REFINITIV

DELTA REPORT

10-K

TZOO - TRAVELZOO

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	3869
CHANGES	273
DELETIONS	1865
ADDITIONS	1731

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022 December 31, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .
Commission File No.: 000-50171

Travelzoo

(Exact name of registrant as specified in its charter)

Delaware	**36-4415727**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**
590 Madison Avenue, 35th Floor New York, New York	**10022**
(Address of principal executive offices)	**(Zip code)**

Registrant's telephone number, including area code: +1 (212) 516-1300

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	TZOO	The NASDAQ Stock Market

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

---

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

As of June 30, 2022 June 30, 2023, the aggregate market value of voting stock held by non-affiliates of the Registrant, based upon the closing sales price for the Registrant's common stock, as reported on the NASDAQ Global Select Market, was $46,013,000. $56,843,000.

The number of shares of the Registrant's common stock outstanding as of March 29, 2023 March 18, 2024 was 15,697,412 13,224,441 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2023 2024 Annual Meeting of Stockholders are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13, and 14.

TRAVELZOO

Table of Contents

PART I

Forward-Looking Statements

The information in this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations, assumptions, estimates and projections about Travelzoo and our industry. These forward-looking statements are subject to the many risks and uncertainties that exist in our operations and business environment that may cause actual results, performance or achievements of Travelzoo to be different from those expected or anticipated in the forward-looking statements. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may", "will", "should", "estimates", "predicts", "potential", "continue", "strategy", "believes", "anticipates", "plans", "expects", "intends", and similar expressions are intended to identify forward-looking statements. Travelzoo's actual results and the timing of certain events could differ significantly from those anticipated in such forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those discussed elsewhere in this report in Part I Item 1A and the risks discussed in our other Securities and Exchange Commission ("SEC") filings. The forward-looking statements included in this report reflect the beliefs of our management on the date of this report. Travelzoo undertakes no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other circumstances occur in the future.

Item 1. *Business*

Overview

Travelzoo Travelzoo® (including its subsidiaries and affiliates, the "Company" or "we"), the club for travel enthusiasts, is a global Internet media company. Travelzoo® provides its 30 million members with exclusive offers and one-of-a-kind experiences personally reviewed by our deal experts around the globe. We have our finger on the pulse of outstanding travel, entertainment and lifestyle local experiences. We work in partnership with more than 5,000 top travel suppliers—our long-standing relationships give Travelzoo members access to irresistible offers.

Travelzoo attracts a high-quality audience of travel enthusiasts across multiple digital platforms, including email, websites, social media and mobile applications. The *Travelzoo* website is visited visited by 5.4 million to 6.6 million over 6 million unique visitors each month. monthly. We have over 4.5 million social media followers on Facebook, Instagram, and Twitter. Our Apple Twitter and, Android to date, our iOS and Android mobile applications have been downloaded 7.4 million7.5 million times.

Our most important products and services are the *Travelzoo* website (travelzoo.com), the *Travelzoo* iPhone iOS and Android apps, the *Top 20*® email newsletter,*Standalone* email newsletters, the *Travelzoo Network*, and Jack's Flight Club®. Our *Travelzoo* website and newsletters include *Local Deals* and *Getaways* listings that allow our members to purchase vouchers for offers from local businesses such as spas, hotels and restaurants. *Jack's Flight Club* is a subscription service that provides members with information about exceptional airfares.

We also license *Travelzoo* products and our intellectual property to licensees in various countries in Asia Pacific, including but not limited to Australia, Japan and Southeast Asia.

In March 2022, we announced the development of Travelzoo META, a subscription service that intends to provide members with exclusive access to innovative, high quality Metaverse travel experiences. On December 30, 2022, we acquired Metaverse Travel Experiences, Inc., now Metaverse Travel Experiences, LLC ("MTE"), a Metaverse experience scouting business to support Travelzoo META.

As of December 31, 2022 December 31, 2023, we had 31.1 million members worldwide, up from 30.4 million members worldwide. as of December 31, 2022. In North America, the Travelzoo had 16.2 million unduplicated number of Travelzoo members was 16.3 million as of December 31, 2022 December 31, 2023, down 4% from December 31, 2021 consistent with December 31, 2022. In Europe, the Travelzoo had 9.2 million unduplicated number members as of Travelzoo members was December 31, 2023, up from 9.0 million as of December 31, 2022, up 8% from December 31, 2021. Jack's Flight Club had 1.9 million 2.4 million subscribers as of December 31, 2022 December 31, 2023, up 8% from December 31, 2021 1.9 million as of December 31, 2022.

More than 5,000 travel and local providers use our advertising and marketing services, including Air France, Air New Zealand, Air Tahiti Nui, Alaska Airlines, Cathay Pacific Airways, Club Med, Emirates, Etihad, DH Travel Services, Entertainment Benefits Group, Exoticca, Fairmont Hotels and Resorts, Mayakoba, Fiji Airways, Gate 1 Travel, Hilton Hotels & Resorts, Hyatt Corporation, Globus Family of Brands, Holland America Line, Icelandair InterContinental Hotels Group, Lion World (US), Imagine Cruising, Indus Travels Inc., Jetline Travel, KLM Royal Dutch Airlines, Myrtle Beach Area Conventions & Visitors Bureau, Princess Cruises, Royal Caribbean, Singapore Airlines, Starwood Hotels & Resorts Stunning Tours, Swan Hellenic, Tourism Ireland, TraveloDeals, Vacation Express USA Corp and United Airlines. Wingbuddy.com.

Revenues We generate revenues from the *Travelzoo* brand and business are generated primarily from advertising fees from two categories of revenue: Travel and Local. The "Travel" category consists primarily of advertising or publishing revenues, primarily (a) listing advertising fees paid by travel companies for the publishing of their offers on Travelzoo's media properties and (b) commission commissions generated from operation of our hotel booking platform and the sale of *Getaways* vouchers. Listing Advertising fees are may be based on audience reach, placement in email newsletters or on media properties, number of listings, number of impressions, number of clicks, and and/or actual sales. For publishing revenue, we We typically recognize advertising revenue upon delivery of the emails and delivery of the or clicks, over as tracked by our internal platform or third-party platforms, in the period of the placement of the advertising. applicable insertion orders. For *Getaways* vouchers, we recognize a percentage of the face value of the vouchers upon the sale, net of the vouchers. an allowance for future refunds. The "Local" category consists of publishing revenue for negotiated high quality offers from local businesses, such as restaurants, spas, shows, and other activities and includes *Local Deals* vouchers and entertainment offers.

Jack's Flight Club revenue is generated from paid subscriptions by members. Subscription options are quarterly, semi-annually, and annually. We recognize revenues monthly pro rata over the respective subscription period.

Travelzoo membership has historically been free, however, beginning in 2024, new members in the United States, Canada, United Kingdom and Germany are charged an annual fee of $40 (or local equivalent), with the 2024 annual fee waived for existing members as of December 31, 2023. For any subscription revenue derived from paid memberships, we recognize revenue monthly pro rata over the subscription period. periods.

The CompanyWe also has licensing arrangements with license *Travelzoo* products, services and intellectual property to licensees in (a) Australia, New Zealand, and Southeast Asia Singapore and (b) Japan and South Korea, in each case, where the Company is entitled to a quarterly royalty payment payments based on a percentage of net revenue. The

Company records royalties on a one-quarter lag basis recognized $71,000 and recognized $25,000 and $12,000 in royalties in 2022 2023 and 2021, 2022, respectively. Under the licensing agreements, Travelzoo's existing members in the applicable territories will continue to be owned by the Company Company.

In March 2022 we announced the development of, and in May 2023 we launched, Travelzoo META to extend the range of experiences we offer consumers to the emerging metaverse. This paid membership service currently provides founding members with a limited edition “Travel Companion” non-fungible token (“NFT”) and future access to beta version metaverse travel experiences, as developed. On December 30, 2022, we acquired Metaverse Travel Experiences, Inc., now Metaverse Travel Experiences, LLC, to support Travelzoo META in sourcing prospective travel experiences. MTE also continues to operate its legacy business in retail and fashion, which is included in but not material to the licensor. Company’s consolidated results.

