



# Travelzoo

*Q4 miss, but 2022 outlook poised for rebound. Solid signs of company and travel industry recovery makes us positive. Lowering P/T to \$18.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: TZOO

Price: \$5.51

Target: \$18.00  
(from \$20)

**Q4 miss:** Travelzoo recently (on March 3) reported its fiscal Q4 2021 results. Revenue was \$14 million (+13% y-o-y), compared with our estimates of \$17 million and consensus of \$18 million. Pro forma EPS was \$(0.14) (vs. \$0.19 y-o-y), compared with our and consensus estimates of \$0.14. There was no Q4 2021 guidance, but it did qualitatively stated that it will be “profitable”.

**Recovery lumpy:** Revenue growth was -3% in U.S. and +77% in Europe as the company continues to face lumpy and volatility in its rebound from the pandemic lockdowns in 2020. This quarter saw weakness again in the U.S. while Europe rebounded much better.

**Omicron impact in Q4:** The company had some weakness in travel demand in Q4 due to the rise of the Omicron variant of COVID-19 especially in the U.S. However, so far in Q1, travel is rebounding again as COVID-19 eases. The company is optimistic that leisure travel can improve materially over the next year as COVID cases continues to improve and consumer demand rebounds (from pent up demand) and improves. In addition, more travel locations (including the U.S.) is opening back up to international travelers.

**Subscribers declines:** In Q4, the company had 16.9 million North American, and 8.4 million European subscribers to its newsletter (compared with 17.2 million and 8.4 million, respectively, last quarter). This brings total subscribers to 25.3 million (compared with 25.6 million in Q3). In Q4, Jack’s Flight Club had 1.8 million subscribers versus 1.7 million in Q3.

**Q1 guidance to be “profitable”:** The company did not provide Q1 2022 guidance, but did qualitatively state that it will have “substantially higher revenue and a return to profitability in Q1”.

**Lowering estimates:** We are lowering our 2022 estimates for revenue to \$79 million, from \$85 million, and for EPS to \$0.75 from \$0.90.

**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. However, with recent improving COVID-19 data, we expect 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. Near-term visibility continues to improve even factoring the recent spike and declines from the Omicron variant. Even in Europe where travel rebound was lagging the U.S., travel is rebounding strongly and catching up to the U.S. recovery. We have greater 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 \$18 from \$20, which is based on a 19x P/E multiple on our 2023 EPS estimate of \$0.94 which we estimate is its near term EPS growth rate.

### 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

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### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$5.20 – 19.83
Shares Outstanding (million):	12
Market cap (\$million):	\$66
EV (\$million):	\$22
Debt (\$million):	\$0
Cash (\$million):	\$44
Avg. Daily Trading Vol. (\$million):	~\$1
Float (million shares):	7
Short Interest (million shares):	0.2
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Mar	17E	20E	21E	
Q2 Jun	24E		28E	
Q3 Sep	21E		25E	
Q4 Dec	17E	20E	20E	
Total	79E	85E	95E	
EV/Revs	0.3x		0.2x	

### Earnings per Share (pro forma)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Mar	0.10E	0.21E	0.17E	
Q2 Jun	0.39E	0.34E	0.45E	
Q3 Sep	0.25E	0.25E	0.29E	
Q4 Dec	0.02E	0.10E	0.02E	
Total	\$0.75E	\$0.90E	\$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 March 3) reported its fiscal Q4 2021 (ending December) results.
- Revenue was \$14 million (+13% y-o-y), compared with our estimates of \$17 million and consensus of \$18 million.
- Pro forma EPS was \$(0.14) (excluding \$0.11 in stock option expenses, special charges, and discontinued operations) (vs. \$0.19 y-o-y), compared with our and consensus estimates of \$0.14.
- There was no Q4 2021 guidance, but it did qualitatively stated that it will be “profitable”.
- The company did not provide Q1 2022 guidance, but did qualitatively state that it will have “substantially higher revenue and a return to profitability in Q1”.
- We are lowering our 2022 estimates for revenue to \$79 million, from \$85 million, and for EPS to \$0.75 from \$0.90.
- We are initiating our 2023 estimates for revenue of \$95 million, and for EPS of \$0.94.

