



# Travelzoo

*Large Q4 EPS upside, and expect solid Q1 growth. Solid signs of travel industry recovery and growth makes us positive. Raising P/T to \$17.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: TZOO

Price: \$5.17

Target: \$17.00  
(from \$16)

**Large Q4 EPS upside:** Travelzoo recently (on March 22) reported its fiscal Q4 2022 (ending December) results. Revenue was \$19 million (+32% y-o-y), compared with our estimates of \$19 million and consensus of \$18 million. Pro forma EPS was \$0.29 (vs. \$(0.14) y-o-y), compared with our estimates of \$0.16 and consensus of \$0.08. The company had not provided Q4 2022 guidance, but did qualitatively state that in Q4 it will have “substantially higher revenue and profitability”. However, in mid-December, the company guided to Q4 revenues of ~\$18.5 million.

**F/X weighs again strong results across regions:** Revenue was +53% in U.S. but was +9% in Europe as the strong US\$ weighed on Europe results (weaker F/X). At “constant F/X”, Europe revenue would have been +23%.

**Travel industry strong:** The travel industry has rebounded strongly from COVID lockdowns with demand at or exceeding pre-COVID levels, and prior issues with labor and capacity is easing so travel supply and inventory are greatly improving and approaching or exceeding prepandemic levels.

**So this is increasing demand for Travelzoo:** When travel suppliers were selling out at very high prices in early 2022, this negatively impacted their demand for Travelzoo’s advertising. However, the company stated that since then (Q4 and so far in Q1), 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 to promote travel deals.

**Subscribers decrease:** In Q4, the company had 16.3 million North American, and 9.0 million European subscribers to its newsletter (compared with 16.4 million and 9.1 million, respectively, last quarter). This brings total subscribers to 25.3 million (compared with 25.5 million in Q3). In Q4, Jack’s Flight Club had 1.9 million subscribers versus 1.9 million in Q3.

**Q1 guidance for growth:** The company did not provide specific Q1 2023 guidance, but did qualitatively state that Q1 it will have “higher revenue and profitability”.

**Raising estimates:** We are raising our 2023 estimates for revenue to \$88 million, from \$87 million, and for EPS to \$1.00 from \$0.83.

**Travel industry outlook positive:** The company’s near term outlook is much more positive which is similar to the travel industry (airlines and hotels) which has mostly recovered from the pandemic. We are seeing continued positive data for the U.S. and global travel industry that indicate that the travel industry is recovering strongly to prepandemic 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, 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 raising our 12-month P/T to \$17 from \$16, which is based on a ~14x P/E multiple on our 2024 EPS estimate of \$1.20 which we estimate is its long 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

March 26, 2023

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

### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$4.10 – 8.30
Shares Outstanding (million):	16
Market cap (\$million):	\$83
EV (\$million):	\$64
Debt (\$million):	\$0
Cash (\$million):	\$19
Avg. Daily Trading Vol. (\$million):	\$0.4
Float (million shares):	5
Short Interest (million shares):	0.1
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	20E		23E	
Q2 Jun	23E		26E	
Q3 Sep	24E	23E	27E	
Q4 Dec	<u>21E</u>		<u>24E</u>	
<b>Total</b>	<b>88E</b>	<b>87E</b>	<b>100E</b>	
EV/Revs	0.7x		0.6x	

### Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	0.20E	0.16E	0.24E	
Q2 Jun	0.29E	0.29E	0.35E	
Q3 Sep	0.32E	0.26E	0.39E	
Q4 Dec	<u>0.20E</u>	<u>0.13E</u>	<u>0.23E</u>	
<b>Total</b>	<b>\$1.00E</b>	<b>\$0.83E</b>	<b>\$1.20E</b>	
P/E	5x		4x	

### 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 March 22) reported its fiscal Q4 2022 (ending December) results.
- Revenue was \$19 million (+32% y-o-y), compared with our estimates of \$19 million and consensus of \$18 million.
- Pro forma EPS was \$0.29 (excluding \$0.09 in stock option expenses and other special charges) (vs. \$(0.14) y-o-y), compared with our estimates of \$0.16 and consensus of \$0.08.
- The company had not provided Q4 2022 guidance, but did qualitatively state that in Q4 it will have “substantially higher revenue and profitability”.
- However, in mid-December, the company guided to Q4 revenues of ~\$18.5 million.
- The company did not provide specific Q1 2023 guidance, but did qualitatively state that Q1 it will have “higher revenue and profitability”.
- We are raising our 2023 estimates for revenue to \$88 million, from \$87 million, and for EPS to \$1.00 from \$0.83.
- We are initiating our 2024 estimates for revenue of \$100 million, and for EPS of \$1.20.