In connection with the development acquisition of Travelzoo META, the Company acquired MTE, formerly a wholly owned wholly-owned subsidiary of Azzurro Capital Inc. ("Azzurro"), and also the Company completed a private placement of newly issued shares. shares with Azzurro. Ralph Bartel, who founded the Company, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro. Azzurro was the Company’s largest shareholder as of at the time of this transaction the MTE acquisition and, as of December 31, 2022, Azzurro and Ralph Bartel, in his individual capacity, owned as of December 31, 2022 approximately 50.3% the Company's outstanding shares. On December 28, 2022, the stockholders of Travelzoo approved the issuance and sale of 3.4 million shares of common stock (the “Shares”) of Travelzoo to Azzurro, in exchange for certain consideration, and on December 30, 2022 (the “Closing Date”), the transaction was consummated. The closing price of Travelzoo’s common stock on December 30, 2022 was $4.45 per share, resulting in an aggregate fair value of the Shares of $15.2 million. The Purchase Price was paid as follows: consideration for the Shares consisted of the following: (a) $1.0 million in cash paid on the Closing Date; (b) $4.8 million paid in the form of a promissory note, carrying a 12% interest rate per annum, issued on the Closing Date and payable by June 30, 2023 with accrued interest of 12%; and (c) the transfer to the Company of all outstanding capital stock of Metaverse Travel Experiences, Inc. (“MTE”), MTE, which transfer was effected pursuant to a merger of MTE with a wholly-owned subsidiary of the Company on the Closing Date. The Company recorded the $4.8 million promissory note as Note receivable from shareholder in the stockholders' equity section on the consolidated balance sheet as of December 31, 2022.

In January 2022 October 2023, the Company and July 2022, the Company’s German branch of Travelzoo (Europe) Limited, Azzurro agreed to a wholly-owned subsidiary payment plan for payment of the Company (“Travelzoo Germany”), received promissory note in five installments, ending in February 2024, with interest on the notification and payment of approximately $1.2 million and $494,000, respectively, from the German Federal Government Bridging Aid III plan and Bridging Aid III+. This program was for companies that suffered a pandemic-related decrease in sales of outstanding principal accruing at least 30% in one month compared to the reference month in 2019. Travelzoo Germany applied for the funding in 2021 and 2022, respectively, and was approved by the German government in January 2022 and July of 2022. 16% per annum beginning on July 1, 2023.

The Company has to submit a final declaration in connection with this grant by June 30, 2023. The Company believes it was eligible to participate in the plan and is entitled to the payment and does not expect significant changes to the amount already received from the final submission. The Company recorded $1.2 million and $494,000 gains in Other income, net in the first and third quarters of 2022.

In April 2020 and May 2020, the Company received four $3.1 million and $535,000, respectively, pursuant to loans under the Paycheck Protection Program (the “PPP”) of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the Small Business Association. In 2021, the principal and the interest of the $3.1 million PPP loan were forgiven and a gain was recorded, the Company also settled the $535,000 PPP loan, $429,000 was forgiven which was recorded as a gain and the remaining outstanding balance of the loan and interest of $111,000 was paid off in 2021.

Historically, the Company managed its business geographically and operated in three reportable segments including Asia Pacific, Europe and North America. In 2020, the Company classified the results of its Asia Pacific segment as discontinued operations in its consolidated financial statements for all periods presented. On January 13, 2020, Travelzoo purchased 60% of the outstanding shares of JFC Travel Group Co. (“Jack’s Flight Club”). Upon acquisition, the Company reviewed and evaluated Jack's Flight Club as a separate segment. The Company currently has three reportable operating segments: Travelzoo North America, Travelzoo Europe, and Jack’s Flight Club. Club and New Initiatives. Travelzoo North America consists of the Company’s operations in Canada the U.S. and the U.S. Canada. Travelzoo Europe consists of the Company’s operations in France, Germany, Spain, and the UK. Jack’s Flight Club consists of subscription revenue from premium members to access and receive flight deals from Jack’s Flight Club via email or via Android or Apple mobile applications. New Initiatives consists of Travelzoo’s licensing business, Travelzoo META and MTE. For the year ended December 31, 2022 December 31, 2023, Travelzoo North America operations were 67% comprised 66% of revenues, Travelzoo Europe operations were 28% comprised 29% of revenues and Jack’s Flight Club operations were comprised 5% of revenues. In 2020, the Company classified the results of its Asia Pacific segment as discontinued operations in its consolidated financial statements for all periods presented. Financial information with respect to to our business segments and certain financial information about geographic areas appears appears in Note 12 12–*Segment Reporting and Significant Customer Information* to the the accompanying consolidated financial statements. statements included in Part II, Item 8 of this report and is incorporated herein by reference.

Our principal business office is located at 590 Madison Avenue, 35th Floor, New York, New York 10022.

As of December 31, 2023, there were 13,574,774 shares of common stock outstanding.

Ralph Bartel, who founded Travelzoo, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro. Azzurro is the Company’s largest shareholder and, as of December 31, 2022 together with Ralph Bartel, in his individual capacity (together, the “Azzurro Parties”) December 31, 2023, holds approximately 50.3% 40.2% of the Company's Company's outstanding shares.

As Holger Bartel, the Company's Global CEO, is Ralph Bartel's brother and separately holds 3.8% of December 31, 2022, there wer the Company's outstanding shares as of e 15,704,063 sh December 31, 2023ares of common stock outstanding. .

Travelzoo is listed on the NASDAQ Global Select Market under the symbol “TZOO.”

Our Industry

The global Travel & Tourism industry, at its peak in 2019, reached $10 trillion of value, representing 10.4% of global GDP, according to the World Travel & Tourism Council (WTTC).

The outbreak of the coronavirus (COVID-19) in 2020, however, had a material impact on the global travel and hospitality industries, industry, including severe restrictions on and reductions in travel, dining and in-person activities, (through border closures, quarantine and stay-at-home requirements, travel restrictions, limited operations of restaurants, spas, hotels, airlines and travel agencies, etc.), as well as on with the level of economic activity around the globe. As the Company and many of our advertisers are part of the global travel and hospitality industries, the industry size declining by approximately one-half, according to WTTC. The measures implemented to contain COVID-19 correspondingly had a significant negative effect on our business. Many business, as many of the Company's Company’s advertising partners paused, canceled, and/or stopped advertising. advertising during the global pandemic. Additionally, there were significant levels of cancellations for the Company's hotel partners and travel package partners and refund requests for our vouchers. As airlines were unable to complete or cancelled flights and routes, and people were significantly restricted from traveling, the need for flight alert services was greatly reduced, and consequently the premium membership of in Jack’s Flight Club declined.

However, in In 2021, we saw many of the effects of the pandemic start started to subside as countries began to accept tourists, travel opened up again and travel demand in general started to return recover, with the industry growing by 24.7%, according to pre-pandemic levels. WTTC. Advertising clients who had previously paused or cancelled canceled placements with us began to return resume their spending and ramp up spending again. Airlines airlines began adding flights and routes back, increasing inventory, and with inventory. With the returning demand for travel, the need for flight alert services returned. also resumed. Consumer demand in many ways outpaced the readiness of airlines, hotels and restaurants, who which had drastically cut reduced staff to save costs in response to the pandemic. This, in some cases, resulted in an under-supply, causing airline and hotel room prices to increase.

In 2021, we also started 2022, the industry continued its rebound, growing by 22% to see the way that the pandemic impacted the economies of various countries, resulting in many cases in significant inflation $7.7 trillion, according to WTTC. As supply and decreases in discretionary spending by consumers

While some of these trends continued into 2022, as capacity resumed for airlines and hotels, and restaurants returned to normal operations, we have seen an increase in experienced increased supply, resulting in with many of our partners working with us again to provide exclusive offers for our members. According to

In 2023, the World Trade & Tourism Council (WTTC), WTTC anticipates that, despite geo-political disruptions, the global Travel & Tourism industry produced $5.8 trillion in value for the total global economy in 2021 compared to $4.7 trillion in 2020. The global economy from travel and tourism is set to grow on average by 5.8% annually between continued its recovery, growing 23.3% over 2022 and 2032 based on WTTC’s August 2022 report. In 2022, however, we also continued to see increases achieving a value of $9.5 trillion, only five percent below the industry’s pre-pandemic peak.

The WTTC forecasts that the global value of travel & tourism will grow by over 50% in the airfare prices, which according coming decade, expanding the industry’s value, contribution to the Bureau of Labor Statistics’ Consumer Price Index data, hit an all-time high in May 2022. GDP and employment.

