



Travelzoo

Q2 miss, but 2022 outlook remains positive. Solid signs of travel industry recovery and growth makes us positive. Lowering P/T to \$17.

COMPANY UPDATE

Rating: BUY

Ticker: TZOO

Price: \$5.86

Target: \$17.00
(from \$19)

Q2 miss: Travelzoo recently (on July 27) reported its fiscal Q2 2022 (ending June) results. Revenue was \$18 million (-7% y-o-y), compared with our estimates of \$21 million and consensus of \$20 million. Pro forma EPS was \$0.15, compared with our estimates of \$0.26 and consensus of \$0.19. There was no Q2 guidance, but it did qualitatively stated that it will have “higher revenue and profitability in Q2”.

Rebounds stalls: Revenue was -11% in U.S. but grew +3% in Europe as the company continues to have an uneven rebound from the pandemic lockdowns in 2020. After a strong Q1, this quarter saw weakness in the U.S. due to travel supply headwinds while Europe rebounded much stronger.

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. This has negatively impacted travel supplier’s demand for Travelzoo’s advertising in Q2.

Subscribers decrease: In Q2, the company had 16.5 million North American, and 9.1 million European subscribers to its newsletter (compared with 16.7 million and 9.1 million, respectively, last quarter). This brings total subscribers to 25.6 million (compared with 25.8 million in Q1). In Q2, Jack’s Flight Club had 1.8 million subscribers versus 1.7 million in Q1.

Q3 guidance “higher”: 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”.

Lowering estimates: We are lowering our 2022 estimates for revenue to \$75 million, from \$81 million, and for EPS to \$0.80 from \$0.87.

Travel industry outlook continues to improve: The company’s near term outlook is still volatile as the travel industry (airlines and hotels) is still recovering from the pandemic and dealing with major labor, inflation, and capacity issues. However, strong travel industry data leads expectations for significant improvements in the travel industry in 2022.

More solid signs of travel industry rebound: We are seeing continued positive data for the U.S. travel industry that indicate that the travel industry is recovering strongly to pre-pandemic levels or even higher. We have great confidence in a rebound in the travel industry over the next year.

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 \$17 from \$19, which is based on a ~18x P/E multiple on our 2023 EPS estimate of \$0.93 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

August 6, 2022

Edward Woo, CFA
(561) 327-9435
ewoo@ascendant.com

Stock Data

Exchange:	NasdaqGS
52-week Range:	\$5.05 – 14.67
Shares Outstanding (million):	13
Market cap (\$million):	\$76
EV (\$million):	\$50
Debt (\$million):	\$0
Cash (\$million):	\$26
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	
Q2 Jun	18A	21E	20E	25E
Q3 Sep	20E	22E	27E	
Q4 Dec	19E		25E	23E
Total	75E	81E	92E	95E
EV/Revs	0.7x		0.5x	

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		0.14E	0.13E
Q2 Jun	0.15A	0.26E	0.07E	0.27E
Q3 Sep	0.23E	0.27E	0.43E	0.37E
Q4 Dec	0.17E	0.09E	0.30E	0.17E
Total	\$0.80E	\$0.87E	\$0.93E	\$0.94E
P/E	7x		6x	

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 July 27) reported its fiscal Q2 2022 (ending June) results.
- Revenue was \$18 million (-7% y-o-y), compared with our estimates of \$21 million and consensus of \$20 million.
- Pro forma EPS was \$0.15 (excluding \$0.07 in stock option expenses and special charges) (vs. \$0.33 y-o-y), compared with our estimates of \$0.26 and consensus of \$0.19.
- There was no Q2 guidance, but it did qualitatively stated that it will have “higher revenue and profitability in Q2”.
- 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”.
- We are lowering our 2022 estimates for revenue to \$75 million, from \$81 million, and for EPS to \$0.80 from \$0.87.
- We are lowering our 2023 estimates for revenue to \$92 million, from \$95 million, and for EPS to \$0.93 from \$0.94.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$16 million, compared with our estimate of \$18 million.
- Gross margin for the quarter was 88%, versus 87% last year and our expectation of 87%.
- Operating expenses were \$14 million, versus our expectation of \$14 million.
- Operating income was \$1.8 million, versus our expectation of \$4.1 million.
- Pro forma net income was \$1.9 million, versus our expectation of \$3.3 million.