## **ADDITIONAL DETAILS**

- Gross profit for the quarter was \$16 million, compared with our estimate of \$17 million.
- Gross margin for the quarter was 86%, versus 79% last year and our expectation of 87%.
- Operating expenses were \$12 million, versus our expectation of \$14 million.
- Operating income was \$3.6 million, versus our expectation of \$2.5 million.
- Pro forma net income was \$3.7 million, versus our expectation of \$2.0 million.
  
- In Q4, the company had 16.3 million North American, and 9.0 million European subscribers to its newsletter (compared with 16.4 million and 9.1 million, respectively, last quarter). This brings total subscribers to 25.3 million (compared with 25.5 million in Q3). This does not count Asia subscribers (where it licenses its name) of 3.2 million vs 3.1 million last quarter.
- In Q4, Jack’s Flight Club had 1.9 million subscribers versus 1.9 million in Q3.
  
- In August 2022, the company appointed Wayne Lee as CFO. Mr. Lee previously served as Travelzoo’s Chief Financial Officer from 2005 to 2011. At the time, the company did not have a CFO.
- In December 2022, the company purchased Metaverse Travel Experiences, Inc. from a company controlled by its largest shareholder (Ralph Bartel) for ~\$15 million (through the issuance of 3.41 million shares valued at the then current market price of \$4.40). Travelzoo acquired Metaverse Travel Experiences, Inc. and will also receive \$1 million in cash at closing and a \$4.8 million note (due June 2023).

The company’s balance sheet is solid with \$19 million in cash (~\$2/share) and no debt, compared with \$20 million in cash and no debt as of September. We do note that its merchant payables is \$33 million so its net cash of payables is ~\$(1)/share.

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**Exhibit 1: Q1 2023 Guidance and Management Focus (as of March 22, 2023)**

## Looking Ahead

For Q1 2023, we currently expect higher revenue and profitability. 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:

- Reach and surpass pre-pandemic number of members and accelerate revenue growth
- Utilize higher operating margins to significantly increase EPS.
- Grow Jack's Flight Club's profitable subscription revenue.
- 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 March 22, 2023)**

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$19A	\$21E	Q1 Mar	\$0.25A	\$0.17E
Q2 Jun	\$18A		Q2 Jun	\$0.15A	
Q3 Sep	\$16A		Q3 Sep	\$0.13A	
Q4 Dec	\$18E		Q4 Dec	\$0.08E	
Total	\$68E	\$82E	Total	\$0.41E	\$0.72E