### **ADDITIONAL DETAILS**

- Gross profit for the quarter was \$11 million, compared with our estimate of \$15 million.
- Gross margin for the quarter was 79%, versus 78% last year and our expectation of 87%.
- Operating expenses were \$15 million, versus our expectation of \$13 million.
- Operating loss was \$3.4 million, versus our expectation of income of \$1.9 million.
- Pro forma net loss was \$1.7 million, versus our expectation of income of \$1.8 million.
  
- In Q4, the company had 16.9 million North American, and 8.4 million European subscribers to its newsletter (compared with 17.2 million and 8.4 million, respectively, last quarter). This brings total subscribers to 25.3 million (compared with 25.6 million in Q3). This does not count Asia subscribers (where it licenses its name) of 3.2 million vs 3.4 million last quarter.
- In Q4, Jack’s Flight Club had 1.8 million subscribers versus 1.7 million in Q3.

The company’s balance sheet is strong with \$44 million in cash (~\$4/share) and no debt, compared with \$65 million in cash and no debt as of September. We do note that its merchant payables is \$69 million so its net cash of payables is ~\$(2)/share.

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**Exhibit 1: Q1 2022 Guidance (as of March 3, 2022)****Looking Ahead**

We currently expect substantially higher revenue and a return to profitability in Q1 2022. 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

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



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

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

	Revenue (mils)			EPS	
	2021E	2022E		2021E	2022E
Q1 Mar	\$14A	\$19E	Q1 Mar	\$(0.02)A	\$0.18E
Q2 Jun	\$19A		Q2 Jun	\$0.33A	
Q3 Sep	\$16A		Q3 Sep	\$0.32A	
Q4 Dec	\$18E		Q4 Dec	\$0.14E	
<b>Total</b>	<b>\$67E</b>	<b>\$86E</b>	<b>Total</b>	<b>\$0.45E</b>	<b>\$0.87E</b>

