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FOR IMMEDIATE RELEASE

Travelzoo Reports First Quarter 2023 Results

NEW YORK, April 27, 2023 — Travelzoo® (NASDAQ: TZOO):

- Revenue of \$21.6 million, up 17% year-over-year
- In constant currencies, revenue was \$22.1 million, up 19% year-over-year
- Non-GAAP consolidated operating profit of \$5.5 million
- Earnings per share (EPS) of \$0.23

Travelzoo, a global Internet media company that provides exclusive offers and experiences for members, today announced financial results for the first quarter ended March 31, 2023. Consolidated revenue was \$21.6 million, up 17% from \$18.5 million year-over-year. In constant currencies, revenue was \$22.1 million. Travelzoo's reported revenue consists of advertising revenues and commissions, derived from and generated in connection with purchases made by Travelzoo members.

The reported net income attributable to Travelzoo from continuing operations was \$3.7 million for Q1 2023. At the consolidated level, including minority interests, the reported net income from continuing operations was \$3.7 million. EPS from continuing operations was \$0.23, compared to \$0.19 in the prior-year period.

Non-GAAP operating profit was \$5.5 million. The calculation of non-GAAP operating profit excludes amortization of intangibles (\$0.4 million), stock option expenses (\$0.4 million) and severance-related expenses (\$39,000). See section "Non-GAAP Financial Measures" below.

“We will continue our strategy of leveraging Travelzoo’s global reach, trusted brand, and strong relationships with top travel suppliers to negotiate more exclusive offers for Travelzoo members,” said Holger Bartel, Travelzoo’s Global CEO. “With more than 30 million members, 8 million mobile app users, and 4 million social media followers, Travelzoo is loved by travel enthusiasts who are affluent, active, and open to new experiences.”

Cash Position

As of March 31, 2023, consolidated cash, cash equivalents and restricted cash were \$19.8 million. Net cash provided by operations was \$535,000.

Reserve

Reported revenues include a reserve of \$785,000 related to commissions to be earned from vouchers sold. The reserve is initially booked as contra revenue.

Travelzoo North America

North America business segment revenue increased 26% year-over-year to \$14.8 million. Operating profit for Q1 2023 was \$4.5 million, or 31% of revenue, compared to an operating profit of \$1.7 million in the prior-year period.

Travelzoo Europe

Europe business segment revenue remained consistent year-over-year at \$5.9 million. At constant currencies, Europe business segment revenue increased 6% year-over-year. Operating profit for Q1 2023 was \$457,000, or 8% of revenue, compared to an operating profit of \$178,000 in the prior-year period.

Jack’s Flight Club

Jack’s Flight Club business segment revenue increased 15% year-over-year to \$948,000. Jack’s Flight Club is a membership subscription service in which Travelzoo has a 60% ownership interest. The number of premium subscribers increased 27% year-over-year. Revenue from increases in subscribers is reported with a lag because we recognize revenue from subscriptions monthly pro rata over the subscription period (quarterly, semi-annually, annually). Non-GAAP operating profit for Q1 2023 was \$123,000, compared to a non-GAAP operating profit of \$249,000 in the prior-year period. After consolidation with Travelzoo, Jack’s Flight Club's net income was \$20,000, with \$12,000 attributable to Travelzoo as a result of recording \$168,000 of amortization of intangible assets related to the acquisition.

New Initiatives

New Initiatives business segment revenue, which includes Licensing and Travelzoo META, was \$8,000. Operating loss for Q1 2023 was \$217,000.

In June 2020, Travelzoo entered into a royalty-bearing licensing agreement with a local licensee in Japan for the exclusive use of Travelzoo's brand, business model, and members in Japan. In August of 2020, Travelzoo entered into a royalty-bearing licensing agreement with a local licensee in Australia for the exclusive use of Travelzoo's brand, business models, and members in Australia, New Zealand, and Singapore. Under these arrangements, Travelzoo's existing members in Australia, Japan, New Zealand, and Singapore will continue to be owned by Travelzoo as the licensor. Licensing revenue is booked with a lag of one quarter. Travelzoo recorded \$8,000 in licensing revenue from the licensee in Australia, New Zealand, and Singapore in Q1 2023. Licensing revenue is expected to increase going forward.