*\*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-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	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Revenue</b>	14.3	19.1	15.7	14.1	63.2	18.5	17.7	15.8	18.6	70.6	20.2	22.6	24.0	21.3	88.1	23.1	25.8	27.4	24.1	100.3
Cost of Revenues	3.0	2.5	3.0	3.0	11.5	2.8	2.2	2.3	2.7	10.0	3.0	3.4	3.6	3.2	13.2	3.2	3.6	3.8	3.4	14.0
Gross Profit	11.3	16.6	12.7	11.1	51.7	15.6	15.5	13.5	15.9	60.6	17.2	19.2	20.4	18.1	74.9	19.8	22.2	23.5	20.7	86.2
Operating expenses:																				
Sales and marketing	6.8	7.3	7.7	8.5	30.3	8.6	8.5	8.5	7.5	33.1	9.0	9.0	9.0	9.1	36.1	9.0	9.0	9.0	9.1	36.1
Product development	0.7	0.7	0.7	0.5	2.6	0.5	0.5	0.5	0.7	2.1					0.0					0.0
General and administrative	4.6	5.1	4.6	5.6	19.8	4.7	4.8	4.3	4.2	17.9	4.2	4.5	5.0	5.1	18.8	6.1	6.1	6.7	7.0	25.9
Restructuring and other					0.0					0.0					0.0					0.0
<b>Total operating expenses</b>	12.0	13.1	13.0	14.6	52.6	13.7	13.7	13.3	12.3	53.0	13.2	13.5	14.0	14.2	54.9	15.1	15.1	15.7	16.1	62.0
<b>Operating income (loss)</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>3.6</b>	<b>7.6</b>	<b>4.0</b>	<b>5.7</b>	<b>6.4</b>	<b>3.9</b>	<b>20.0</b>	<b>4.7</b>	<b>7.1</b>	<b>7.8</b>	<b>4.6</b>	<b>24.2</b>
Interest income and other	(0.1)	0.7	3.3	0.1	4.0	1.4	0.2	0.8	(0.1)	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(0.9)	4.2	3.1	(3.3)	3.0	3.3	2.0	1.1	3.5	9.9	4.0	5.7	6.4	3.9	20.0	4.7	7.1	7.8	4.6	24.2
Income taxes	0.7	1.1	0.2	(0.2)	1.8	1.0	0.9	0.3	1.1	3.3	0.8	1.1	1.3	0.8	4.0	0.9	1.4	1.6	0.9	4.8
Net income (loss)	(1.6)	3.0	2.8	(3.0)	1.2	2.4	1.0	0.8	2.5	6.6	3.2	4.6	5.1	3.1	16.0	3.8	5.6	6.3	3.7	19.4
Nonrecurring/noncash adjustments	1.4	1.4	1.3	1.3	5.4	0.8	0.9	0.8	1.2	3.7					0.0					0.0
<b>Net income</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>3.7</b>	<b>10.3</b>	<b>3.2</b>	<b>4.6</b>	<b>5.1</b>	<b>3.1</b>	<b>16.0</b>	<b>3.8</b>	<b>5.6</b>	<b>6.3</b>	<b>3.7</b>	<b>19.4</b>
EBITDA	(0.3)	4.0	0.2	(3.0)	0.8	2.5	2.3	0.8	4.1	9.7	4.2	6.2	6.6	4.4	21.4	5.2	8.4	8.3	6.0	27.9
Shares, Basic	11.4	11.5	11.6	12.1	11.6	12.1	12.5	12.5	12.4	12.4	15.8	15.9	15.9	15.9	15.9	16.0	16.1	16.1	16.1	16.1
Shares, Diluted	11.4	13.4	12.9	12.1	13.0	12.5	12.6	12.6	12.5	12.6	15.9	16.0	16.0	16.0	16.0	16.1	16.2	16.2	16.2	16.2
EPS Basic (Pro forma)	(0.02)	0.38	0.36	(0.14)	0.57	0.26	0.15	0.13	0.29	0.83	0.20	0.29	0.32	0.20	1.01	0.24	0.35	0.39	0.23	1.20
EPS Diluted (Pro forma)	(0.02)	0.33	0.32	(0.14)	0.51	0.25	0.15	0.13	0.29	0.82	0.20	0.29	0.32	0.20	1.00	0.24	0.35	0.39	0.23	1.20
<b>Margins</b>																				
Gross margin	78.9%	86.8%	80.9%	78.8%	81.8%	84.7%	87.8%	85.3%	85.6%	85.8%	85.0%	85.0%	85.0%	85.0%	85.0%	86.0%	86.0%	86.0%	86.0%	86.0%
Operating margin	-5%	18%	-2%	-24%	-2%	10%	10%	2%	19%	11%	20%	25%	27%	18%	23%	21%	27%	29%	19%	24%
Net margin	-11%	16%	18%	-21%	2%	13%	6%	5%	13%	9%	16%	20%	21%	15%	18%	16%	22%	23%	15%	19%
Sales and marketing	48%	38%	49%	60%	48%	47%	48%	54%	40%	47%	45%	40%	37%	43%	41%	39%	35%	33%	38%	36%
General and administrative	32%	27%	29%	39%	31%	25%	27%	27%	22%	25%	21%	20%	21%	24%	21%	26%	24%	24%	29%	26%
Tax rate, GAAP	-82%	27%	8%	8%	61%	29%	47%	29%	30%	33%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
<b>Y/Y % change</b>																				
Revenue	-30%	172%	14%	13%	18%	29%	-7%	1%	32%	12%	9%	28%	51%	14%	25%	14%	14%	14%	13%	14%
Cost of Revenues	12%	18%	2%	7%	9%	-6%	-14%	-22%	-10%	-13%	7%	57%	55%	19%	32%	7%	6%	6%	5%	6%
Operating income (loss)	NM	NM	NM	NM	NM	NM	-49%	NM	NM	NM	107%	220%	NM	9%	164%	19%	24%	22%	18%	21%
Net income (loss)	NM	NM	NM	NM	NM	NM	-66%	-72%	NM	461%	35%	344%	NM	28%	141%	19%	24%	22%	18%	21%
EPS Diluted (Pro forma)	NM	NM	257%	NM	NM	NM	-55%	-60%	NM	61%	-20%	92%	147%	-33%	22%	18%	22%	21%	16%	20%

Source: Company reports and Ascendant Capital Markets estimates.