\*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	Q1E	Q2E	Q3E	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>17.4</b>	<b>23.7</b>	<b>20.8</b>	<b>16.9</b>	<b>78.9</b>	<b>20.9</b>	<b>28.4</b>	<b>25.0</b>	<b>20.3</b>	<b>94.7</b>
Cost of Revenues	2.7	2.1	2.9	2.8	10.6	3.0	2.5	3.0	3.0	11.5	2.4	3.1	2.5	2.2	10.2	2.6	3.4	3.0	2.4	11.5
Gross Profit	17.6	4.9	10.9	9.7	43.0	11.3	16.6	12.7	11.1	51.7	15.0	20.6	18.3	14.7	68.7	18.3	25.0	22.0	17.9	83.2
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	8.0	9.0	9.0	9.0	35.0	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					0.0					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	5.5	5.7	5.5	5.5	22.2	6.1	7.5	7.5	7.5	28.6
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>13.5</b>	<b>14.7</b>	<b>14.5</b>	<b>14.5</b>	<b>57.2</b>	<b>15.6</b>	<b>18.0</b>	<b>17.5</b>	<b>17.5</b>	<b>68.6</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>1.5</b>	<b>5.9</b>	<b>3.8</b>	<b>0.2</b>	<b>11.5</b>	<b>2.7</b>	<b>7.0</b>	<b>4.5</b>	<b>0.4</b>	<b>14.6</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	0.0	0.0	0.0	0.0	0.0	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	1.5	5.9	3.8	0.2	11.5	2.7	7.0	4.5	0.4	14.6
Income taxes	(0.5)	(1.3)	(0.2)	(0.4)	(2.4)	0.7	1.1	0.2	(0.2)	1.9	0.3	1.2	0.8	0.0	2.3	0.5	1.4	0.9	0.1	2.9
Net income (loss)	(6.6)	(6.2)	(1.4)	0.7	(13.5)	(1.6)	3.0	2.8	(3.0)	1.2	1.2	4.7	3.1	0.2	9.2	2.1	5.6	3.6	0.3	11.7
Nonrecurring/noncash adjustments	5.6	4.1	2.4	1.4	13.5	1.4	1.4	1.3	1.3	5.4					0.0					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>1.2</b>	<b>4.7</b>	<b>3.1</b>	<b>0.2</b>	<b>9.2</b>	<b>2.1</b>	<b>5.6</b>	<b>3.6</b>	<b>0.3</b>	<b>11.7</b>
EBITDA	(4.8)	(6.0)	(0.6)	(0.4)	(11.8)	(0.3)	4.0	0.2	(3.0)	0.8	1.5	5.9	3.9	0.2	11.5	2.7	7.0	4.5	0.4	14.6
Shares, Basic	11.4	11.3	11.3	11.3	11.3	11.4	11.5	11.6	12.1	11.6	12.2	12.3	12.3	12.3	12.2	12.4	12.5	12.5	12.5	12.4
Shares, Diluted	11.4	11.3	11.3	11.3	11.3	11.4	13.4	12.9	12.1	13.0	12.2	12.3	12.3	12.3	12.2	12.4	12.5	12.5	12.5	12.4
EPS Basic (Pro forma)	(0.09)	(0.19)	0.09	0.19	0.01	(0.02)	0.38	0.36	(0.14)	0.57	0.10	0.39	0.25	0.02	0.75	0.17	0.45	0.29	0.02	0.94
<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>0.10</b>	<b>0.39</b>	<b>0.25</b>	<b>0.02</b>	<b>0.75</b>	<b>0.17</b>	<b>0.45</b>	<b>0.29</b>	<b>0.02</b>	<b>0.94</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%	86.0%	87.0%	88.0%	87.0%	87.0%	87.5%	88.0%	88.0%	88.0%	87.9%
Operating margin	-26%	-95%	-9%	-7%	-26%	-5%	18%	-2%	-24%	-2%	8%	25%	18%	1%	15%	13%	25%	18%	2%	15%
Net margin	-33%	-88%	-10%	5%	-25%	-11%	16%	18%	-21%	2%	7%	20%	15%	1%	12%	10%	20%	14%	2%	12%
Sales and marketing	64%	61%	50%	51%	57%	48%	38%	49%	60%	48%	46%	38%	43%	53%	44%	45%	37%	40%	49%	42%
General and administrative	27%	95%	33%	30%	38%	32%	27%	29%	39%	31%	32%	24%	26%	32%	28%	29%	26%	30%	37%	30%
Tax rate, GAAP	7%	17%	15%	-119%	15%	-82%	27%	8%	8%	61%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
<b>Y/Y % change</b>																				
Revenue	-34%	-75%	-46%	-54%	-52%	-30%	172%	14%	13%	18%	22%	24%	33%	20%	25%	20%	20%	20%	20%	20%
Cost of Revenues	-8%	-22%	-2%	-13%	-11%	12%	18%	2%	7%	9%	-19%	22%	-16%	-26%	-11%	7%	11%	20%	11%	12%
Operating income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	70%	NM	NM	NM	82%	19%	17%	64%	27%
Net income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	57%	8%	NM	NM	82%	19%	17%	64%	27%
EPS Diluted (Pro forma)	NM	NM	254%	NM	-98%	NM	NM	257%	NM	NM	NM	18%	-22%	NM	47%	79%	17%	16%	61%	25%

Source: Company reports and Ascendant Capital Markets estimates.

