



# Travelzoo

*Q3 miss, but Q4 should rebound positively. Solid signs of travel industry recovery and growth makes us positive. Lowering P/T to \$16.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: TZOO

Price: \$5.42  
(intraday)

Target: \$16.00  
(from \$17)

**Q3 miss:** Travelzoo recently (on October 26) reported its fiscal Q3 2022 (ending September) results. Revenue was \$16 million (+1% y-o-y), compared with our estimates of \$20 million and consensus of \$18 million. Pro forma EPS was \$0.13 (vs. \$0.32 y-o-y), compared with our estimates of \$0.23 and consensus of \$0.11. The company had qualitatively stated that it would have “higher revenue (y-o-y) and profitability in Q3”.

**F/X weighs:** Revenue was +9% in U.S. but was -13% in Europe as the strong US\$ weighed on Europe results (weaker F/X). At “constant F/X”, Europe revenue would have been +2%.

**Travel industry strong:** The travel industry is rebounding strongly from COVID lockdowns with demand at or exceeding pre-COVID levels, but issues with labor and capacity is holding back travel supply and inventory.

**But this reduced demand for Travelzoo:** With travel suppliers selling out at very high prices, this has negatively impacted their demand for Travelzoo’s advertising in Q3. However, the company stated that so far in Q4, travel demand and travel supply and prices are returning to more normal rates and patterns. This return to normal is also good for Travelzoo’s business.

**Subscribers decrease:** In Q3, the company had 16.4 million North American, and 9.1 million European subscribers to its newsletter (compared with 16.5 million and 9.1 million, respectively, last quarter). This brings total subscribers to 25.5 million (compared with 25.6 million in Q2). In Q3, Jack’s Flight Club had 1.9 million subscribers versus 1.8 million in Q2.

**Q4 guidance “strong”:** The company did not provide Q4 2022 guidance, but did qualitatively state that in Q4 it will have “substantially higher revenue and profitability”.

**Lowering estimates:** We are lowering our 2022 estimates for revenue to \$71 million, from \$75 million, and for EPS to \$0.69 from \$0.80.

**Travel industry outlook continues to improve:** The company’s near term outlook is still volatile as while the travel industry (airlines and hotels) has mostly recovered from the pandemic, it is still dealing with major labor, inflation, and capacity issues. However, strong travel industry data leads expectations for continued improvements in the travel industry in 2023.

**More solid signs of travel industry growth:** We are seeing continued positive data for the U.S. and global travel industry that indicate that the travel industry is recovering strongly to pre-pandemic levels or even higher.

**Major cost cuts improves profitability:** Travelzoo’s “substantial” expense reductions in 2020 and its divestiture of its money losing Asia business in Q1 2020 will position it to generate much higher profitability as revenue returns.

**Long term positive:** We believe that execution of its long term plan, a strong rebound/long term travel industry, history of strong recoveries for the travel industry after negative shocks or events, and a positive long-term growth outlook bodes well for its share price to increase longer term.

**Current valuation attractive:** We are maintaining our BUY rating, but lowering our 12-month P/T to \$16 from \$17, which is based on a ~19x P/E multiple on our 2023 EPS estimate of \$0.83 which we estimate is its near term EPS growth rate. We believe this appropriately balances out the company’s risks with its high growth prospects and large upside opportunities.

### Company Description

Based in New York, Travelzoo publishes emails offering travel-related specials and travel and entertainment local deals.

United States  
Internet Software and Services

November 10, 2022

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### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$4.22 – 11.00
Shares Outstanding (million):	13
Market cap (\$million):	\$70
EV (\$million):	\$50
Debt (\$million):	\$0
Cash (\$million):	\$20
Avg. Daily Trading Vol. (\$million):	\$1
Float (million shares):	7
Short Interest (million shares):	0.2
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	19A		20E	20E
Q2 Jun	18A		23E	20E
Q3 Sep	16A	20E	23E	27E
Q4 Dec	<u>19E</u>	<u>19E</u>	<u>21E</u>	<u>25E</u>
Total	<b>71E</b>	<b>75E</b>	<b>87E</b>	<b>92E</b>
EV/Revs	0.7x		0.6x	

### Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	0.25A		0.16E	0.14E
Q2 Jun	0.15A		0.29E	0.07E
Q3 Sep	0.13A	0.23E	0.26E	0.43E
Q4 Dec	<u>0.16E</u>	<u>0.17E</u>	<u>0.13E</u>	<u>0.30E</u>
Total	<b>\$0.69E</b>	<b>\$0.80E</b>	<b>\$0.83E</b>	<b>\$0.93E</b>
P/E	8x		7x	

### Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 8.**

### **OVERVIEW**

- Travelzoo recently (on October 26) reported its fiscal Q3 2022 (ending September) results.
- Revenue was \$16 million (+1% y-o-y), compared with our estimates of \$20 million and consensus of \$18 million.
- Pro forma EPS was \$0.13 (excluding \$0.07 in stock option expenses and other special charges) (vs. \$0.32 y-o-y), compared with our estimates of \$0.23 and consensus of \$0.11.
- The company did not provide Q3 2022 guidance, but did qualitatively state that it will have “higher revenue (y-o-y) and profitability in Q3”.
- The company did not provide Q4 2022 guidance, but did qualitatively state that in Q4 it will have “substantially higher revenue and profitability”.
- We are lowering our 2022 estimates for revenue to \$71 million, from \$75 million, and for EPS to \$0.69 from \$0.80.
- We are lowering our 2023 estimates for revenue to \$87 million, from \$92 million, and for EPS to \$0.83 from \$0.93.

### **ADDITIONAL DETAILS**

- Gross profit for the quarter was \$14 million, compared with our estimate of \$18 million.
- Gross margin for the quarter was 85%, versus 81% last year and our expectation of 88%.
- Operating expenses were \$13 million, versus our expectation of \$14 million.
- Operating income was \$0.3 million, versus our expectation of \$3.7 million.
- Pro forma net income was \$1.6 million, versus our expectation of \$3.0 million.
  
- In Q3, the company had 16.4 million North American, and 9.1 million European subscribers to its newsletter (compared with 16.5 million and 9.1 million, respectively, last quarter). This brings total subscribers to 25.5 million (compared with 25.6 million in Q2). This does not count Asia subscribers (where it licenses its name) of 3.1 million vs 3.3 million last quarter.
- In Q3, Jack’s Flight Club had 1.9 million subscribers versus 1.8 million in Q2.
- In August 2022, the company appointed Wayne Lee as CFO. Mr. Lee previously served as Travelzoo’s Chief Financial Officer from 2005 to 2011. The company did not currently had a CFO.

The company’s balance sheet is solid with \$20 million in cash (~\$2/share) and no debt, compared with \$26 million in cash and no debt as of June. We do note that its merchant payables is \$38 million so its net cash of payables is ~\$(1)/share.

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**Exhibit 1: Q4 2022 Guidance and Management Focus (as of October 26, 2022)**

## Looking Ahead

For Q4 2022, we currently expect substantially higher revenue and profitability. We see the demand curve in the travel industry returning to a more normal situation. We believe this allows us to negotiate and recommend more and better offers, resulting in higher revenue. However, there could be unexpected fluctuations in the short term. 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.

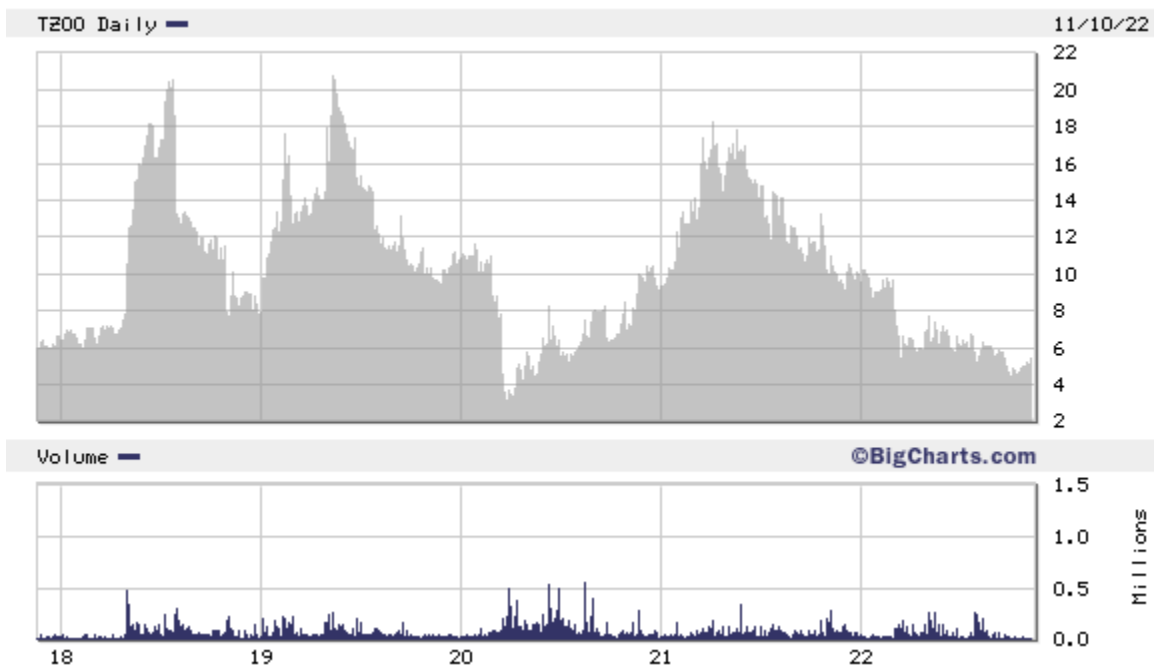
## Management focus:

- Increase number of members and accelerate revenue growth to reach, and then exceed, pre-pandemic levels.
- Grow Jack's Flight Club's profitable subscription revenue.
- Utilize higher operating margins to significantly increase EPS.
- Launch Travelzoo META.