Travelzoo

Balance Sheet (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	\$ 70.9	\$ 81.0	\$ 65.2	\$ 43.8	\$ 35.6	\$ 25.6	\$ 19.5	\$ 18.7	\$ 27.7	\$ 34.9	\$ 39.6	\$ 44.3	\$ 47.7	\$ 51.9	\$ 57.6	\$ 63.4
Short term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net	7.3	9.9	9.1	15.3	18.2	14.8	11.8	13.8	11.1	12.4	13.2	11.7	12.6	14.1	15.0	13.2
Deposits	0.1	0.1	0.1	0.2	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	3.4	3.3	3.1	2.9	4.1	4.2	4.2	3.1	1.2	1.2	1.3	1.3	1.4	1.4	1.4	1.4
Deferred income taxes	1.4	1.6	2.9	3.2	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Total current assets</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>35.6</b>	<b>39.9</b>	<b>49.5</b>	<b>55.0</b>	<b>58.2</b>	<b>62.7</b>	<b>68.3</b>	<b>75.1</b>	<b>79.0</b>
Deposits	2.5	2.7	9.4	7.9	6.6	6.8	6.8	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	4.4	3.6	3.6	3.9	3.9	3.6	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Property and equipment, net	1.2	1.0	0.8	0.7	0.6	0.6	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other	8.5	8.6	8.0	7.7	7.8	7.3	6.8	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1
Intangibles	15.2	14.9	14.6	14.4	16.1	15.7	15.2	14.6	14.6	14.6	14.6	14.6	14.6	14.6	14.6	14.6
<b>Total assets</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>\$ 67.3</b>	<b>\$ 71.6</b>	<b>\$ 81.2</b>	<b>\$ 86.6</b>	<b>\$ 89.9</b>	<b>\$ 94.4</b>	<b>\$ 100.0</b>	<b>\$ 106.7</b>	<b>\$ 110.7</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	\$ 8.8	\$ 8.5	\$ 11.9	\$ 4.0	\$ 3.5	\$ 1.2	\$ 3.6	\$ 4.3	\$ 4.4	\$ 4.5	\$ 4.7	\$ 4.7	\$ 5.0	\$ 5.0	\$ 5.2	\$ 5.4
Merchant payables	70.1	82.2	73.2	68.7	60.5	47.9	38.2	32.6	32.6	32.6	32.6	32.6	32.6	32.6	32.6	32.6
Accrued expenses	10.8	8.2	7.5	9.7	9.2	7.6	5.9	5.0	5.4	5.5	5.7	5.8	6.2	6.2	6.4	6.6
Deferred revenue	2.4	2.2	1.8	1.7	2.3	2.1	2.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Income tax payable and other	4.6	4.3	4.0	3.9	3.3	3.0	2.7	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
<b>Debt</b>	<b>\$ 3.5</b>	<b>\$ 3.2</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total current liabilities</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>47.5</b>	<b>48.0</b>	<b>48.2</b>	<b>48.6</b>	<b>48.8</b>	<b>49.4</b>	<b>49.4</b>	<b>49.9</b>	<b>50.2</b>
Debt	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	12.8	12.5	12.0	11.5	11.0	10.6	10.2	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
<b>Total non-current liabilities</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>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>
Minority interest	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	4.6	4.6
Common stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Treasury stock	(1.6)	(1.6)	(1.6)	(5.5)	(5.5)	(5.5)	(6.7)	(7.1)	(7.1)	(7.1)	(7.1)	(7.1)	(7.1)	(7.1)	(7.1)	(7.1)
Retained earnings	(2.0)	1.0	3.8	0.8	2.9	3.9	4.7	7.1	10.3	14.9	20.0	23.1	26.9	32.6	38.8	42.5
Additional paid-in capital	4.3	5.0	3.4	4.4	5.0	7.4	7.8	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7
Other	-	-	-	-	(4.8)	-	-	(4.8)	(4.8)	-	-	-	-	-	-	-
Accumulated other comprehensive (loss) in	(3.6)	(3.5)	(3.9)	(3.8)	(3.9)	(4.5)	(5.3)	(4.9)	(4.9)	(4.9)	(4.9)	(4.9)	(4.9)	(4.9)	(4.9)	(4.9)
Accumulated deficit	-	-	-	-	-	-	-	-	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
<b>Total stockholders' equity</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>8.9</b>	<b>12.7</b>	<b>22.0</b>	<b>27.1</b>	<b>30.3</b>	<b>34.1</b>	<b>39.7</b>	<b>46.0</b>	<b>49.7</b>
<b>Total stockholders' equity and liabilities</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>\$ 67.3</b>	<b>\$ 71.6</b>	<b>\$ 81.2</b>	<b>\$ 86.6</b>	<b>\$ 89.9</b>	<b>\$ 94.4</b>	<b>\$ 100.0</b>	<b>\$ 106.7</b>	<b>\$ 110.7</b>