Our mission, as the club for travel enthusiasts, is to provide our audience members with the highest quality information about the best travel, entertainment and local offers. Our revenues are generated from advertising and subscription fees. According to Zenith Media's forecast in June 2022, global advertising expenditure will continue its recovery from the 2020 pandemic with 8% growth in 2022, after 15.6% growth in 2021. Zenith forecasted that global ad spend will increased by $58 billion to $781 billion in 2022 from $723 billion in 2021. Based upon this outlook for the travel industry, we believe that we are well positioned with to continue pursuing our operations in Europe mission and North America to capture high quality travel and entertainment offers for growing our members. With increasing air fares, we believe that our Jack’s Flight Club subscription flight alert service will be more relevant than ever.

business.

Digital Advertising

Digital advertising, a notable market in the primary means by which we operate, has been growing continuously. According to Zenith, Media, digital online advertising continues to lead as the fastest growing category of advertising and is expected to account for 62% 59%, or approximately $550 billion, of global advertising spending in 2022 and 65% by 2024. In addition, according to the Kelsey Group's (BIA/Kelsey) new U.S. Local Media Advertising Forecast in November 2022, BIA/Kelsey estimates total March 2024, local advertising spending to be $166 billion will reach $172 billion in 2023, indicating a 4.8% increase over year-over-year. 2024. Although traditional media outlets such as newspapers, print (magazines and newspapers), television and radio continue to be another medium for travel, entertainment and local businesses providers to advertise offers, the percentage spent on advertising in these traditional media outlets has been decreasing.

We believe that several factors are causing motivating and will continue to cause motivate travel, entertainment and local businesses providers to focus a majority of their spending on the digital advertising of offers:

- *The Internet Digital Media Is Consumers' Preferred Information Source*. Market research shows that the Internet is digital media formats are consumers' preferred information source for travel.
- *Broad and Timely Audience Reach.* With a majority of consumers researching, shopping and transacting on their mobile devices, tablets and computers on a daily basis, we believe digital advertising is the most effective way for businesses to quickly provide relevant information and enter into a consumer’s decision set.
- *Other Benefits of Internet Advertising vs. Print, TV and Radio Digital Advertising.* Internet advertising provides Other benefits to advertisers advantages of digital compared to traditional advertising. These advantages media include more precise audience targeting, real-time listings, real-time updates and performance tracking. The Internet Digital media also allows advertisers to advertise their sales and specials in a fast, flexible, and cost-effective manner.

Suppliers Selling Directly. We believe that many travel suppliers prefer to sell directly to consumers through suppliers' websites versus selling through travel agents.

Reach to Consumers. With a majority of consumers transacting on their computers, tablets and phones on a daily basis, we believe digital advertising is the best way for businesses to quickly provide relevant information and enter into a consumer’s decision set.

We believe that travel, entertainment and local businesses often face the challenge of being able to effectively quickly and quickly effectively market and sell their excess inventory (i.e., airline seats, hotel rooms, cruise cabins, theater seats, spa appointments or restaurant seats that are likely to be unfilled) and, therefore, need a fast, flexible, and cost-effective solution for marketing excess inventory. The solution must be fast because such travel-related services (e.g., flash sales, mistake fares or rates, etc.) are a quickly expiring commodity. The solution must be flexible because the demand for excess inventory is difficult to forecast. The marketing must be cost-effective because excess inventory is often sold at highly discounted prices, which lowers margins. It is also integral that advertisements for excess inventory and travel offers be timely and able to convey information (such as mistake fares or rates, flash sales, etc.) to a large number of consumers quickly.

We In contrast, we believe that newspaper, traditional media formats (print, TV and radio advertising, advertising) suffer from a number of limitations with respect to advertising excess inventory, suffers from a number of limitations which do not apply to digital advertising and media:

- *Advance commitments and schedulingare typically ads must be submitted 2 to 5 days required* prior to the publication or airing date, which makes dates, making it difficult to advertise last-minute inventory;
- *once an ad is published, it Ads often cannot be updated* (e.g., change price or offer) once published, or deleted when an offer is sold out;
- *once an ad is published, the company cannot change a price or offer;*
- A small number of traditional media outlets can reduce competitionin many markets, the small number of newspapers, television companies, radio stations and other print media reduces competition, resulting in relatively high rates for traditional advertising;
- *Detailed performance tracking is often not available* for offline advertising does not allow for detailed performance tracking; in a manner that enables optimization;
- *creative Creative content can be very expensive* to develop; and
- *delivery Delivery of traditional media can be slow*, with limited touchpoints to a consumer.

We believe the core Travelzoo business is well positioned well-positioned to continue to assist assisting travel partners with advertising their excess inventory, in a way ways that traditional newspaper, print, TV and radio advertising cannot, particularly as the demand for travel readjusts returns to normal levels post-pandemic. pre-pandemic levels.

Subscription Services and the Metaverse

Since its inception, Historically, Travelzoo has provided free subscription services to its members. With free subscription services to membership for consumers, while generating revenue is generated from advertising fees and commissions. Upon the acquisition of 60% of Jack's Flight Club in 2020, we entered the market for paid subscription services, and added an additional adding another revenue stream to our business. Beginning in 2024, new Travelzoo members are charged an annual fee of $40 (or similar amount in their local currency), with the 2024 annual fee waived for existing members as of December 31, 2023. We cannot yet predict trends in consumer adoption of paid membership for Travelzoo, although we do not anticipate it will contribute materially to our financial results in 2024. We are currently developing various marketing and advertising strategies to acquire new paying members and convert existing free members.

In 2023 we launched Travelzoo META, a paid membership service, to extend the range of travel, entertainment and local experiences we offer to consumers to the Metaverse. According to Juniper Precedence Research, which collects data from 27 countries, the collected global subscription economy in 2021 was at $224 billion dollars and was expected to grow to $275 billion in 2022. Although physical goods are estimated to represent 45% of the subscription market, digital services, will be a major revenue stream, representing 39% of the global subscription market.

Additionally, a new and potentially large market in which we are starting to operate is that of the Metaverse and specifically, Metaverse travel experiences. According to a report published by ReportLinker in February 2022, the U.S. Metaverse market in 2021 2023 was estimated at approximately $58.5 billion, $34.2 billion of revenue, which accounted for 41% 37% of global market share. In 2022, the Metaverse The market size in terms of revenue was estimated to be $61.8 billion and is anticipated to rise grow rapidly, at a compound annual growth rate of 44% over the next five years. The Metaverse offers experiences that can be immersive and provide social features, enabling consumers to $426.9 billion by 2027. virtually travel geographically and through space and time. Travelzoo META opened for founding membership in May, 2023, and is exploring options to further develop its service and offerings, including leveraging the capabilities of MTE, which we acquired in December, 2022. We believe that our development of developing a new paid subscription service for Metaverse travel experiences will enable us to be a first-mover in this fast-growing space. Our acquisition of MTE, a business focused on scouting creators of Metaverse experiences, will allow us to build a collection of high quality, exclusive experiences for members.

Our Products and Services

The following table presents an overview of our products and services:

Product	Content	Publication Schedule	Reach/Usage*	Advertiser Benefits	Consumer Benefits
Travelzoo website	Website available in the U.S., Canada, France, Germany, Spain, and the U.K., as well as via licensees in Australia and Japan, listing thousands of outstanding offers from more than 5,000 travel, entertainment and local businesses	24/7	5.4 million to 6.6 million over 6 million unique visitors per month	Broad reach, sustained exposure, targeted placements by destination and travel segment	24/7 access to offers, ability to search and browse by destination or keyword
Travelzoo Top 20	Popular email newsletter listing 20 of the week's most outstanding offers	Weekly	26.6 27.0 million members	Mass "push" advertising vehicle to quickly stimulate incremental travel and entertainment purchases	Weekly access to 20 outstanding, handpicked offers chosen by our internal deal experts from among thousands
Standalone Travelzoo emails	Regionally targeted email newsletter service, usually with a single newsworthy travel and entertainment offer, which can include *Local Deals* and *Getaways* offers	As needed	25.7 27.0 million members	Regional targeting, 100% share of voice for advertiser, flexible publication schedule	Breaking news Daily travel and local offers delivered just-in-time and ideas
Travelzoo Network	A network of third-party websites that list outstanding offers published by Travelzoo	24/7	Over 400 third-party websites	Drives qualified users with substantial distribution beyond the Travelzoo audience	Contextually relevant travel offers that have been handpicked and professionally reviewed by our internal experts
Travelzoo mobile applications	iPhone iOS and Android applications that allow users to discover the best travel, entertainment and local offers	On-demand	7.4 7.5 million downloads	Allows travel, entertainment and local offers advertisers to reach our audience that is on the go	24/7 access to travel, entertainment and local offers for consumers that are on the go
Jack's Flight Club website	Website available in the U.S, UK, U.K., Germany, Netherlands, Luxembourg, Norway, Sweden, Denmark, Belgium, listing up to date cheap exceptional airfares to paying members	24/7	316,000 visitors per month	N/A	24/7 access to alerts, travel advice and guides. Ability to change user settings
Jack's Flight Club mobile application	App available in the U.S, UK, U.K., Germany, Netherlands, Luxembourg, Norway, Sweden, Denmark, Belgium, listing up to date cheap exceptional airfares to paying members	1–12 per week depending on membership level and region	155,000 sessions a per month.	N/A	Timely alerts and push notifications of new alerts, 24/7 access to alerts, ability to change user settings and select departure airport
Jack's Flight Club newsletters	Regionally targeted newsletter alerting of outstanding cheap airfares and including articles about travel destinations and other newsworthy travel content. Newsletter includes paid and unpaid subscribers	1–12 per week depending on membership level and region	3 million emails a per week to 1.9 million 2.4 million subscribers	N/A	Breaking news flight offers and travel advice