Members and Subscribers

As of March 31, 2023, we had 30.5 million members worldwide. In North America, the unduplicated number of Travelzoo members was 16.3 million as of March 31, 2023, down 2% from March 31, 2022. In Europe, the unduplicated number of Travelzoo members was 9.1 million as of March 31, 2023, consistent with March 31, 2022. Jack's Flight Club had 2.0 million subscribers as of March 31, 2023, up 14% from March 31, 2022.

Discontinued Operations

As announced in a press release on March 10, 2020, Travelzoo decided to exit its Asia Pacific business and operate it as a licensing business going forward. Consequently, the Asia Pacific business has been classified as discontinued operations since March 31, 2020. Prior periods have been reclassified to conform with the current presentation. Certain reclassifications have been made for current and prior periods between the continued operations and the discontinued operations in accordance with U.S. GAAP.

Income Taxes

A provision of \$1.4 million for income taxes was recorded for Q1 2023, compared to an income tax expense of \$968,000 in the prior-year period. The provision for Q1 2023 does not reflect the expected utilization of NOLs by Travelzoo in the U.S.

Non-GAAP Financial Measures

Management calculates non-GAAP operating income when evaluating the financial performance of the business. Travelzoo's calculation of non-GAAP operating income, also called "non-GAAP operating profit" in this press release and today's earnings conference call, excludes the following items: amortization of intangibles, stock option expenses, and severance-related expenses. This press release includes a table which reconciles GAAP operating income to the calculation of non-GAAP operating income. Non-GAAP operating income is not required by, or presented in accordance with, generally accepted accounting principles in the United States of America ("GAAP"). This information should be considered as supplemental in nature and should not be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be the same as similarly titled measures reported by other companies.

Looking Ahead

For Q2 2023, we currently expect growth in revenue and growth in operating profit to continue year-over-year. During the pandemic, we have been able to lower our fixed costs. We believe we can keep our fixed costs relatively low in the foreseeable future.

Conference Call

Travelzoo will host a conference call to discuss first quarter 2023 results today at 11:00 a.m. ET. Please visit <http://ir.travelzoo.com/events-presentations> to

- download the management presentation (PDF format) to be discussed in the conference call
- access the webcast.

About Travelzoo

Travelzoo® provides its 30 million members with exclusive offers and one-of-a-kind experiences personally reviewed by our deal experts around the globe. We have our finger on the pulse of outstanding travel, entertainment, and lifestyle experiences. We work in partnership with more than 5,000 top travel suppliers—our long-standing relationships give Travelzoo members access to irresistible 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 Jack's Flight Club are registered trademarks of Travelzoo.

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

	Three months ended March 31	
	2023	2022
Revenues	\$ 21,601	\$ 18,453
Cost of revenues	2,691	2,832
Gross profit	18,910	15,621
Operating expenses:		
Sales and marketing	9,296	8,581
Product development	490	453
General and administrative	4,413	4,668
Total operating expenses	14,199	13,702
Operating income	4,711	1,919
Other income, net	350	1,423
Income from continuing operations before income taxes	5,061	3,342
Income tax expense	1,378	968
Income from continuing operations	3,683	2,374
Loss from discontinued operations, net of tax	(2)	(11)
Net income	3,681	2,363
Net income attributable to non-controlling interest	8	4
Net income attributable to Travelzoo	\$ 3,673	\$ 2,359
Net income attributable to Travelzoo—continuing operations	\$ 3,675	\$ 2,370
Net loss attributable to Travelzoo—discontinued operations	\$ (2)	\$ (11)
Income per share—basic		
Continuing operations	\$ 0.23	\$ 0.20
Discontinued operations	\$ —	\$ —
Net income per share—basic	\$ 0.23	\$ 0.20
Income per share—diluted		
Continuing operations	\$ 0.23	\$ 0.19
Discontinued operations	\$ —	\$ —
Net income per share—diluted	\$ 0.23	\$ 0.19
Shares used in per share calculation from continuing operations—basic	15,697	12,056
Shares used in per share calculation from discontinued operations—basic	15,697	12,056
Shares used in per share calculation from continuing operations—diluted	15,779	12,544
Shares used in per share calculation from discontinued operations—diluted	15,697	12,056