Source: Company reports and Ascendant Capital Markets estimates.

**Travelzoo**

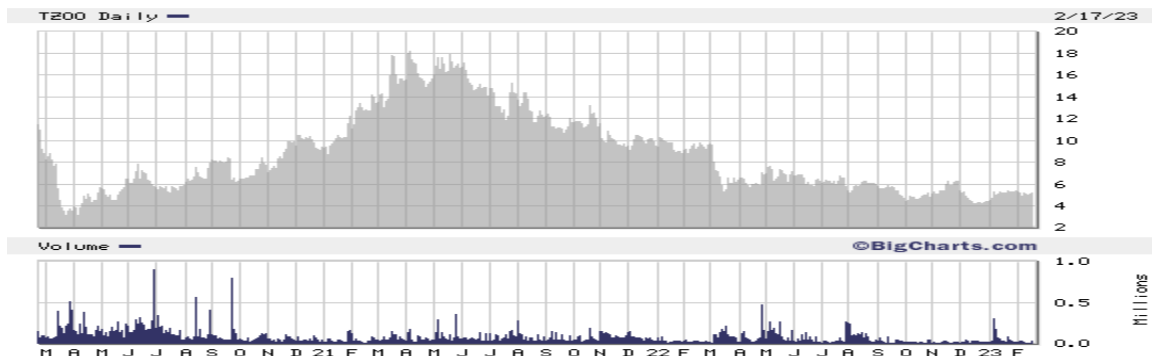
Cash Flow Statement (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Cash flow from operating activities</b>																				
Net income	(1.7)	3.1	2.8	(3.0)	1.2	2.4	1.1	0.8	2.4	6.6	3.2	4.6	5.1	3.1	16.0	3.8	5.6	6.3	3.7	19.4
Depreciation and amortization	0.5	0.5	0.4	0.4	1.8	0.6	0.5	0.5	0.5	2.2	0.2	0.5	0.2	0.5	1.4	0.5	1.4	0.5	1.4	3.7
Deferred income taxes	0.5	0.6	(0.1)	(0.3)	0.8	0.1	0.5	0.2	0.1	0.8	-	-	-	-	-	-	-	-	-	-
Provision for losses on accounts receivable	(0.5)	(0.4)	(0.9)	1.7	(0.1)	(1.4)	(0.8)	(1.2)	(1.0)	(4.4)	-	-	-	-	-	-	-	-	-	-
Non-cash revenues other than barter	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock comp and tax benefits from option	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	1.4	0.3	0.3	0.3	0.3	1.4
Accrued interest income from investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/losses	-	(0.4)	(3.2)	-	(3.6)	(0.2)	-	-	0.2	0.1	(0.3)	(0.3)	(0.3)	(0.3)	(1.4)	(0.3)	(0.3)	(0.3)	(0.3)	(1.4)
F/X gains/losses	(0.2)	(0.1)	(0.0)	(0.1)	(0.4)	(0.0)	0.2	(0.2)	0.2	0.2	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Changes in operating assets and liabilities:</b>																				
Accounts receivable	(2.2)	(2.6)	0.9	(6.3)	(10.2)	(3.2)	3.0	2.7	(1.2)	1.3	2.8	(1.3)	(0.8)	1.5	2.1	(1.0)	(1.5)	(0.9)	1.8	(1.5)
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses & other current assets	(2.4)	(0.4)	(6.7)	1.4	(8.1)	2.2	(0.7)	0.2	2.7	4.4	1.9	(1.0)	(0.0)	(0.0)	0.8	(0.1)	-	(0.1)	(0.0)	(0.2)
Accounts payable	1.7	(0.3)	3.6	(7.8)	(2.7)	0.1	(2.2)	2.5	0.5	0.9	0.1	0.1	0.2	0.1	0.5	0.3	-	0.2	0.1	0.6
Merchant payables	13.2	12.0	(8.7)	(4.3)	12.2	(8.0)	(11.8)	(9.1)	(6.3)	(35.2)	-	-	-	-	-	-	-	-	-	-
Accrued expenses	(0.6)	0.3	(0.6)	0.8	(0.1)	-	(0.7)	(0.0)	(0.6)	(1.4)	0.4	0.1	0.2	0.1	0.8	0.4	-	0.2	0.2	0.8
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income tax payable and other	(0.3)	(0.4)	(1.3)	(0.8)	(2.7)	0.0	0.1	(0.5)	(0.1)	(0.4)	-	-	-	-	-	-	-	-	-	-
<b>Net cash (used in) provided by operating activities</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>\$(2.3)</b>	<b>\$(23.1)</b>	<b>\$ 8.5</b>	<b>\$ 2.9</b>	<b>\$ 4.9</b>	<b>\$ 5.2</b>	<b>\$ 21.5</b>	<b>\$ 3.9</b>	<b>\$ 5.5</b>	<b>\$ 6.2</b>	<b>\$ 7.1</b>	<b>\$ 22.8</b>
<b>Cash flow from investing activities</b>																				
Purchases of property and equipment	(0.0)	(0.1)	0.1	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(0.2)	(0.5)	(0.2)	(0.5)	(1.4)	(0.5)	(1.4)	(0.5)	(1.4)	(3.7)