Source: Company report

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### Exhibit 2: Travelzoo Stock Price (Five Years)



Source: <https://bigcharts.marketwatch.com/>

### Exhibit 3: Consensus Expectations (as of October 26, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$19A		Q1 Mar	\$0.25A	
Q2 Jun	\$18A		Q2 Jun	\$0.15A	
Q3 Sep	\$18E		Q3 Sep	\$0.11E	
Q4 Dec	\$18E		Q4 Dec	\$0.09E	
Total	\$73E	\$85E	Total	\$0.38E	\$0.73E

\*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

## FINANCIAL MODEL

### Travelzoo

Income Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Revenue</b>	<b>20.3</b>	<b>7.0</b>	<b>13.8</b>	<b>12.5</b>	<b>53.6</b>	<b>14.3</b>	<b>19.1</b>	<b>15.7</b>	<b>14.1</b>	<b>63.2</b>	<b>18.5</b>	<b>17.7</b>	<b>15.8</b>	<b>18.9</b>	<b>70.9</b>	<b>20.2</b>	<b>22.6</b>	<b>23.3</b>	<b>20.8</b>	<b>86.9</b>
Cost of Revenues	2.7	2.1	2.9	2.8	10.6	3.0	2.5	3.0	3.0	11.5	2.8	2.2	2.3	2.5	9.8	2.6	2.9	3.0	2.7	11.3
Gross Profit	17.6	4.9	10.9	9.7	43.0	11.3	16.6	12.7	11.1	51.7	15.6	15.5	13.5	16.5	61.1	17.6	19.7	20.2	18.1	75.6
Operating expenses:																				
Sales and marketing	13.1	4.3	6.9	6.3	30.6	6.8	7.3	7.7	8.5	30.3	8.6	8.5	8.5	9.0	34.6	9.0	9.0	9.0	9.1	36.1
Product development	1.4	0.6	0.6	0.5	3.1	0.7	0.7	0.7	0.5	2.6	0.5	0.5	0.5	0.5	1.4					0.0
General and administrative	5.5	6.6	4.5	3.8	20.5	4.6	5.1	4.6	5.6	19.8	4.7	4.8	4.3	5.0	18.7	6.1	6.1	7.0	7.0	26.2
Restructuring and other	2.9				2.9					0.0					0.0					0.0
<b>Total operating expenses</b>	<b>23.0</b>	<b>11.5</b>	<b>12.1</b>	<b>10.6</b>	<b>57.1</b>	<b>12.0</b>	<b>13.1</b>	<b>13.0</b>	<b>14.6</b>	<b>52.6</b>	<b>13.7</b>	<b>13.7</b>	<b>13.3</b>	<b>14.0</b>	<b>54.7</b>	<b>15.1</b>	<b>15.1</b>	<b>16.0</b>	<b>16.1</b>	<b>62.3</b>
<b>Operating income (loss)</b>	<b>(5.3)</b>	<b>(6.6)</b>	<b>(1.2)</b>	<b>(0.9)</b>	<b>(14.1)</b>	<b>(0.8)</b>	<b>3.5</b>	<b>(0.3)</b>	<b>(3.4)</b>	<b>(1.0)</b>	<b>1.9</b>	<b>1.8</b>	<b>0.3</b>	<b>2.5</b>	<b>6.4</b>	<b>2.5</b>	<b>4.6</b>	<b>4.2</b>	<b>2.0</b>	<b>13.3</b>
Interest income and other	(1.8)	(0.9)	(0.4)	1.2	(1.8)	(0.1)	0.7	3.3	0.1	4.0	1.4	0.2	0.8	0.0	2.4	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(7.1)	(7.5)	(1.6)	0.3	(15.9)	(0.9)	4.2	3.1	(3.3)	3.0	3.3	2.0	1.1	2.5	8.9	2.5	4.6	4.2	2.0	13.3
Income taxes	(0.5)	(1.3)	(0.2)	(0.4)	(2.4)	0.7	1.1	0.2	(0.2)	1.9	1.0	0.9	0.3	0.5	2.7	0.5	0.9	0.8	0.4	2.7
Net income (loss)	(6.6)	(6.2)	(1.4)	0.7	(13.5)	(1.6)	3.0	2.8	(3.0)	1.2	2.4	1.0	0.8	2.0	6.2	2.0	3.6	3.4	1.6	10.6