- In Q2, the company had 16.5 million North American, and 9.1 million European subscribers to its newsletter (compared with 16.7 million and 9.1 million, respectively, last quarter). This brings total subscribers to 25.6 million (compared with 25.8 million in Q1). This does not count Asia subscribers (where it licenses its name) of 3.3 million vs 3.2 million last quarter.
- In Q2, Jack’s Flight Club had 1.8 million subscribers versus 1.7 million in Q1.

The company’s balance sheet is solid with \$26 million in cash (~\$2/share) and no debt, compared with \$36 million in cash and no debt as of March. We do note that its merchant payables is \$48 million so its net cash of payables is ~\$(2)/share.

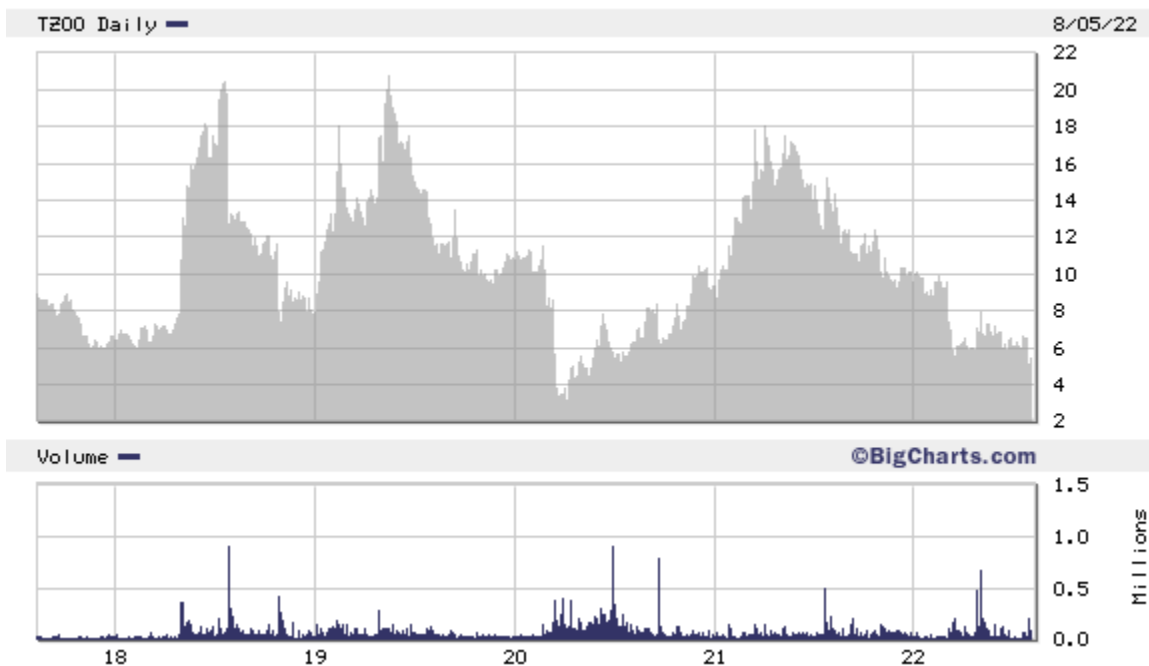
Exhibit 1: Q3 2022 Guidance (as of July 27, 2022)

Looking Ahead

For Q3 2022, we currently expect higher revenue year-over-year and profitability. We continue to see a trend of recovery of our 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—while revenue is expected to grow.

Source: Company report

Exhibit 2: Travelzoo Stock Price (Five Years)



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

Exhibit 3: Consensus Expectations (as of July 27, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$19A		Q1 Mar	\$0.25A	
Q2 Jun	\$20E		Q2 Jun	\$0.19E	
Q3 Sep	\$21E		Q3 Sep	\$0.22E	
Q4 Dec			Q4 Dec		
Total	\$80E	\$96E	Total	\$0.74E	\$1.11E