* For the *Travelzoo* website, reach information is based on data from Google Analytics. For *Top 20,* standalone *Travelzoo Standalone* emails (which can include *Local Deals* and *Getaway, Getaways), Travelzoo Network* and *Travelzoo* mobile applications, reach/usage information is based on internal Travelzoo statistics as of December 31, 2022 December 31, 2023. For *Jack's Flight Club*, reach/usage information is based on data from Google Analytics and internal Jack's Flight Club statistics as of December 31, 2022 December 31, 2023.

Our Audience

We With over 30 million members worldwide, we attract a high-quality audience of travel enthusiasts. According to a U.S. member survey we conducted in October 2023, over 84% of respondents planned to take 2+ domestic trips in the coming year, 64% had a valid passport (compared to 45% of the overall US population) and leisure enthusiasts across multiple digital platforms, including email, web, social media 91% were open to new destinations and mobile applications. travel ideas.

We inform our audience about travel, entertainment and local compelling offers available sourced from at over 5,000 companies. Our providers worldwide. These offers and email newsletters are published by Travelzoo and its licensees worldwide. Travelzoo in multiple languages 's website is visited by 5 across multiple digital channels and platforms, including email, websites, social media and mobile applications.4 million to 6.6 million unique visitors each month. . We reach an audience of millions of Internet users each month publish offers on *Travelzoo*- and *Jack's Flight Club*-branded digital properties, as well as on third-party media properties via the *Travelzoo Network, a network of websites that* across which we syndicate our deal content, including CNN and The Chicago Tribune. We have over 4.0 million followers on Facebook and Twitter. Our mobile applications have been downloaded 7.4 million times. offer content.

Benefits to Travel, Entertainment and Local Businesses

Our Through the quality of our offer content and longstanding trust established in our brand, we attract an active and engaged audience of enthusiasts who our advertisers benefit from accessing our large high-quality audience. Due to the nature of our content, we attract an older, wealthier demographic who have a strong interest in travel and leisure. With Jack's Flight Club, we have started to attract a slightly younger demographic.

accessing. Key features of our solution services for travel and entertainment companies advertisers include:

- *Real-Time Offer Listings of Special Offers. and Updates.* Our technology allows travel and entertainment companies and local businesses services enable clients to advertise special offers on a real-time basis.
- *Real-Time Updates.* Our technology allows travel basis and entertainment companies to update offers as their listings on a real-time basis. supply and demand conditions change.
- *Real-Time Performance Reports.* We provide travel and entertainment companies clients with real-time tracking of the performance of their advertising campaigns. Our solution enables travel and entertainment companies campaigns, helping them to optimize their campaigns spend, by removing or updating unsuccessful listings and further promote promoting successful listings.
- *Access to Millions of Consumers and Access to Local Consumers for Local Businesses.* We provide travel and entertainment companies fast access to over 30 million travel shoppers. Travelzoo members submit their zip code to Travelzoo when they join Travelzoo. As a result, we are able to send *Local Deals* to members who live or work near the local businesses.
- *Global Reach.* We offer clients access to Internet users our large membership base of over 30 million consumers across the globe.
- *Audience Targeting.* As members submit their zip codes upon joining Travelzoo services, we are able to present offers to specific audiences that advertisers may perceive as geographically desirable, as well as presenting our *Local Deals* to members who live or work near those local businesses.

Benefits to Consumers

Travelzoo membership provides consumers information on current offers at no cost to the consumer. with a valuable array of benefits that we believe distinguish our products and services from other providers and engender strong brand equity and loyalty. Key features of our products and services include:

- *Aggregation Curation of Special Carefully Selected Offers from Many Companies. From Extensive Array of Providers.* The *Through our multiple digital products and services,* Travelzoo website and alerts our *Travelzoo Top 20* email newsletters aggregate information on members to current offers specially negotiated carefully selected by our Travelzoo deal experts for Travelzoo members from more than 5,000 travel, entertainment and local businesses. providers. This saves the consumer consumers time when searching for travel, entertainment and local deals, sales and specials. It also gives the consumer piece
- *Best-in-Market Offers.* Travelzoo experts research, negotiate and ensure that offers advertised through Travelzoo meet our high standards for quality and value, giving members peace of mind that they are best-in-market. Leveraging our scale, operating history and strong relationships, we believe the offers provided by Travelzoo we source are best-in-market. generally superior to opportunities members may otherwise access individually or through other providers.
- *Current Information.* Compared to newspaper, print, TV or radio advertisements, we provide consumers more current information, since our technology enables travel, entertainment and local businesses suppliers to update their listings on a real-time basis.
- *Reliable Information.* We operate a Test Booking Center to check the availability of travel, entertainment and local dealsbefore publishing. publishing offers to our members.
- *Best-in-Market Offers. Dedicated Member Service.* Travelzoo employees are trained to research and ensure that any offer advertised through Travelzoo on any of Travelzoo's products is the best offer currently in the market. Travelzoo will only run offers and advertisements that meet its high standards for quality.

Jack's Flight Club has a free subscription tier, which provides members with 1-2 airfare alerts per week. dedicated member service which we manage, through telephone and email. Our dedicated service team enriches our value proposition for members and reinforces a positive brand association for Travelzoo and our advertiser clients.

Jack's Flight Club premium, which has quarterly, semi-annual and annual tiers, provides Club's flight alert newsletters provide members with four times the airfare alerts per week, plus mistake fares best airfares for their chosen departure airports, as sourced by our expert team of flight finders, utilizing technology to search thousands of data points each day and other exclusive travel content. The *Jack's Flight Club* meeting our rigorous quality standards. To maintain their independence, flight alert newsletters are not sponsored by third parties and Jack's Flight Club does not receive any commissions or payments for any content published within the flight alert newsletters. The flight alert newsletters provide consumers with the best airfares for their chosen departure airports, found by an expert team of flight finders utilizing technology to search thousands of data points each day. Jack's Flight Club will only send flight alerts for cheap airfares that meet certain quality standards. Jack's Flight Club's *The Detour* newsletter is provided to free and premium members and provides advertisers with the option to sponsor the newsletter for a fee or pay for placement in the sponsorship section of the newsletter. *The Detour* provides interesting travel news and content with relevant advertisements from travel partners and advertisers and is an added perk of a Jack's Flight Club membership.

Growth Strategy

Our growth strategy relies is predicated on building a our trusted travel, entertainment and lifestyle brand with a large, high-quality user local brands; increasing the value of our membership base and offering their engagement with our users products that keep pace content; enticing advertisers to provide more exclusive and compelling offers for us to publish, and innovating with consumer preferences new experiences and technology. revenue streams.

- *Building a travel and lifestyle brand with a large, high-quality user base. Our Trusted Brands.* We believe that it trust is an essential cornerstone to our brand and has been central to the growth and retention of our membership base over the past twenty-five years. We have built our reputation over time through publishing high-quality content featuring carefully curated offers which members value, and supporting member purchases with excellent service. As travel and entertainment can be complex and highly-considered purchases, we believe that satisfaction is essential to establish a strong every interaction or transaction our members have with us, and that our brand and reputation support our future growth.
- *Increasing the Value and Engagement of Our Membership Base.* While media brands often purport relevance and sell advertising placements based on audience size, we believe that advertisers increasingly value the quality of the audiences accessed, as measured by their responsiveness and ultimate purchase behaviors with a large,

high-quality user advertisers' offers. We continue to strategically evolve our member acquisition strategies in terms of membership features and marketing campaigns, to increase the value of our membership base within for our advertiser clients.