Nonrecurring/noncash adjustments	5.6	4.1	2.4	1.4	13.5	1.4	1.4	1.3	1.3	5.4	0.8	0.9	0.8	2.5	2.5					0.0
<b>Net income</b>	<b>(1.0)</b>	<b>(2.1)</b>	<b>1.0</b>	<b>2.1</b>	<b>0.1</b>	<b>(0.3)</b>	<b>4.4</b>	<b>4.2</b>	<b>(1.7)</b>	<b>6.6</b>	<b>3.1</b>	<b>1.9</b>	<b>1.6</b>	<b>2.0</b>	<b>8.6</b>	<b>2.0</b>	<b>3.6</b>	<b>3.4</b>	<b>1.6</b>	<b>10.6</b>
EBITDA	(4.8)	(6.0)	(0.6)	(0.4)	(11.8)	(0.3)	4.0	0.2	(3.0)	0.8	2.5	2.3	0.8	2.6	8.2	2.6	4.9	4.3	2.3	14.1
Shares, Basic	11.4	11.3	11.3	11.3	11.3	11.4	11.5	11.6	12.1	11.6	12.1	12.5	12.5	12.5	12.4	12.6	12.7	12.7	12.7	12.7
Shares, Diluted	11.4	11.3	11.3	11.3	11.3	11.4	13.4	12.9	12.1	13.0	12.5	12.6	12.6	12.6	12.6	12.7	12.8	12.8	12.8	12.8
EPS Basic (Pro forma)	(0.09)	(0.19)	0.09	0.19	0.01	(0.02)	0.38	0.36	(0.14)	0.57	0.26	0.15	0.13	0.16	0.70	0.16	0.29	0.27	0.13	0.84
<b>EPS Diluted (Pro forma)</b>	<b>(0.09)</b>	<b>(0.19)</b>	<b>0.09</b>	<b>0.19</b>	<b>0.01</b>	<b>(0.02)</b>	<b>0.33</b>	<b>0.32</b>	<b>(0.14)</b>	<b>0.51</b>	<b>0.25</b>	<b>0.15</b>	<b>0.13</b>	<b>0.16</b>	<b>0.69</b>	<b>0.16</b>	<b>0.29</b>	<b>0.26</b>	<b>0.13</b>	<b>0.83</b>
<b>Margins</b>																				
Gross margin	86.7%	69.4%	78.8%	77.6%	80.3%	78.9%	86.8%	80.9%	78.8%	81.8%	84.7%	87.8%	85.3%	87.0%	86.2%	87.0%	87.0%	87.0%	87.0%	87.0%
Operating margin	-26%	-95%	-9%	-7%	-26%	-5%	18%	-2%	-24%	-2%	10%	10%	2%	13%	9%	12%	20%	18%	10%	15%
Net margin	-33%	-88%	-10%	5%	-25%	-11%	16%	18%	-21%	2%	13%	6%	5%	10%	9%	10%	16%	15%	8%	12%
Sales and marketing	64%	61%	50%	51%	57%	48%	38%	49%	60%	48%	47%	48%	54%	48%	49%	45%	40%	39%	44%	42%
General and administrative	27%	95%	33%	30%	38%	32%	27%	29%	39%	31%	25%	27%	27%	26%	26%	30%	27%	30%	34%	30%
Tax rate, GAAP	7%	17%	15%	-119%	15%	-82%	27%	8%	8%	61%	29%	47%	29%	20%	31%	20%	20%	20%	20%	20%
<b>Y/Y % change</b>																				
Revenue	-34%	-75%	-46%	-54%	-52%	-30%	172%	14%	13%	18%	29%	-7%	1%	34%	12%	9%	28%	47%	10%	22%
Cost of Revenues	-8%	-22%	-2%	-13%	-11%	12%	18%	2%	7%	9%	-6%	-14%	-22%	-18%	-15%	-7%	36%	30%	10%	15%
Operating income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-49%	NM	NM	NM	29%	156%	NM	-18%	106%
Net income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-66%	-72%	NM	421%	-16%	255%	326%	-18%	72%
EPS Diluted (Pro forma)	NM	NM	254%	NM	-98%	NM	NM	257%	NM	NM	NM	-55%	-60%	NM	35%	-38%	91%	104%	-20%	21%

Source: Company reports and Ascendant Capital Markets estimates.