*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	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Revenue	20.3	7.0	13.8	12.5	53.6	14.3	19.1	15.7	14.1	63.2	18.5	17.7	20.1	18.9	75.2	20.2	20.1	27.1	24.6	92.0
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	2.4	2.3	9.7	2.4	2.4	3.3	2.8	10.9
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	17.7	16.7	65.5	17.8	17.7	23.9	21.8	81.1
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	9.0	9.0	35.1	9.5	10.5	10.0	10.0	40.0
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			0.9					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	5.0	5.0	19.5	6.1	6.1	7.0	7.0	26.2
Restructuring and other	2.9				2.9					0.0					0.0					0.0
Total operating expenses	23.0	11.5	12.1	10.6	57.1	12.0	13.1	13.0	14.6	52.6	13.7	13.7	14.0	14.0	55.4	15.6	16.6	17.0	17.0	66.2
Operating income (loss)	(5.3)	(6.6)	(1.2)	(0.9)	(14.1)	(0.8)	3.5	(0.3)	(3.4)	(1.0)	1.9	1.8	3.7	2.7	10.1	2.2	1.1	6.9	4.8	14.9
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	0.0	0.0	1.6	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	3.7	2.7	11.6	2.2	1.1	6.9	4.8	14.9
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	0.7	0.5	3.2	0.4	0.2	1.4	1.0	3.0
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	3.0	2.1	8.5	1.7	0.9	5.5	3.8	11.9
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			1.6					0.0
Net income	(1.0)	(2.1)	1.0	2.1	0.1	(0.3)	4.4	4.2	(1.7)	6.6	3.1	1.9	3.0	2.1	10.1	1.7	0.9	5.5	3.8	11.9
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	3.8	2.8	11.3	2.3	1.4	7.0	5.1	15.8
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	12.4	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	0.24	0.17	0.82	0.14	0.07	0.43	0.30	0.94
EPS Diluted (Pro forma)	(0.09)	(0.19)	0.09	0.19	0.01	(0.02)	0.33	0.32	(0.14)	0.51	0.25	0.15	0.23	0.17	0.80	0.14	0.07	0.43	0.30	0.93
Margins																				
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%	88.0%	88.0%	87.1%	88.0%	88.0%	88.0%	88.5%	88.1%
Operating margin	-26%	-95%	-9%	-7%	-26%	-5%	18%	-2%	-24%	-2%	10%	10%	18%	14%	13%	11%	5%	25%	19%	16%
Net margin	-33%	-88%	-10%	5%	-25%	-11%	16%	18%	-21%	2%	13%	6%	15%	11%	11%	9%	4%	20%	16%	13%
Sales and marketing	64%	61%	50%	51%	57%	48%	38%	49%	60%	48%	47%	48%	45%	48%	47%	47%	52%	37%	41%	43%
General and administrative	27%	95%	33%	30%	38%	32%	27%	29%	39%	31%	25%	27%	25%	26%	26%	30%	30%	26%	28%	28%
Tax rate, GAAP	7%	17%	15%	-119%	15%	-82%	27%	8%	8%	61%	29%	47%	20%	20%	27%	20%	20%	20%	20%	20%
Y/Y % change																				
Revenue	-34%	-75%	-46%	-54%	-52%	-30%	172%	14%	13%	18%	29%	-7%	28%	34%	19%	9%	14%	35%	30%	22%
Cost of Revenues	-8%	-22%	-2%	-13%	-11%	12%	18%	2%	7%	9%	-6%	-14%	-19%	-24%	-16%	-14%	11%	35%	25%	13%
Operating income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-49%	NM	NM	NM	13%	-40%	86%	80%	48%
Net income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-66%	4%	NM	NM	-26%	-16%	86%	80%	41%
EPS Diluted (Pro forma)	NM	NM	254%	NM	-98%	NM	NM	257%	NM	NM	NM	-55%	-28%	NM	57%	-45%	-55%	84%	77%	16%

Source: Company reports and Ascendant Capital Markets estimates.