Travelzoo

Balance Sheet (\$ mils)	2020				2021				2022				2023			
Fiscal Year End: December 31	Mar-20 Q1A	Jun-20 Q2A	Sep-20 Q3A	Dec-20 Q4A	Mar-21 Q1A	Jun-21 Q2A	Sep-21 Q3A	Dec-21 Q4A	Mar-22 Q1E	Jun-22 Q2E	Sep-22 Q3E	Dec-22 Q4E	Mar-23 Q1E	Jun-23 Q2E	Sep-23 Q3E	Dec-23 Q4E
<b>Assets</b>																
Cash and cash equivalents	\$ 12.1	\$ 25.6	\$ 50.5	\$ 63.1	\$ 70.9	\$ 81.0	\$ 65.2	\$ 43.8	\$ 62.6	\$ 68.2	\$ 72.5	\$ 74.8	\$ 76.6	\$ 82.2	\$ 86.8	\$ 89.7
Short term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net	7.7	4.0	4.2	4.5	7.3	9.9	9.1	15.3	9.5	13.0	11.4	9.3	11.5	15.6	13.7	11.1
Deposits	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
Prepaid expenses and other current assets	4.0	1.8	1.4	1.4	3.4	3.3	3.1	2.9	1.2	1.3	1.3	1.3	1.4	1.6	1.6	1.6
Deferred income taxes	-	-	0.3	0.9	1.4	1.6	2.9	3.2	3.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<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>76.8</b>	<b>83.7</b>	<b>86.4</b>	<b>86.6</b>	<b>90.7</b>	<b>100.6</b>	<b>103.3</b>	<b>103.6</b>
Deposits	0.4	2.0	2.0	1.9	2.5	2.7	9.4	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
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	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Property and equipment, net	2.0	1.7	1.5	1.3	1.2	1.0	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other	12.3	9.9	9.1	8.5	8.5	8.6	8.0	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Intangibles	16.5	16.1	15.8	15.5	15.2	14.9	14.6	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4
<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>\$ 111.4</b>	<b>\$ 118.3</b>	<b>\$ 121.0</b>	<b>\$ 121.2</b>	<b>\$ 125.3</b>	<b>\$ 135.2</b>	<b>\$ 137.9</b>	<b>\$ 138.2</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	\$ 15.0	\$ 16.3	\$ 16.1	\$ 16.1	\$ 17.3	\$ 20.0	\$ 19.4	\$ 19.4
Merchant payables	-	-	-	57.1	70.1	82.2	73.2	68.7	68.7	68.7	68.7	68.7	68.7	68.7	68.7	68.7
Accrued expenses	6.5	5.4	7.0	8.6	10.8	8.2	7.5	9.7	9.0	9.8	9.7	9.7	10.4	12.0	11.7	11.7
Deferred revenue	2.5	2.8	2.8	2.7	2.4	2.2	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Income tax payable and other	7.6	6.7	5.9	4.6	4.6	4.3	4.0	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
<b>Debt</b>	<b>\$ 10.0</b>	<b>\$ 5.4</b>	<b>\$ 5.4</b>	<b>\$ 2.8</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>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>98.3</b>	<b>100.4</b>	<b>100.1</b>	<b>100.1</b>	<b>102.0</b>	<b>106.3</b>	<b>105.4</b>	<b>105.4</b>
Debt	-	-	-	0.8	0.2	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	19.2	13.6	12.7	12.2	12.8	12.5	12.0	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
<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>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</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)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)
Retained earnings	(4.3)	0.2	(1.1)	(0.4)	(2.0)	1.0	3.8	0.8	1.9	6.7	9.7	9.9	12.1	17.7	21.3	21.6
Additional paid-in capital	-	4.0	5.2	6.2	4.3	5.0	3.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Unearned compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated other comprehensive (loss) or gain	6.4	(4.7)	(4.1)	(4.1)	(3.6)	(3.5)	(3.9)	(3.8)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Accumulated deficit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<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>1.6</b>	<b>6.4</b>	<b>9.4</b>	<b>9.6</b>	<b>11.8</b>	<b>17.4</b>	<b>21.0</b>	<b>21.3</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>\$ 111.4</b>	<b>\$ 118.3</b>	<b>\$ 121.0</b>	<b>\$ 121.2</b>	<b>\$ 125.3</b>	<b>\$ 135.2</b>	<b>\$ 137.9</b>	<b>\$ 138.2</b>

Source: Company reports and Ascendant Capital Markets estimates.