Travelzoo

Balance Sheet (\$ mils)	Mar-20				Jun-20				Sep-20				Dec-20				Mar-21				Jun-21				Sep-21				Dec-21				Mar-22				Jun-22				Sep-22				Dec-22				Mar-23				Jun-23				Sep-23				Dec-23			
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A																
<b>Assets</b>																																																																
Cash and cash equivalents	\$ 12.1	\$ 25.6	\$ 50.5	\$ 63.1	\$ 70.9	\$ 81.0	\$ 65.2	\$ 43.8	\$ 35.6	\$ 25.6	\$ 19.5	\$ 19.6	\$ 39.8	\$ 42.1	\$ 46.5	\$ 49.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Short term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																				
Accounts receivable, net	7.7	4.0	4.2	4.5	7.3	9.9	9.1	15.3	18.2	14.8	11.8	15.9	11.1	12.4	12.7	11.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																				
Deposits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																				
Prepaid expenses and other current assets	4.0	1.8	1.4	1.4	3.4	3.3	3.1	2.9	4.1	4.2	4.2	1.3	1.4	1.4	1.4	1.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0																								
Deferred income taxes	-	-	0.3	0.9	1.4	1.6	2.9	3.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																								
<b>Total current assets</b>	<b>23.9</b>	<b>31.5</b>	<b>56.6</b>	<b>70.0</b>	<b>83.1</b>	<b>95.9</b>	<b>80.4</b>	<b>65.5</b>	<b>57.9</b>	<b>44.6</b>	<b>35.5</b>	<b>37.7</b>	<b>53.2</b>	<b>56.9</b>	<b>61.7</b>	<b>63.4</b>																																																
Deposits	0.4	2.0	2.0	1.9	2.5	2.7	9.4	7.9	6.6	6.8	6.8	6.8	6.8	6.8	6.8	6.8																																																
Investments	2.3	2.2	2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																								
Deferred income taxes	3.4	4.3	4.4	5.1	4.4	3.6	3.6	3.9	3.9	3.6	3.4	3.4	3.4	3.4	3.4	3.4																																																
Property and equipment, net	2.0	1.7	1.5	1.3	1.2	1.0	0.8	0.7	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5																																																
Other	12.3	9.9	9.1	8.5	8.5	8.6	8.0	7.7	7.8	7.3	6.8	6.8	6.8	6.8	6.8	6.8																																																
Intangibles	16.5	16.1	15.8	15.5	15.2	14.9	14.6	14.4	16.1	15.7	15.2	15.2	15.2	15.2	15.2	15.2																																																
<b>Total assets</b>	<b>\$ 60.8</b>	<b>\$ 67.7</b>	<b>\$ 91.4</b>	<b>\$ 102.4</b>	<b>\$ 114.8</b>	<b>\$ 126.8</b>	<b>\$ 116.9</b>	<b>\$ 100.1</b>	<b>\$ 92.9</b>	<b>\$ 78.5</b>	<b>\$ 68.3</b>	<b>\$ 70.6</b>	<b>\$ 86.0</b>	<b>\$ 89.7</b>	<b>\$ 94.5</b>	<b>\$ 96.2</b>																																																
<b>Liabilities and stockholders' equity</b>																																																																
Accounts payable	\$ 12.8	\$ 29.7	\$ 53.0	\$ 7.0	\$ 8.8	\$ 8.5	\$ 11.9	\$ 4.0	\$ 3.5	\$ 1.2	\$ 3.6	\$ 3.8	\$ 16.8	\$ 16.8	\$ 17.8	\$ 17.9																																																
Merchant payables	-	-	-	57.1	70.1	82.2	73.2	68.7	60.5	47.9	38.2	38.2	38.2	38.2	38.2	38.2																																																
Accrued expenses	6.5	5.4	7.0	8.6	10.8	8.2	7.5	9.7	9.2	7.6	5.9	6.2	6.7	6.7	7.1	7.1																																																
Deferred revenue	2.5	2.8	2.8	2.7	2.4	2.2	1.8	1.7	2.3	2.1	2.5	2.5	2.5	2.5	2.5	2.5																																																
Income tax payable and other	7.6	6.7	5.9	4.6	4.6	4.3	4.0	3.9	3.3	3.0	2.7	2.7	2.7	2.7	2.7	2.7																																																
Debt	\$ 10.0	\$ 5.4	\$ 5.4	\$ 2.8	\$ 3.5	\$ 3.2	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -																																																
<b>Total current liabilities</b>	<b>39.4</b>	<b>49.9</b>	<b>74.0</b>	<b>82.9</b>	<b>100.1</b>	<b>108.7</b>	<b>98.4</b>	<b>88.0</b>	<b>78.8</b>	<b>61.8</b>	<b>52.9</b>	<b>53.4</b>	<b>66.9</b>	<b>66.9</b>	<b>68.3</b>	<b>68.5</b>																																																
Debt	-	-	-	0.8	0.2	-	-	-	-	-	-	-	-	-	-	-																																																
Other liabilities	19.2	13.6	12.7	12.2	12.8	12.5	12.0	11.5	11.0	10.6	10.2	10.2	10.2	10.2	10.2	10.2																																																
<b>Total non-current liabilities</b>	<b>19.2</b>	<b>13.6</b>	<b>12.7</b>	<b>12.2</b>	<b>13.0</b>	<b>12.5</b>	<b>12.0</b>	<b>11.5</b>	<b>11.0</b>	<b>10.6</b>	<b>10.2</b>	<b>10.2</b>	<b>10.2</b>	<b>10.2</b>	<b>10.2</b>	<b>10.2</b>																																																
Minority interest	-	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6																																																
Common stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1																																																
Treasury stock	-	-	-	-	(1.6)	(1.6)	(1.6)	(5.5)	(5.5)	(5.5)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)																																																
Retained earnings	(4.3)	0.2	(1.1)	(0.4)	(2.0)	1.0	3.8	0.8	2.9	3.9	4.7	6.7	8.6	12.3	15.7	17.3																																																
Additional paid-in capital	-	4.0	5.2	6.2	4.3	5.0	3.4	4.4	5.0	7.4	7.8	7.8	7.8	7.8	7.8	7.8																																																
Unearned compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																																																
Accumulated other comprehensive (loss) in	6.4	(4.7)	(4.1)	(4.1)	(3.6)	(3.5)	(3.9)	(3.8)	(3.9)	(4.5)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)																																																
Accumulated deficit	-	-	-	-	-	-	-	-	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)																																																
<b>Total stockholders' equity</b>	<b>2.2</b>	<b>4.2</b>	<b>4.7</b>	<b>6.5</b>	<b>1.7</b>	<b>5.6</b>	<b>6.5</b>	<b>0.6</b>	<b>3.1</b>	<b>6.1</b>	<b>5.3</b>	<b>7.0</b>	<b>8.9</b>	<b>12.6</b>	<b>16.0</b>	<b>17.6</b>																																																
<b>Total stockholders' equity and liabilities</b>	<b>\$ 60.8</b>	<b>\$ 67.7</b>	<b>\$ 91.4</b>	<b>\$ 102.4</b>	<b>\$ 114.8</b>	<b>\$ 126.8</b>	<b>\$ 116.9</b>	<b>\$ 100.1</b>	<b>\$ 92.9</b>	<b>\$ 78.5</b>	<b>\$ 68.3</b>	<b>\$ 70.6</b>	<b>\$ 86.0</b>	<b>\$ 89.7</b>	<b>\$ 94.5</b>	<b>\$ 96.2</b>																																																