- *Sourcing More Exclusive and Compelling Offers From Advertisers*. Growing our business entails an ongoing confluence of enhancing audience value with expanding the travel, entertainment array and local industries improving the value of offers we serve. source from advertiser clients. We currently utilize online marketing have an experienced salesforce that sources and services advertising clients, including through direct marketing outreach and presence at industry conferences. We also maintain an active public relations effort, to drive awareness and promote our brand to consumers. We utilize sponsorships at with trade organizations, other industry conferences participants, consumers and public relations to promote our brand. We believe that high-quality content attracts a high-quality user base. advertisers.

- *Offering products that keep pace with consumer preference Innovating With New Experiences* and *technology. Revenue Streams.* We believe it is important In addition to grow engagement of enhancing and growing our user base, by offering products that deliver high-quality offers with exceptional value established businesses and expanding revenue streams, we seek to leverage our product offering over time core competencies to address frequent travel innovate and leisure need. This includes expand our offerings and market opportunities. To date, this has included the acquisition of Jack's Flight Club in 2020, through which we added a subscription revenue stream, and the creation launch of Travelzoo META. META in 2023, which seeks to extend the range of travel and entertainment experiences we offer to the emerging Metaverse. In December 2023, we announced that Travelzoo membership, which had historically been free, would carry an annual fee beginning on January 1, 2024, provided the 2024 fee is waived for existing members as of December 31, 2023. As we transition our membership model, we are exploring various strategies to enhance value for our members, advertisers and business.

Advertisers

As of December 31, 2022 December 31, 2023, our advertiser base included more than 5,000 travel, entertainment and local businesses, providers, including airlines, hotels, cruise lines, vacations packagers, tour operators, destinations, car rental companies, travel agents, theater and performing arts groups, restaurants, spas, and activity companies. Some of our advertisers are:

Alaska Airlines	Indus Travels Inc.
DH Travel Services	Jetline Travel
Entertainment Benefits Group	KLM Royal Dutch Airlines
Exoticca	Shutterfly Myrtle Beach Area Conventions & Visitors Bureau
Fairmont Mayakoba	Silversea Cruises Stunning Tours
Fiji Airways	Stunning Tours Swan Hellenic
Gate 1 Travel	Superchina Holidays Tourism Ireland
Globus Family of Brands	Tourism Ireland Travel Discounters
Holland America Line	Travel Discounters TraveloDeals
Icelandair (US)	Vacation Express USA Corp
Imagine Cruising	Wingbuddy.com

As discussed in Note 12–*Segment Reporting and Significant Customer Information* to the accompanying consolidated financial statements included in Part II, Item 8 of this report and incorporated herein by reference, we did not have any advertisers that accounted for 10% or more of our total revenues during the years ended December 31, 2022 December 31, 2023 and 2021. The 2022. Our agreements with certain advertisers are in the form of multiple insertion orders and merchant agreements from groups of entities under common control.

In 2022, Travelzoo North America operations were 67% of revenues, Travelzoo Europe operations were 28% of revenues and Jack's Flight Club operations were 5% of revenues. See Note 12 to the accompanying consolidated financial statements.

Sales and Marketing

As of December 31, 2022 December 31, 2023, our advertising sales force salesforce and sales support staff consisted of 77 of 68 employees worldwide.

We currently utilize online marketingTo maintain and direct marketing to promote our brand to consumers. In addition, expand relationships with partners and suppliers, we utilize an online marketing program to acquire new members for our email publications. We believe that we build brand awareness by product excellence that is promoted by word-of-mouth. We utilize sponsorships at attend and sponsor industry conferences and live events, meet with existing and future prospects virtually and in person, and employ public relations to create visibility for our brand.

To promote membership to consumers, we primarily utilize digital marketing efforts. We also source members organically, by word-of-mouth and through our brands. reputation for quality and value.

Technology

We have designed our technology infrastructure to serve a large volume of Web traffic and send a large volume of emails, serve a large volume of web traffic and track activity in an efficient and scalable manner.

Travelzoo's production servers are hosted by Microsoft Azure, a cloud base cloud-based computing service operated by Microsoft. Microsoft Azure's data center facilities and services include robust high availability, reliability and scalability features. We believe our arrangements with Microsoft Azure will allow us to grow without being limited by our own physical and technological capacity. Because of the design of our websites, our users are not required to download or upload large files from or to our websites, which allows us to continue increasing the number of our visitors and page views pageviews without adversely affecting our performance or requiring us to make significant additional capital expenditures.

Intellectual Property

We rely on trade secret, trademark and copyright law, confidentiality agreements, and technical measures to protect our intellectual property rights. With respect to our trademarks, we maintain a portfolio of perpetual common law and federally registered trademark rights across several brands and domains relating to our business units, products, services and solutions. We claim copyright protection in our original content that is published on our websites and included in our marketing materials.

Regulatory Matters

Our business is subject to a significant number of federal, state, local and international laws, rules and regulations applicable to online or digital advertising and commercial email marketing. We are also subject to laws, rules, and regulations regarding data collection, privacy and data security, intellectual property ownership and infringement, sweepstakes and promotions and taxation, among others. We own and operate consumer-facing websites in the various regions in which we operate and are subject to the laws, rules, and regulations of those countries as they impact our operations.

These laws, rules, and regulations, which generally are designed to regulate and prevent deceptive practices in advertising and online marketing protect individual privacy rights and prevent the misuse and unauthorized disclosure of personal information, are complex, change frequently and have tended to become more stringent over time. In addition, the application and interpretation of these laws, rules, and regulations are often uncertain, particularly in the rapidly evolving industry in which we operate.

Employees

As of December 31, 2022 December 31, 2023, we had 237 223 employees. None None of our employees are represented under collective bargaining agreements. We consider our relations with our employees to be good.

Internet Access to Other Information

We make available free of charge, on or through our Investor Relations website (ir.travelzoo.com), annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information included on our website does not constitute part of this report.

Item 1A. *Risk Factors*

Investing in our common stock involves a high degree of risk. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any or all of the risks listed below, as well as other variables affecting our operating results, in whole or in part, could materially and adversely affect our business or financial condition, which could cause the market price of our stock to decline or cause substantial volatility in our stock price, in which event the value of your common stock could decline. You should also keep these risk factors in mind when you read forward-looking statements.

Risks Related to Our Financial Condition and Business Model

The COVID pandemic had, and the after-effects of the pandemic may continue to have, a material adverse impact on the travel industry and our business and financial performance.

The COVID pandemic resulted in a significant negative effect on our business, financial condition, and results of operations and cash flows. Specifically, the measures implemented in 2020 to contain the virus (quarantine restrictions, testing and vaccination requirements, business closures, etc.) led to a steep decline in travel and entertainment demand, which led to (1) many of our advertisers pausing or stopping advertising with us, (2) a high level of cancellations for our hotel partners and travel package partners, and (3) refund requests for vouchers sold by Travelzoo for restaurant and spa partners. At the time, we modified our policies to respond to the changing circumstances, particularly with our vouchers, where we extended expiration dates and allowed for full refundability, which enabled Travelzoo to mitigate some of the negative effects of the pandemic on Travelzoo's financial performance. Now that the pandemic and its lingering effects have mostly subsided, we are seeing most of our advertisers and partners return to advertising with us and have altered our policies again to align with the changing environment (including reverting to a 14-day return window for vouchers and implementing a surcharge for full refundability for vouchers), although with the emergence of new variants, this trend could stop or even reverse.

Any changes in laws or regulations that again impair the ability or desire of individuals to travel, including laws or regulations banning travel, requiring vaccination, COVID testing requirements in connection with travel, the closure of hotels or other travel-related businesses or other restrictions in connection with or as a result of the pandemic, may exacerbate the negative impact on our business, financial condition, results of operations, and cash flows. The ultimate extent of the pandemic and its impact on travel is unknown and difficult to predict. The pandemic and the emergence of new variants could continue to hamper global economic activity for an extended period of time, even as restrictions are lifted and vaccination rates increase, leading to decreased disposable income for consumers, increased and ongoing unemployment and/or a decline in consumer confidence, all of which could significantly reduce discretionary spending on travel. In turn, that could have a negative impact on demand for our services. Although all countries have opened their borders for travel again, there is inconsistency in testing, vaccination and safety protocols across countries, making trip planning unpredictable and undermining consumer confidence. Because we operate in various countries (including through our licensing arrangements), we are subject to varying rates of recovery. The aforementioned circumstances could result in a material adverse impact on our business, financial condition, results of operations and cash flows, potentially for a prolonged period.