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

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,138	\$ 18,693
Accounts receivable, net	13,672	13,820
Prepaid income taxes	1,401	1,778
Prepaid expenses and other	1,764	1,289
Assets from discontinued operations	10	11
Total current assets	<u>35,985</u>	<u>35,591</u>
Deposits and other	4,618	5,094
Deferred tax assets	3,248	3,222
Restricted cash	679	675
Operating lease right-of-use assets	6,852	7,440
Property and equipment, net	692	657
Intangible assets, net	3,249	3,651
Goodwill	10,944	10,944
Total assets	<u>\$ 66,267</u>	<u>\$ 67,274</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,143	\$ 4,271
Merchant payables	27,976	32,574
Accrued expenses and other	4,611	5,049
Deferred revenue	3,124	2,216
Operating lease liabilities	2,682	2,972
Liabilities from discontinued operations	453	452
Total current liabilities	<u>41,989</u>	<u>47,534</u>
Long-term operating lease liabilities	7,926	8,326
Other long-term liabilities	3,530	2,563
Total liabilities	<u>53,445</u>	<u>58,423</u>
Non-controlling interest	4,603	4,595
Common stock	165	165
Treasury stock (at cost)	(7,316)	(7,130)
Tax indemnification	(9,537)	(9,537)
Note receivable from shareholder	(4,753)	(4,753)
Additional paid-in capital	23,670	23,274
Retained earnings	10,815	7,142
Accumulated other comprehensive loss	(4,825)	(4,905)
Total stockholders' equity	<u>8,219</u>	<u>4,256</u>
Total liabilities and stockholders' equity	<u>\$ 66,267</u>	<u>\$ 67,274</u>

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

	Three months ended	
	March 31	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 3,681	\$ 2,363
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	478	574
Stock-based compensation	396	542
Deferred income tax	(68)	97
Loss on long-lived assets	—	38
Gain on sale of equity investment in WeGo	—	(196)
Net foreign currency effects	3	(13)
Reversal of reserves on accounts receivable and other reserves	(569)	(1,408)
Changes in operating assets and liabilities:		
Accounts receivable	372	(3,163)
Prepaid income taxes	407	759
Prepaid expenses, deposits and other	17	565
Accounts payable	(1,321)	103
Merchant payables	(4,591)	(7,961)
Accrued expenses and other	911	917
Income tax payable	—	(157)
Other liabilities	819	176
Net cash provided by (used in) operating activities	535	(6,764)
Cash flows from investing activities:		
Proceeds from repayment of note receivable	39	—
Purchases of intangible assets	—	(1,049)
Proceeds from sale of equity investment in WeGo	—	196
Purchases of property and equipment	(111)	(89)
Net cash used in investing activities	(72)	(942)
Cash flows from financing activities:		
Repurchase of common stock	(186)	—
Net cash used in financing activities	(186)	—
Effect of exchange rate on cash, cash equivalents and restricted cash	171	(524)
Net increase (decrease) in cash, cash equivalents and restricted cash	448	(8,230)
Cash, cash equivalents and restricted cash at beginning of period	19,378	44,989
Cash, cash equivalents and restricted cash at end of period	\$ 19,826	\$ 36,759

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Segment Information from Continuing Operations
(Unaudited)
(In thousands)

Three months ended March 31, 2023	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	New Initiatives	Elimination	Consolidated
Revenue from unaffiliated customers	\$ 14,567	\$ 6,078	\$ 948	\$ 8	\$ —	\$ 21,601
Intersegment revenue	191	(191)	—	—	—	—
Total net revenues	14,758	5,887	948	8	—	21,601
Operating income (loss)	\$ 4,516	\$ 457	\$ (45)	\$ (217)	\$ —	\$ 4,711
Three months ended March 31, 2022	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	New Initiatives	Elimination	Consolidated
Revenue from unaffiliated customers	\$ 11,498	\$ 6,127	\$ 823	\$ 5	\$ —	\$ 18,453
Intersegment revenue	193	(193)	—	—	—	—
Total net revenues	11,691	5,934	823	5	—	18,453
Operating income (loss)	\$ 1,820	\$ 178	\$ 23	\$ (102)	\$ —	\$ 1,919

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Reconciliation of GAAP to Non-GAAP Information
(Unaudited)
(In thousands, except per share amounts)

	Three months ended	
	March 31	
	2023	2022
GAAP operating expense	\$ 14,199	\$ 13,702
Non-GAAP adjustments:		
Amortization of intangibles (A)	398	226
Stock option expenses (B)	396	541
Severance-related expenses (C)	39	13
Non-GAAP operating expense	13,366	12,922
GAAP operating income	4,711	1,919
Non-GAAP adjustments (A through C)	833	780
Non-GAAP operating income	5,544	2,699

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