Source: Company reports and Ascendant Capital Markets estimates.

**Travelzoo**

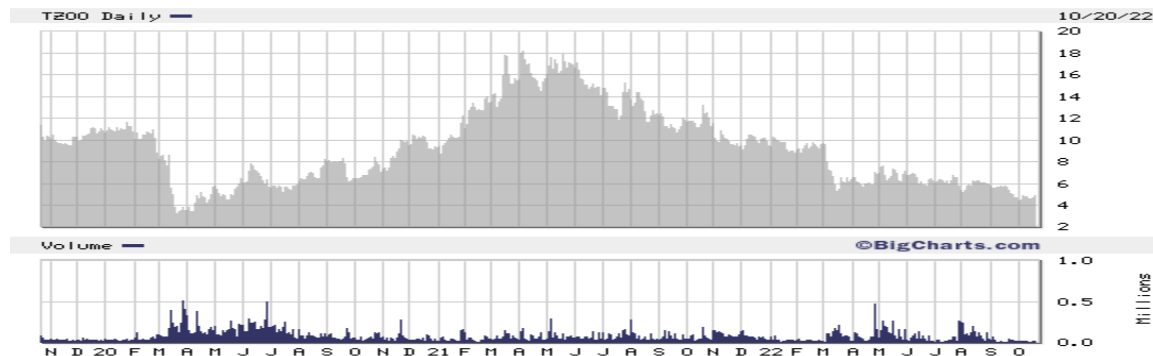
Cash Flow Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
Net income	(7.7)	(6.3)	(1.2)	0.7	(14.6)	(1.7)	3.1	2.8	(3.0)	1.2	2.4	1.1	0.8	2.0	6.2	2.0	3.6	3.4	1.6	10.6	
Depreciation and amortization	0.6	0.7	0.6	0.5	2.3	0.5	0.5	0.4	0.4	1.8	0.6	0.5	0.5	0.1	1.7	0.1	0.3	0.1	0.3	0.8	
Deferred income taxes	(0.6)	(1.2)	0.0	(0.8)	(2.6)	0.5	0.6	(0.1)	(0.3)	0.8	0.1	0.5	0.2		0.7					-	
Provision for losses on accounts receiv	1.4	1.0	1.5	1.5	5.4	(0.5)	(0.4)	(0.9)	1.7	(0.1)	(1.4)	(0.8)	(1.2)		(3.4)					-	
Non-cash revenues other than barter	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Stock comp and tax benefits from opti	0.0	4.1	1.1	1.0	6.2	0.9	0.9	1.0	1.0	3.7	0.5	0.6	0.3	0.3	1.8	0.3	0.3	0.3	0.3	1.3	
Accrued interest income from investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other gains/losses	3.6	0.1	0.1	(1.3)	2.5	(0.2)	(0.4)	(3.2)		(3.6)	(0.2)			(0.3)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(1.3)	
FX gains/losses	(0.7)	0.2	(0.1)	(0.1)	(0.7)	(0.2)	(0.1)	(0.0)	(0.1)	(0.4)	(0.0)	0.2	(0.2)		0.0					-	
Other	-	(1.5)	-	-	(1.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Changes in operating assets and liabilities:</b>																					
Accounts receivable	2.5	3.7	0.1	(0.1)	6.2	(2.2)	(2.6)	0.9	(6.3)	(10.2)	(3.2)	3.0	2.7	(4.1)	(1.5)	4.9	(1.3)	(0.4)	1.3	4.5	
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prepaid expenses & other current ass	0.9	0.6	0.9	(0.4)	1.9	(2.4)	(0.4)	(6.7)	1.4	(8.1)	2.2	(0.7)	0.2	1.9	3.6	(0.1)	-	(0.1)	(0.0)	(0.2)	
Accounts payable	(6.4)	16.7	22.9	(5.2)	28.0	1.7	(0.3)	3.6	(7.8)	(2.7)	0.1	(2.2)	2.5	0.2	0.6	13.0	-	1.0	0.1	14.1	
Merchant payables	-	-	-	15.4	15.4	13.2	12.0	(8.7)	(4.3)	12.2	(8.0)	(11.8)	(9.1)		(28.9)					-	
Accrued expenses	0.7	(2.1)	(0.0)	(0.9)	(2.3)	(0.6)	0.3	(0.6)	0.8	(0.1)		(0.7)	(0.0)	0.3	(0.4)	0.5	-	0.4	0.0	0.9	
Deferred revenue	0.9	0.4	(0.0)		1.2															-	
Income tax payable and other	1.8	0.2	(1.8)	(0.9)	(0.7)	(0.3)	(0.4)	(1.3)	(0.8)	(2.7)	0.0	0.1	(0.5)	-	(0.4)	-	-	-	-	-	
<b>Net cash (used in) provided by operat</b>	<b>\$ (3.1)</b>	<b>\$ 16.6</b>	<b>\$ 24.1</b>	<b>\$ 9.2</b>	<b>\$ 46.8</b>	<b>\$9.064</b>	<b>\$ 12.8</b>	<b>\$ (12.7)</b>	<b>\$ (17.4)</b>	<b>\$ (8.2)</b>	<b>\$ (6.8)</b>	<b>\$ (10.2)</b>	<b>\$ (3.9)</b>	<b>\$ 0.4</b>	<b>\$ (20.4)</b>	<b>\$ 20.3</b>	<b>\$ 2.7</b>	<b>\$ 4.4</b>	<b>\$ 3.4</b>	<b>\$ 30.8</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equipment	(0.1)	(0.1)	(0.0)	(0.0)	(0.3)	(0.0)	(0.1)	0.1	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)	(0.3)	(0.1)	(0.3)	(0.8)	