Impairments of goodwill, long-term investments and long-lived assets have a negative impact on our results of operations.

We perform our impairment test annually in October unless there are events that trigger the need for an interim test. We recorded a $200,000 impairment charge in connection with the indefinite lived intangible assets (JFC Trade name) in the annual impairment test for 2022. No impairment charge was identified in connection with the annual impairment test for 2021. The determination of the fair value reflects numerous assumptions that are subject to various risks and uncertainties. It requires significant judgments and estimates and actual results could be materially different. Future events and changing market conditions may lead us to re-evaluate the assumptions reflected in the current forecast, particularly the assumptions related to the length and severity of the global pandemic and the shape and timing of the subsequent recovery, which may result in a need to recognize additional impairment charges, which could have a material adverse effect on our results of operations. See Note 3 to the Consolidated Financial Statements for further information.

We cannot assure you that we will be profitable.

In the year ended December 31, 2023, we generated consolidated net income of $12.5 million, of which $12.4 million income was attributable to Travelzoo. In the year ended December 31, 2022, we generated consolidated net income of $6.6 million, of which $6.6 million income was attributable to Travelzoo. In the year ended December 31, 2021, we generated consolidated net income of $902,000 of which $911,000 income was attributable to Travelzoo. Our profitability was adversely impacted in 2022 and 2021 due to the global pandemic, and there is no assurance that we will be profitable in the future. COVID pandemic. We forecast our future expense levels based on our operating plans and our estimates of future revenues. Given the impact of the pandemic in 2020, we significantly cut expenses to preserve profitability as much as possible. In the future, depending on various factors, including but not limited to, market conditions, changes in the improvement of the general economy and the return of the travel industry, we may need to continue to cut expenses to preserve profitability or, alternatively, we may find it necessary to significantly accelerate expenditures to meet increased demand or to maintain brand awareness. We may also expand, and upgrade and/or add technology and make investments in existing or new products (including, but not limited to the move to a paid membership model) that may impact our profitability. If our revenues grow at a slower rate than we anticipate or decline, or if our spending levels exceed expectations or cannot be adjusted to reflect slower growth, we may not be profitable.

Fluctuations in our operating results may negatively impact our stock price.

Our quarterly and annual operating results may fluctuate significantly in the future due to a variety of factors that could affect our revenues or our expenses in any particular period. You should not rely on our quarter to quarter comparisons of our results of operations, as they are not considered an indication of future performance. Factors that may affect quarterly results include: consumer refund rate; mismatches between resource allocation and client demand due to difficulties in predicting client demand; changes in general economic conditions (perceived or actual) that could impair consumer spending; the magnitude and timing of marketing initiatives, including member acquisition and expansion efforts; the introduction, development, timing, competitive pricing and market acceptance of our products and services (including our move to a paid membership model) and those of our competitors; our ability to attract, hire and retain key personnel; our ability to maintain merchant and member satisfaction such that we are able to continue to attract high quality high-quality merchants and members; our ability to manage our planned growth; our ability to encourage our existing members to engage with our products and services and to convert them to revenue-generating users; technical difficulties or system downtime affecting the Internet or our products and services; and volatility of our operating results in new markets.

We may significantly decrease our operating expenses in response to changes in general economic conditions, performance and/or declines in consumer demand. We may significantly increase our operating expenses for a certain period if, among other reasons, we see a unique opportunity for a brand marketing campaign, if we find it necessary to respond to increased brand marketing by a competitor, or if we decide to accelerate our acquisition of new members or engagement of existing members. If revenues fall below our expectations in any quarter and we are unable to quickly reduce our operating expenses in response, our operating results would be lower than expected and our stock price may fall.

Expansion of product offerings may result in additional costs that exceed revenue and may trigger additional stock price volatility.

In December of 2023, we announced that effective January 1, 2024, we would be moving to a paid membership model, with existing Travelzoo members grandfathered in through the end of the year. In March of 2022, we announced the creation of our new Metaverse business and our in 2023, we launched Travelzoo META Founding Membership, following a test and learn strategy, with plans to for the launch Travelzoo META, of a subscription membership service that provides members with exclusive access to Metaverse travel experiences. In response experiences to the global pandemic, we follow. We previously expanded our voucher product offering to include fully refundable vouchers and have now later added a surcharge option where members can pay extra for full refundability. We have also historically invested in packaging technology and expansion of our hotel booking platform. We may in the future invest in the upgraded technology for our email products or invest in completely new technology or products. Such product modifications and expansions may result in an increase in costs in the near-term and an increase in cost structure in the long-term, which may be in excess of incremental revenue. If our expanded product offerings are not embraced by our users or our advertising partners, or if we are unsuccessful in our efforts to monetize these initiatives, our business and financial results could be adversely affected. If we cannot attract members to our product offerings, our financial results could be affected. Fully refundable vouchers may also result in significant refunds and costs for the Company. In addition, the hotel booking platform and travel packages will be sensitive to fluctuations in hotel supply, occupancy and average daily rates and a fluctuation in any of these factors could impact our revenue. We can give no assurances that any of our product offerings will yield the benefits we expect and will not result in additional costs.

Our voucher products may be adversely impacted by competition and changing consumer demand for vouchers.

Our *Local Deals* and *Getaways* products include the sale of vouchers directly to consumers to advertise promotional offers provided by merchants. This format may require additional investments to maintain and grow the business including the hiring of additional sales force personnel and additional spend on customer service, marketing, technology tracking systems and payment processing. Such vouchers had been typically non-refundable or refundable by the Company within 7-14 days of purchase. In March 2020, the Company expanded its voucher products to include fully refundable vouchers, which allow allowed the consumer to request a refund through the expiration date of the voucher. This shift increased the rate at which our existing customers purchased vouchers. However, as market conditions have continued to shift, we have seen a decline in demand for vouchers again. We have therefore pivoted back to 14 day voucher refundability in April 2022, but have also added a surcharge option, where members

can pay an extra fee for full refundability of the voucher. It is possible in the future that the Company may strategically move away from offering the surcharge or vouchers in general. general, or the Company may invest further in voucher offerings to expand them from a product perspective. It is also possible that travel restrictions may change again, resulting in consumers being unable to utilize their vouchers in the near-term or at all, meaning we would need to again work with partners to extend travel windows and expirations expiration dates or implement again reinstate full refundability without a surcharge. While we are continually evolving our strategy, we may not always be successful in doing so and the demand for our vouchers may decline or refund rates may increase and may adversely impact revenues.

A change in our estimate of our refund rates with respect to unredeemed vouchers could result in a change of our reported revenues and an increase in our refund rates could reduce our liquidity and adversely affect our profitability.

According to accounting standards for revenue recognition, revenue that is subject to refunds or returns is considered variable consideration and must be constrained so that it is probable that a significant reversal will not occur in the future as the uncertainty is resolved. To comply with this standard, we estimate future refunds and refund rates for *Local Deals* and *Getaways* vouchers utilizing a model that incorporates qualitative and quantitative factors, including but not limited to, historical refund rates based on deal category, relative risk of refund based on voucher type, and changing business and market conditions. However, accurately predicting refund rates requires judgement, and we can make no guarantees that our estimates will be correct. If our refund estimates are materially understated, it will result in a reversal of revenues previously reported and we may be required to restate our financial statements for the relevant periods, which could damage our reputation and impact our stock price.

Impairments of goodwill, long-term investments and long-lived assets have a negative impact on our results of operations.

We perform our impairment test annually in October unless there are events that trigger the need for an interim test. No impairment was identified in connection with the annual impairment test for 2023. For the annual impairment test in 2022, we recorded a $200,000 impairment charge in connection with the indefinite lived intangible assets (JFC Trade name). The determination of fair value reflects numerous assumptions that are subject to various risks and uncertainties. It requires significant judgments and estimates and actual results could be materially different. Future events and changing market conditions may lead us to re-evaluate the assumptions reflected in the current forecast which may result in additional impairment charges, which could have a material adverse effect on our results of operations.

Our business could be negatively affected by changes in search engine algorithms or other traffic-generating arrangements.

