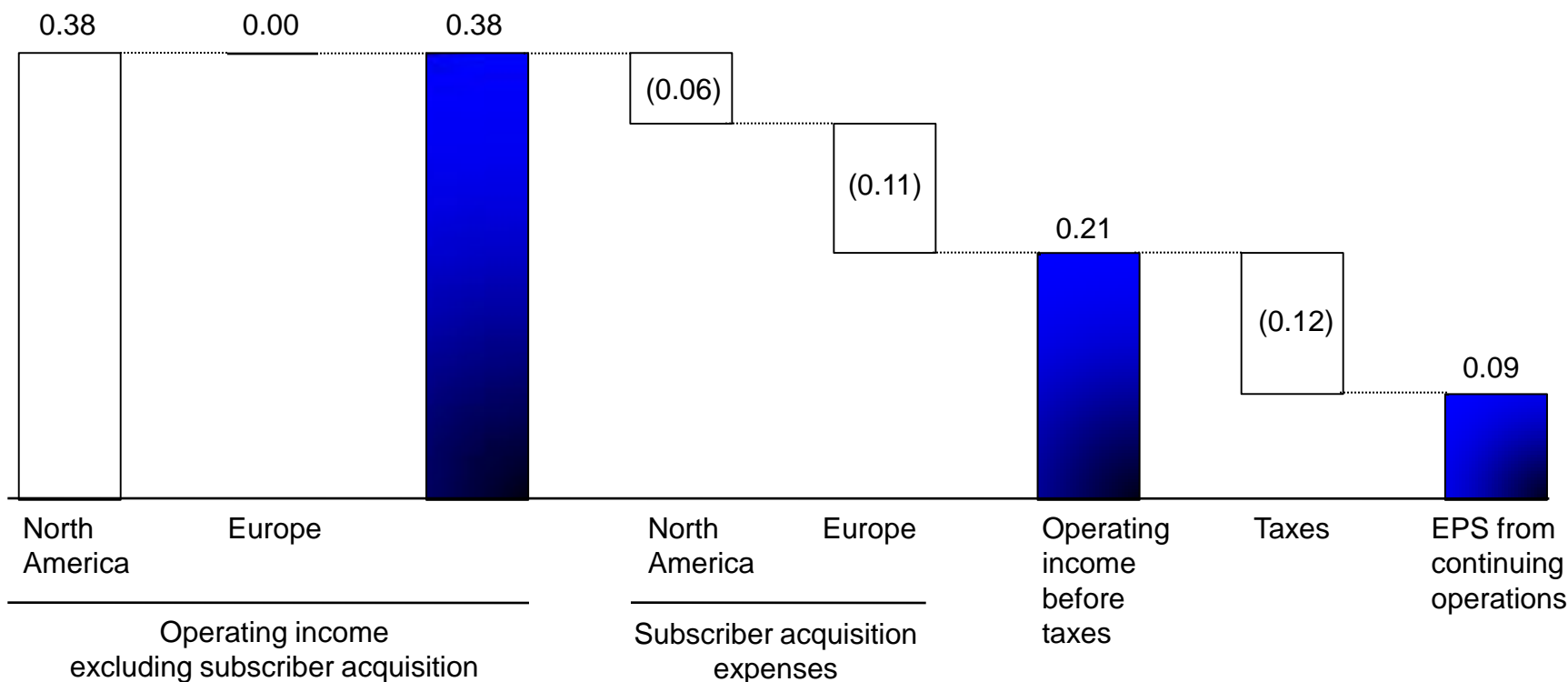
* Includes Hong Kong, Mainland China, and Taiwan



The international expansion comes at a cost: Subscriber acquisition as well as losses that have no immediate tax benefit, are dragging EPS down.

Q4 2009 OPERATING INCOME AND NET INCOME, PER SHARE

\$ per share





As a result of our aggressive global expansion, EPS is impacted by increased investments in subscriber acquisition.