Purchases of short-term investments	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-	-	-	-	
Sale of short-term investments	-	-	-	0.8	0.8	-	-	-	-	-	0.2	-	-	-	0.2	-	-	-	-	-	
Acquisitions	(0.7)	(0.4)	-	2.6	1.5	-	-	-	-	-	(1.0)	-	-	-	(1.0)	-	-	-	-	-	
Purchases of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Net cash used in investing activities</b>	<b>\$ (0.8)</b>	<b>\$ (0.5)</b>	<b>\$ (0.0)</b>	<b>\$ 3.4</b>	<b>\$ 2.1</b>	<b>\$ (0.0)</b>	<b>\$ (0.1)</b>	<b>\$ 0.1</b>	<b>\$ 0.1</b>	<b>\$ 0.1</b>	<b>\$ (0.9)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (1.2)</b>	<b>\$ (0.1)</b>	<b>\$ (0.3)</b>	<b>\$ (0.1)</b>	<b>\$ (0.3)</b>	<b>\$ (0.8)</b>	
<b>Cash flow from financing activities</b>																					
Repayment of loans from principal stoc	(1.0)	(3.1)	-	(1.7)	(5.8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Repurchase of common stock	(1.2)	-	-	-	(1.2)	(1.6)	-	-	(3.9)	(5.5)	-	-	(1.1)	-	(1.1)	-	-	-	-	-	
Proceeds from stock option exercises	-	-	-	0.3	0.3	-	(3.1)	(2.4)	(0.1)	(5.6)	1.9	-	-	-	1.9	-	-	-	-	-	
Proceeds from issuance of common stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Cash provided by (used in) financing :</b>	<b>\$ (2.2)</b>	<b>\$ (3.1)</b>	<b>\$ -</b>	<b>\$ (1.4)</b>	<b>\$ (6.8)</b>	<b>\$ (1.6)</b>	<b>\$ (3.1)</b>	<b>\$ (2.4)</b>	<b>\$ (4.1)</b>	<b>\$ (11.1)</b>	<b>\$ -</b>	<b>\$ 1.9</b>	<b>\$ (1.1)</b>	<b>\$ -</b>	<b>\$ 0.8</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Effect of exchange rate on cash and casl	(0.3)	(0.3)	1.0	1.2	1.6	0.3	0.4	(0.8)	(0.1)	(0.3)	(0.5)	(1.7)	(1.1)		(3.3)					-	
<b>Net increase (decrease) in cash and eq</b>	<b>(6.3)</b>	<b>12.6</b>	<b>25.0</b>	<b>12.4</b>	<b>43.7</b>	<b>7.7</b>	<b>10.1</b>	<b>(15.8)</b>	<b>(21.4)</b>	<b>(19.4)</b>	<b>(8.2)</b>	<b>(10.1)</b>	<b>(6.1)</b>	<b>0.3</b>	<b>(24.1)</b>	<b>20.2</b>	<b>2.3</b>	<b>4.3</b>	<b>3.1</b>	<b>30.0</b>	
Beginning cash and equivalents	19.4	13.0	25.6	50.7	19.4	63.1	70.8	80.9	65.1	63.1	43.7	35.4	25.3	19.2	43.7	19.6	39.8	42.1	46.5	19.6	
<b>Ending cash and equivalents</b>	<b>13.0</b>	<b>25.6</b>	<b>50.7</b>	<b>63.1</b>	<b>63.1</b>	<b>70.8</b>	<b>80.9</b>	<b>65.1</b>	<b>43.7</b>	<b>43.7</b>	<b>35.4</b>	<b>25.3</b>	<b>19.2</b>	<b>19.6</b>	<b>19.6</b>	<b>39.8</b>	<b>42.1</b>	<b>46.5</b>	<b>49.6</b>	<b>49.6</b>	