We utilize Internet search engines such as Google, principally through the purchase of travel-related keywords and through organic search, to generate additional traffic to our websites. The number of users we attract from search engines to our websites is due in large part to how and where information from, and links to, our websites are displayed on search engine results pages. The display, including rankings, of unpaid search results can be affected by a number of factors, many of which are not in our control and may change frequently. Search engines frequently update and change the logic that determines the placement and display of results of a user's search, such that the placement or cost of links to our websites can be negatively affected. In addition, a significant amount of traffic is directed to our websites through our participation in pay-per-click and display advertising campaigns on search engines, travel metasearch engines, and Internet media properties. Pricing and operating dynamics for these traffic sources can experience rapid change, both technically and competitively. Also, we may scale back our expenditures in paid search, pay-per-click and display advertising campaigns at any time. Moreover, a search or metasearch engine could for competitive or other purposes, alter its search algorithms or display of

results, causing a website to place lower in search query results. This would adversely affect our business and financial performance, potentially to a material extent. We could also face a significant decrease in traffic to our websites and/or increased costs. Additionally, in some of our contracts we or the other party have agreed to bidding restrictions. If bidding restrictions are held to be illegal or otherwise unenforceable, our performance marketing costs may increase if bidding on affected key words (especially those related to us) becomes more expensive, which could adversely affect our marketing efficiency and results of operations.

Trends in consumer use of mobile devices continue to create challenges.

Continued widespread use of mobile devices, smart phones, and tablets, coupled with improved web browsing functionality and development of thousands of useful "apps" available on these devices, has been driving substantial traffic and commerce activity to mobile. We have experienced a significant shift of both business and traffic to mobile. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. The gross profit earned on a mobile transaction may be less than that earned from a typical desktop transaction. The consumer experience with mobile applications, as well as brand recognition and loyalty, has become even more important. We also rely on application marketplaces, to drive downloads. In the future, marketplaces may make changes that make access to our products more difficult.

We believe that the Travelzoo mobile bookings continue experience continues to present an opportunity for growth. Further development of and investment into our mobile offerings offering is necessary to maintain and grow our business. As a result, it It is increasingly important for us to develop and maintain effective mobile websites optimized for mobile devices. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated mobile offerings and efficiently and effectively advertise and distribute on these platforms, or if our mobile applications are not downloaded and used by travel consumers, we could lose market share to existing competitors or new entrants and our future growth and results of operations could be adversely affected.

We may have exposure to additional tax liabilities.

As a global business, we are subject to income taxes as well as non-income based tax, taxes, in the U.S. and various foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. Although we believe that our tax estimates are reasonable, there is no assurance that the final determination of any tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions and accruals. Changes in tax laws or tax rulings may have a significant adverse impact on our effective tax rate. There could be additional changes to the corporate tax rate in the future. The interpretation and implementation of regulations, rules or guidance that have or may be adopted could have a material impact on our business.

A number of European Union member states have taken steps to unilaterally introduce a services tax. For example, effective in January 2021, Spain began taxing digital services at 3% of revenues for companies that operate globally and have a significant digital footprint in Spain. Many questions remain regarding these digital services taxes. It is not clear whether digital services taxes can be deducted for income tax purposes or whether there is potential for double taxation on the same transaction. The interpretation and implementation of these taxes (especially if there is inconsistency in the application of these taxes across tax jurisdictions) could have a materially material adverse impact on our business, results of operations and cash flows.

We are also may be subject to non-income based taxes, such as value-added, payroll, sales, use, net worth, property and goods and services taxes, in the U.S. and various foreign jurisdictions, including for Jack's Flight Club. jurisdictions. From time to time, the Company may by audited by tax authorities with respect to these non-income based taxes and may have exposure to additional non-income based tax liabilities. These examinations may lead to ordinary course adjustments or proposed adjustments to its our taxes or its our net operating income or may result in recognition of previously unrecognized tax benefits. income.

The Company's use of the NOLs net operating losses ("NOLs") of MTE is subject to a possible audit or the NOLs themselves maybe audited by the Internal Revenue Service ("IRS"). or other taxing agency. The IRS may disagree with the Company's position that the NOLs may be fully utilized, resulting in a whole or partial limitation on the use of the NOLs by the Company.

Adverse application of state and local tax laws could have an adverse effect on our business and results of operation.

Our expansion of our product offerings may subject us to state and local tax laws and result in additional tax liabilities. A number of jurisdictions in the U.S. historically initiated lawsuits against other online travel companies, related to, among other things, the payment of hotel occupancy and other taxes (i.e., state and local sales tax). In addition, a number of municipalities initiated audit proceedings, issued proposed tax assessments or started inquiries relating to the payment of such taxes. Given We operate our hotel booking platform and packaging technology consist of as an agency model, whereby we will facilitate reservations on behalf of a hotel or other supplier, therefore the payment of hotel occupancy taxes and other taxes should be the responsibility of the applicable hotel or packaging partner, which are typically responsible for remitting applicable taxes to the various tax authorities. Nevertheless, to the extent that any tax authority succeeds in asserting that we have a tax collection responsibility (for hotel bookings, packaging or any other aspects of our business, including Jack's Flight Club) Club and/or the new paid membership), or we determine that we have one, with respect to future transactions, we may collect any such additional tax obligation from our customers, which would have the effect of increasing the cost to our customers and, consequently, could make our services less competitive and reduce reservation transactions. transactions and with respect to past transactions, we could have a liability for tax that we did not collect from our customers. This could have a material adverse effect on our business and results of operations.

Our business model may not be adaptable to a changing market.

Our current revenue model depends primarily on advertising fees paid by travel and entertainment companies and still relies significantly on email communications with our members. If current clients/partners decide not to continue or are unable to continue advertising their offers with us and we are unable to replace them with new clients/partners or alternative revenue streams (such as, for example, from the sale of paid memberships), our business may be adversely affected. To be successful, we must provide online marketing solutions that achieve broad market acceptance by travel and entertainment companies. In addition, we must attract sufficient Internet users with attractive demographic characteristics to our products. It is possible that we will be required to further adapt our business model and products in response to changes in the online advertising market or travel industry or if our current or planned business model is not successful. For example, uncertainty surrounding the ability to travel would require us to adapt our product offerings to move away from our reliance on advertising fees and to provide consumers with additional flexibility in order to attract them to purchase. If we do not adapt to these trends fully or quickly enough, we may lose revenue as consumer usage of our products and services may decline. If we are not able to anticipate changes in the online advertising market or if our business model is not successful, our business could be materially adversely affected.

If we fail to retain existing advertisers or add new advertisers, our revenue and business will be harmed.

We depend on our ability to attract and retain advertisers that are prepared to offer products or services on compelling terms to our members. We do not generally have long-term arrangements to guarantee the availability of offers that provide attractive quality, value and variety to consumers or favorable payment terms to us. We must continue to attract and retain advertisers in order to increase revenue and maintain profitability. If new advertisers do not find our marketing and promotional services effective, or if existing advertisers do not believe that utilizing our products provides them with a long-term increase in customers, revenue or profit, they may stop making offers through our marketplace. In addition, we may experience attrition in our advertisers in the ordinary course of business resulting from several factors, including losses to competitors and advertiser closures or bankruptcies/insolvencies. We can also experience a decline in advertisers providing offers in certain destinations due to natural disasters or travel restrictions. If we are unable to attract new advertisers in numbers sufficient to grow our business, or if too many advertisers are unwilling to offer compelling terms to our members or favorable payment terms to us, we may sell less advertising, and our operating results will be adversely affected. We may not be able to add enough additional revenue to replace the lost revenue. Further, the new revenue may cost more to generate, impacting our operating results.

A change in our estimate of our refund rates with respect to unredeemed vouchers could result in a change of our reported revenues and an increase in our refund rates could reduce our liquidity and adversely affect our profitability.

In order to adapt to the shift in consumer demand due to the pandemic, we modified our refund policy for *Local Deals* and *Getaways* vouchers to allow refunds through the expiration date of the voucher, which is typically at least 6-12 months from the date of purchase. Our previous policy allowed refunds for only 7-14 days after purchase with no limitations. According to accounting standards for revenue recognition, revenue that is subject to refunds or returns is considered variable consideration and must be constrained so that it is probable that a significant reversal will not occur in the future as the uncertainty is resolved. To comply with this standard, we estimated future refunds and refund rates utilizing a sophisticated model that incorporates qualitative and quantitative factors, including but not limited to, historical refund rates based on deal category, relative risk of refund based on voucher type, and changing business and market conditions. However, due to constantly shifting market factors, particularly due to COVID, and limited historical data due to the recent change in policy, accurately predicting the refund rate is difficult, and we can make no guarantees that our estimates will be correct. If our refund estimates are materially understated, it will result in a reversal of revenues previously reported and we may be required to restate our financial statements for the relevant periods, which could damage our reputation and impact our stock price.