**EARNINGS FROM CONTINUING OPERATIONS,
INCLUDING AND EXCLUDING SUBSCRIBER ACQUISITION**

	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Operating income excluding subscriber acquisition expense	\$0.27	\$0.27	\$0.44	\$0.38	\$0.37	\$0.38
- Subscriber acquisition expense	\$0.15	\$0.12	\$0.16	\$0.18	\$0.23	\$0.17
Operating income	\$0.12	\$0.15	\$0.28	\$0.20	\$0.14	\$0.21
+ Currency gain and interest income	-	\$0.03	(\$0.01)	-	\$0.02	-
Income taxes	(\$0.09)	(\$0.07)	(\$0.14)	(\$0.10)	(\$0.08)	(\$0.12)
Income from continuing operations, net of tax	\$0.03	\$0.11	\$0.13	\$0.10	\$0.08	\$0.09

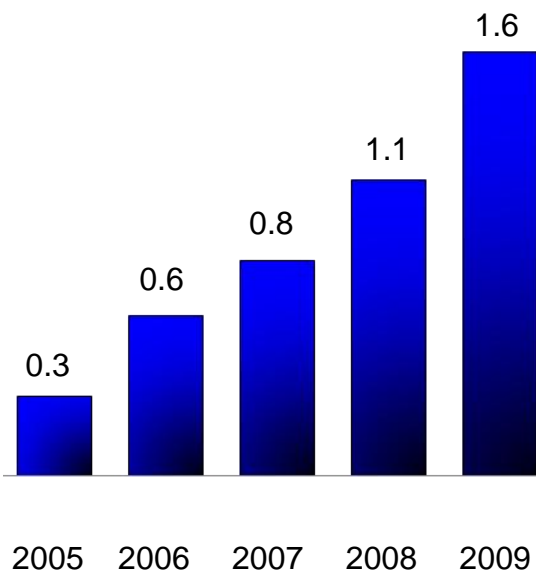


Over time, audience and revenue growth appear to drive profitability.