Travelzoo

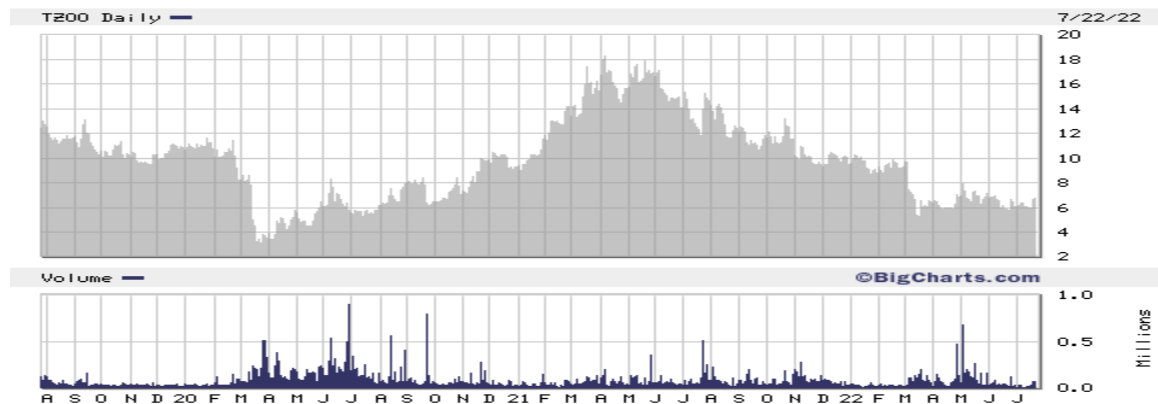
Cash Flow Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activities																				
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	3.0	2.1	8.5	1.7	0.9	5.5	3.8	11.9
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	0.1	0.1	1.3	0.1	0.4	0.1	0.4	0.9
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			0.6					-
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)			(2.2)					-
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	0.6	0.6	2.3	0.6	0.6	0.6	0.6	2.4
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)		(0.6)	(0.6)	(1.3)	(0.6)	(0.6)	(0.6)	(0.6)	(2.4)
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					-
Other	-	(1.5)	-	-	(1.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities:																				
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	(3.9)	1.1	(3.0)	6.6	0.1	(3.9)	1.4	4.2
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses & other current assu	0.9	0.6	0.9	(0.4)	1.9	(2.4)	(0.4)	(6.7)	1.4	(8.1)	2.2	(0.7)	1.9	-	3.5	(0.1)	(0.1)	(0.0)	-	(0.3)
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)	0.0	-	(2.0)	16.1	1.1	0.4	-	17.6
Merchant payables	-	-	-	15.4	15.4	13.2	12.0	(8.7)	(4.3)	12.2	(8.0)	(11.8)	-	-	(18.8)	-	-	-	-	-
Accrued expenses	0.7	(2.1)	(0.0)	(0.9)	(2.3)	(0.6)	0.3	(0.6)	0.8	(0.1)	(0.7)	0.1	-	-	(0.6)	0.9	0.6	0.2	-	1.7
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	-	-	0.2	-	-	-	-	-
Net cash (used in) provided by operat	\$ (3.1)	\$ 16.6	\$ 24.1	\$ 9.2	\$ 46.8	\$9.064	\$ 12.8	\$ (12.7)	\$ (17.4)	\$ (8.2)	\$ (6.8)	\$ (10.2)	\$ 1.2	\$ 3.3	\$ (12.5)	\$ 25.2	\$ 2.8	\$ 2.4	\$ 5.6	\$ 36.0
Cash flow from investing activities																				
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)	(0.4)	(0.1)	(0.4)	(0.1)	(0.4)	(0.9)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash used in investing activities	\$ (0.8)	\$ (0.5)	\$ (0.0)	\$ 3.4	\$ 2.1	\$ (0.0)	\$ (0.1)	\$ 0.1	\$ 0.1	\$ 0.1	\$ (0.9)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (1.2)	\$ (0.1)	\$ (0.4)	\$ (0.1)	\$ (0.4)	\$ (0.9)
Cash flow from financing activities																				
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)	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash provided by (used in) financing :	\$ (2.2)	\$ (3.1)	\$ -	\$ (1.4)	\$ (6.8)	\$ (1.6)	\$ (3.1)	\$ (2.4)	\$ (4.1)	\$ (11.1)	\$ -	\$ 1.9	\$ -	\$ -	\$ 1.9	\$ -	\$ -	\$ -	\$ -	\$ -
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)			(2.2)					-
Net increase (decrease) in cash and eq	(6.3)	12.6	25.0	12.4	43.7	7.7	10.1	(15.8)	(21.4)	(19.4)	(8.2)	(10.1)	1.1	3.2	(14.0)	25.1	2.5	2.3	5.2	35.1
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	26.5	43.7	29.7	54.8	57.3	59.6	29.7
Ending cash and equivalents	13.0	25.6	50.7	63.1	63.1	70.8	80.9	65.1	43.7	43.7	35.4	25.3	26.5	29.7	29.7	54.8	57.3	59.6	64.8	64.8

Source: Company reports and Ascendant Capital Markets estimates.

ANALYST CERTIFICATION

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

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

IMPORTANT DISCLOSURES

This report has been distributed by Ascendant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Copyright Ascendant Capital Markets, LLC. No part of this material may be copied, photocopied or duplicated by any means or redistributed without the prior written consent of Ascendant Capital Markets, LLC.

Risks & Considerations

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 July 14, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	15	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	15	36%

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

Dissemination of Research

Ascendant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information.

General Disclaimer

The information and opinions in this report were prepared by Ascendant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

Additional Disclosures

Ascendant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.