Source: Company reports and Ascendant Capital Markets estimates.

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Each analyst hereby certifies that the views expressed in this report reflect the analyst’s personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst’s compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

## Travelzoo



Source: <https://bigcharts.marketwatch.com/>

Report	Report Date	Rating	Price Target
50	2/8/2018	Hold	
51	4/25/2018	Hold	
52	7/25/2018	Hold	
53	10/24/2018	Hold	
54	2/7/2019	Hold	
55	4/29/2019	Hold	
56	7/25/2019	Hold	
57	10/28/2019	Hold	
58	3/3/2020	Hold	
59	6/25/2020	Hold	
60	8/5/2020	Hold	
61	10/22/2020	Hold	
62	3/25/2021	Buy	\$ 20.00
63	4/28/2021	Buy	\$ 21.00
64	8/8/2021	Buy	\$ 22.00
65	11/21/2021	Buy	\$ 20.00
66	3/17/2022	Buy	\$ 18.00
67	5/15/2022	Buy	\$ 19.00
68	8/6/2022	Buy	\$ 17.00

- Ascendant Capital Markets, LLC has received compensation for advisory or investment banking services from the company in the past 12 months.



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Risks to attainment of our share price target include changes in competition, economic conditions, merchant and travel supplier relationships, investor sentiment for Internet stocks, consumer sentiment, and industry growth for travel and daily deals.

### **Ascendant Capital Markets, LLC Rating System**

**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

### **Ascendant Capital Markets, LLC Rating System**

*Prior to January 31, 2014, ASCM used the following rating system:*

**Strong Buy:** We expect the stock to provide a total return of 30% or more within a 12-month period.

**Buy:** We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

**Neutral:** We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

**Sell:** We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

**Speculative Buy:** This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

### Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 7, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	43	98%	17	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	44	100%	17	39%

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