**Travelzoo**

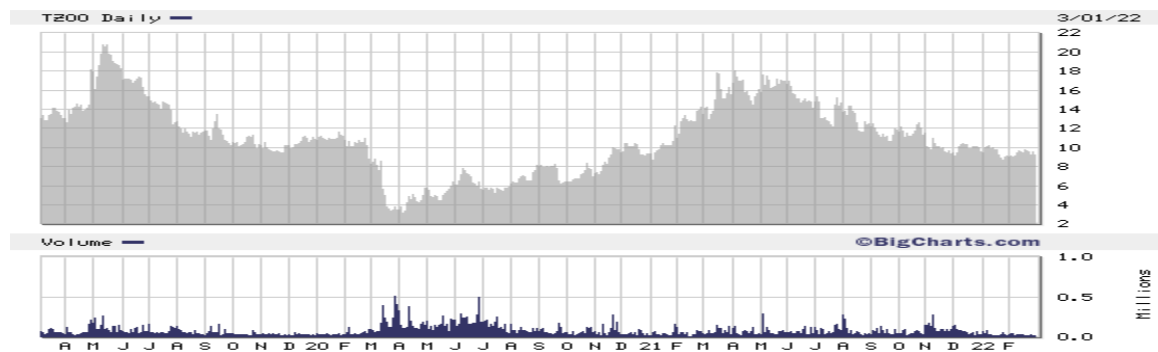
Cash Flow Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Cash flow from operating activities</b>																				
Net income	(7.7)	(6.3)	(1.2)	0.7	(14.6)	(1.7)	3.1	2.8	(3.0)	1.2	1.2	4.7	3.1	0.2	9.2	2.1	5.6	3.6	0.3	11.7
Depreciation and amortization	0.6	0.7	0.6	0.5	2.3	0.5	0.5	0.4	0.4	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income taxes	(0.6)	(1.2)	0.0	(0.8)	(2.6)	0.5	0.6	(0.1)	(0.3)	0.8	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	-	-	-	-	-	-	-
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	1.0	1.0	1.0	1.0	3.8	1.0	1.0	1.0	1.0	3.8
Accrued interest income from investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/losses	3.6	0.1	0.1	(1.3)	2.5	(0.7)	(0.4)	(3.2)	(3.6)	(3.6)	(1.0)	(1.0)	(1.0)	(1.0)	(3.8)	(1.0)	(1.0)	(1.0)	(1.0)	(3.8)
F/X gains/losses	(0.7)	0.2	(0.1)	(0.1)	(0.7)	(0.2)	(0.1)	(0.0)	(0.1)	(0.4)	-	-	-	-	-	-	-	-	-	-
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)	5.8	(3.4)	1.6	2.1	6.0	(2.2)	(4.1)	1.9	2.6	(1.9)
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)	1.7	2.1	0.0	-	3.9	(0.1)	(0.2)	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)	11.0	1.3	(0.2)	-	12.1	1.2	2.7	(0.6)	-	3.3
Merchant payables	-	-	-	15.4	15.4	13.2	12.0	(8.7)	(4.3)	12.2	-	-	-	-	-	-	-	-	-	-
Accrued expenses	0.7	(2.1)	(0.0)	(0.9)	(2.3)	(0.6)	0.3	(0.6)	0.8	(0.1)	(0.7)	0.8	(0.1)	-	(0.0)	0.7	1.6	(0.3)	-	2.0
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)	-	-	-	-	-	-	-	-	-	-
<b>Net cash (used in) provided by operati</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>\$ 19.0</b>	<b>\$ 5.6</b>	<b>\$ 4.3</b>	<b>\$ 2.3</b>	<b>\$ 31.2</b>	<b>\$ 1.8</b>	<b>\$ 5.6</b>	<b>\$ 4.6</b>	<b>\$ 2.9</b>	<b>\$ 14.9</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)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Purchases of short-term investments	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-	-	-	-
Sale of short-term investments	-	-	-	0.8	0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	(0.7)	(0.4)	-	2.6	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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>\$ (0.0)</b>	<b>\$ (0.0)</b>	<b>\$ (0.0)</b>	<b>\$ (0.0)</b>	<b>\$ (0.0)</b>	<b>\$ (0.0)</b>	<b>\$ (0.0)</b>	<b>\$ (0.0)</b>	<b>\$ (0.0)</b>	<b>\$ (0.0)</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)	-	-	-	-	-	-	-	-	-	-
Proceeds from stock option exercises	-	-	-	0.3	0.3	-	(3.1)	(2.4)	(0.1)	(5.6)	-	-	-	-	-	-	-	-	-	-
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>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Effect of exchange rate on cash and cash	(0.3)	(0.3)	1.0	1.2	1.6	0.3	0.4	(0.8)	(0.1)	(0.3)	-	-	-	-	-	-	-	-	-	-
<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>19.0</b>	<b>5.6</b>	<b>4.3</b>	<b>2.3</b>	<b>31.1</b>	<b>1.8</b>	<b>5.5</b>	<b>4.6</b>	<b>2.9</b>	<b>14.9</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	62.6	68.2	72.5	43.7	74.8	76.6	82.2	86.8	74.8
<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>62.6</b>	<b>68.2</b>	<b>72.5</b>	<b>74.8</b>	<b>74.8</b>	<b>76.6</b>	<b>82.2</b>	<b>86.8</b>	<b>89.7</b>	<b>89.7</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

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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.

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

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

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**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 January 15, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	40	98%	16	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	41	100%	16	39%

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