Purchases of short-term investments	-	-	-	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of short-term investments	-	-	-	-	-	0.2	-	-	-	0.2	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	(1.0)	-	-	-	(1.0)	-	-	-	-	-	-	-	-	-	-
Purchases of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash used in investing activities</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>\$(0.2)</b>	<b>\$(1.3)</b>	<b>\$(0.2)</b>	<b>\$(0.5)</b>	<b>\$(0.2)</b>	<b>\$(0.5)</b>	<b>\$(1.4)</b>	<b>\$(0.5)</b>	<b>\$(1.4)</b>	<b>\$(0.5)</b>	<b>\$(1.4)</b>	<b>\$(3.7)</b>
<b>Cash flow from financing activities</b>																				
Repayment of loans from principal stockholder	-	-	-	-	-	-	-	-	-	-	-	4.8	-	-	4.8	-	-	-	-	-
Repurchase of common stock	(1.6)	-	-	(3.9)	(5.5)	-	-	(1.1)	(0.5)	(1.6)	-	-	-	-	-	-	-	-	-	-
Proceeds from stock option exercises	-	(3.1)	(2.4)	(0.1)	(5.6)	1.9	-	-	(0.0)	1.9	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of common stock	-	-	-	-	-	-	-	-	1.0	1.0	-	-	-	-	-	-	-	-	-	-
<b>Cash provided by (used in) financing activities</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>\$(0.5)</b>	<b>\$ 1.3</b>	<b>\$ -</b>	<b>\$ 4.8</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4.8</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Effect of exchange rate on cash and cash equivalents	0.3	0.4	(0.8)	(0.1)	(0.3)	(0.5)	(1.7)	(1.1)	0.8	(2.5)	-	-	-	-	-	-	-	-	-	-
<b>Net increase (decrease) in cash and cash equivalents</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>(1.2)</b>	<b>(25.6)</b>	<b>8.3</b>	<b>7.2</b>	<b>4.7</b>	<b>4.7</b>	<b>24.9</b>	<b>3.4</b>	<b>4.2</b>	<b>5.8</b>	<b>5.7</b>	<b>19.1</b>
Beginning cash and equivalents	63.1	70.8	80.9	65.1	63.1	43.7	35.4	25.3	20.5	43.7	19.4	27.7	34.9	39.6	19.4	44.3	47.7	51.9	57.6	44.3
<b>Ending cash and equivalents</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>19.4</b>	<b>19.4</b>	<b>27.7</b>	<b>34.9</b>	<b>39.6</b>	<b>44.3</b>	<b>44.3</b>	<b>47.7</b>	<b>51.9</b>	<b>57.6</b>	<b>63.4</b>	<b>63.4</b>

Source: Company reports and Ascendant Capital Markets estimates.

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### Travelzoo



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

	Report Date		Price
Report	Date	Rating	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
69	11/10/2022	Buy	\$ 16.00

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**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.

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	44	98%	18	41%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	45	100%	18	40%

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