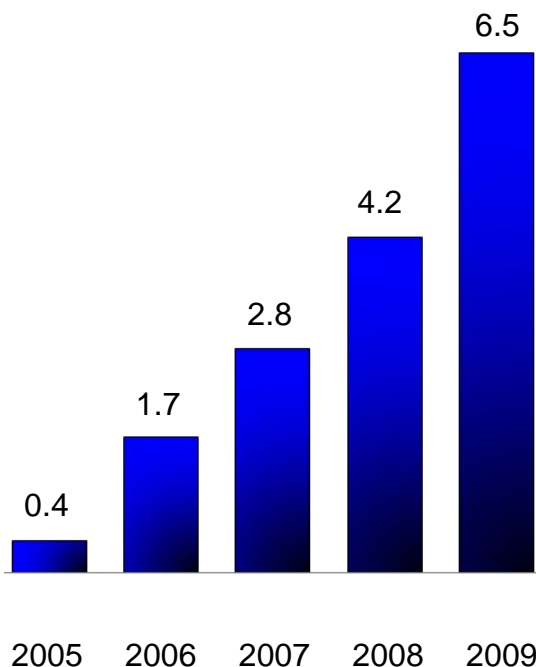
U.K. EXAMPLE: SUBSCRIBERS, REVENUES AND OPERATING INCOME/LOSS

Millions, and £ millions

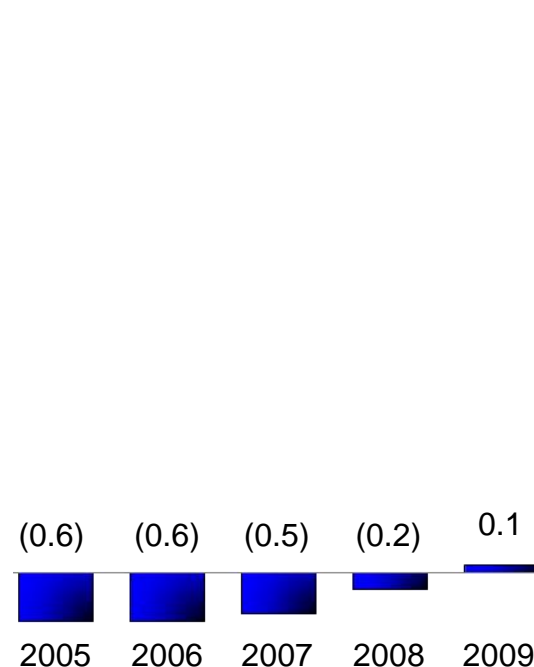
Subscribers at Year-End



Revenues



Operating income/loss



By accelerating investment in subscriber marketing, we are now firmly positioned as the #1 travel newsletter in the UK.

HITWISE: TRAFFIC FROM UK EMAIL BOXES

Downstream Websites visited after **Computers and Internet - Email Services**

Week ending January 23, 2010

[Report Details](#)

<input type="checkbox"/>	Websites (100 of 4,663 filtered results)	Clicks
<input type="checkbox"/>	▲ 1 Travelzoo UK	0.16%
<input type="checkbox"/>	▼ 2 Google Maps UK	0.12%
<input type="checkbox"/>	▼ 3 easyJet.com	0.12%
<input type="checkbox"/>	▲ 4 Ryanair	0.07%
<input type="checkbox"/>	▲ 5 British Airways	0.06%
<input type="checkbox"/>	▼ 6 Google maps	0.06%
<input type="checkbox"/>	▼ 7 lastminute.com	0.05%
<input type="checkbox"/>	8 Thomson	0.05%
<input type="checkbox"/>	▼ 9 National Rail Enquiries	0.05%
<input type="checkbox"/>	▲ 10 tripadvisor.co.uk	0.04%
<input type="checkbox"/>	11 thetrainline.com	0.04%
<input type="checkbox"/>	▲ 12 Thomas Cook	0.04%
<input type="checkbox"/>	▲ 13 multimap	0.04%
<input type="checkbox"/>	14 Expedia.co.uk	0.04%
<input type="checkbox"/>	▲ 15 travel.uk.msn.com	0.04%
<input type="checkbox"/>	▼ 16 Travelodge UK	0.03%
<input type="checkbox"/>	17 AA	0.03%
<input type="checkbox"/>	▲ 18 bmibaby	0.03%
<input type="checkbox"/>	▼ 19 TripAdvisor	0.03%
<input type="checkbox"/>	20 Booking.com	0.03%



In most of our international markets, revenues are growing faster than expenses, bringing us closer to our goal of profitability in each country.

COMPARISON OF REVENUE GROWTH, EXPENSES AND OPERATING MARGINS BY COUNTRY

Percent*

	U.K.**	Canada	Germany	France	Spain
Year launched	2005	2006	2006	2007	2008
Revenue growth*					
Q4 2009 over Q4 2008	50%**	71%	160%	120%	> 1000%
Growth in expenses*					
Q4 2009 over Q4 2008	71%**	(19%)	56%	34%	79%
Operating margin					
Q4 2007	(33%)	4%	(673%)	> (1,000%)	> (1,000%)
Q4 2008	6%	(19%)	(118%)	(107%)	> (1,000%)
Q4 2009	(4%)**	39%	(60%)	(66%)	(164%)

* Growth rates calculated based on revenues and expenses in US-dollars

** Excludes Fly.com. To position us for further growth in the U.K. in 2010, we increased subscriber acquisition by \$600,000 year-over-year



MANAGEMENT FOCUS IN 2010

- Continue to grow audience in Europe, while moving operations closer to positive income/contribution
- Monetize the increased audience in North America
- Aggressively sell global audience; produce global content
- Continue expansion into entertainment
- Grow Fly.com audience and revenues