If our advertisers do not meet the needs and expectations of our members, our business could suffer.

Our business depends on our reputation for providing high-quality offers, and our brand and reputation may be harmed by actions taken by advertisers, partners, or merchants that are outside our control. For our *Local Deals* and *Getaways* merchants, we face exposure should merchants not fully honor the terms of the offers or the vouchers, including if the merchant were to go out of business or stop providing services for any reason. As for our travel business, although the advertiser is responsible directly to the consumer to provide the offer it advertised, our business can be adversely affected should an advertiser fail to comply with the terms of the advertised offer or provide us with misleading information about the offer that we use in our advertisements. From time to time, merchants and advertisers risk the experience insolvency, bankruptcy or closure of their business businesses and can face regulatory issues (including losing their licenses), which can result in the cancellation of services booked by consumers through the advertiser. Advertisers who fail to fulfill the travel services advertised in the promotions run by us can negatively impact our reputation, and advertisers that fail to pay for the advertisements can also negatively impact revenue growth. Moreover, any shortcomings of our advertisers or merchants, particularly with respect to an issue affecting the quality of the offer, may be attributed by our members to us, thus damaging our reputation and potentially affecting our results of operations. In addition, negative publicity and member sentiment generated as a result of fraudulent or deceptive conduct by our merchants or partners could also damage our reputation, reduce our ability to attract new members or retain our current members, and diminish the value of our brand.

Our business relies heavily on email and other messaging services, and any restrictions on the sending of emails or messages or a decrease in member willingness to receive emails or messages could adversely affect our revenue and business.

Our business is highly dependent upon email and other messaging services. Email offers sent by us, or on our behalf by our affiliates, generate a substantial portion of our revenue. Because of the importance of email and other messaging services, if we are unable to successfully deliver emails or messages, or if members decline to open our emails or messages, or purchase any of our advertised offers, our revenue and profitability could be adversely affected. Laws and regulations regulating the sending of commercial emails, including those enacted in foreign jurisdictions (such as Canada, the U.K. and Europe), may affect our ability to deliver emails or messages and may also result in increased compliance costs. Further, actions by third parties to block, impose restrictions on, or charge for the delivery of emails or other messages could also materially and adversely impact our business. From time to time, Internet service providers block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to third parties. In addition, our use of email and other messaging services to send communications about our website or other matters may result in legal claims against us, which if successful might limit or prohibit our ability to send emails or other messages. Any disruption or restriction on the distribution of emails or other messages or any increase in the associated costs would materially and adversely affect our revenue and profitability. In addition, the shift in our website traffic originating from mobile devices accessing our services may decrease our members' willingness to use our services and could decrease their willingness to be an email member.

"Cookie" laws could negatively impact the way we do business.

A "cookie" is a text file that is stored on a user's computer or mobile device. Cookies are common tools used by thousands of websites and mobile apps to, among other things, store or gather information (e.g., remember log-on details), market to consumers and enhance the user experience. Cookies are valuable tools to improve the customer experience and increase conversion. Many jurisdictions, including the European Union and more recently, California, have adopted regulations governing the use of "cookies." cookies. To the extent any such regulations require "opt-in" consent before certain cookies can be placed on a user's computer or mobile device, our ability to serve certain customers consumers in the manner we currently do might be adversely affected and our ability to continue to improve and optimize performance on our website might be impaired, either of which could negatively affect a consumer's experience using our services and our business, market share and results of operations. Additionally, in January 2024, Google began the process of phasing out third-party cookies in its Chrome browser. We expect that similar changes to Apple, Google or other browser or mobile platforms could occur, further limiting our ability to optimize performance for consumers.

Our reported total number of members may be higher than the number of our actual individual members and may not be representative of the number of persons who are active potential customers.

The total number of members we report may be higher than the number of our actual individual members because some members have multiple registrations, other members have died or become incapacitated and others may have registered under fictitious names. names or with email addresses they no longer use, and different members may have selected different preferences for email communications. Given the challenges inherent in identifying these members, we do not have a reliable system to accurately identify the number of actual individual members, and thus we rely on the number of total members shown on our records as our measure of the size of our member base. In addition, the number of members we report includes the total number of individuals that have completed registration through a specific date, less individuals who have fully unsubscribed. Those numbers of members may include individuals who do not receive our emails because our emails have been blocked or are otherwise undeliverable. As a result, the reported number of members should not be considered as representative of the number of persons who continue to actively consider our deals by reviewing our email offers.

We may not be able to obtain sufficient funds to grow our business and equity or debt financing may be on adverse terms.

For the year ended December 31, 2022 December 31, 2023, our cash and cash equivalents was $18.7 million $15.7 million, of which $10.7 million was held outside the U.S. in our foreign subsidiaries. As of December 31, 2022 December 31, 2023, we had negative working capital of $11.9 million $3.4 million. Merchant payables was $32.6 million $20.6 million as of December 31, 2022 December 31, 2023. The payable to merchants is generally due upon redemption of the voucher. The expiration dates of vouchers have maturities that extend from range between January 2023 2024 through December 2025 with the majority of vouchers expiring in 2023 and the remaining primarily expiring in 2024; provided, that 2025; however, these expiration dates may sometimes be extended on a case-by-case basis. basis and final payment upon expiration may not be due for up to a year after expiration. However, if redemption and refund activities are more accelerated, or if we our business is not profitable, and if our planned targets for cash flows from operations are not able to increase operating income, met, we may need to obtain additional financing to meet our working capital needs in the future. We intend did receive certain subsidies, tax relief or other financial aid from various governmental programs relating to continue to grow our business COVID (particularly in the US, Canada, UK and fund our current operations using cash on hand. However, this may not be sufficient to meet our needs, including the payments Germany), however, we repaid back any funds received that were required to settle merchant payables and various commitments and contingencies, as described under Note 6 be repaid. We may have been required to agree to certain restrictions, audit requirements and/or obligations to reimburse support payments in part or in total, which could negatively impact the accompanying consolidated financial statements. business. We may not be able to obtain financing on commercially reasonable terms, or at all, especially due to volatile market conditions. If additional financing is not available when required or is not available on acceptable terms, we may be unable to fund our strategic objectives, meet our payroll obligations, successfully promote our brand, develop or enhance our products and services, take advantage of business opportunities, or respond to competitive pressures, any of which could have a material adverse effect on our business. If we choose to raise funds through an equity issuance, existing stockholders may experience dilution and holders of the additional equity securities may have rights senior to existing stockholders of our common stock. If we obtain additional financing through debt securities, the terms of these arrangements could restrict or prevent us from paying dividends, could require the pledging of assets, could subject the Company to restrictive covenants or large fees, and could limit our flexibility.

Utilization of governmental stimulus packages may negatively impact our business, operations and/or reputation.

Certain governments have passed legislation to help businesses through the COVID pandemic with loans, wage subsidies, tax relief or other financial aid. We have been participating in, or have applied to participate in, several government programs, including but not limited to, the programs offered in the United States, Canada, the United Kingdom, Germany, and certain other jurisdictions. To the extent we have received or will receive any assistance, we may be, or may have been required to agree to certain restrictions, audit requirements and/or obligations to reimburse support payments in part or in total, which could negatively impact the business. Our reputation could also be harmed.

We may be sensitive to recessions or other macroeconomic circumstances or events effecting affecting the travel industry generally.

The demand for online advertising may be linked to the level of economic activity and employment in the U.S. and abroad. Specifically, our business is primarily dependent on the demand for online advertising from travel and entertainment companies. Events like war, political instability or other conflicts (including the war in Ukraine) Ukraine and the Israel-Hamas war), terrorist attacks, mass shooting incidents, strikes, natural disasters and extreme weather situations, plane crashes, travel-related major public health events, such as the COVID pandemic, and logistical challenges such as widespread travel disruptions may have a negative impact on the travel industry and affect travelers' behavior by limiting their ability or willingness to visit certain locations. In addition, advertisers may choose to limit advertising spend, which can adversely impact our business. Macroeconomic factors and uncertainties such as rising interest rates, persistently high inflation and/or recession fears may have a negative impact on consumer behavior by reducing consumers' ability or willingness to engage in discretionary spending on travel. In turn, that could have a negative impact on demand for our services. We are not in a position to evaluate the net effect of these circumstances as many of these events and developments cannot be reliably forecasted; however, we believe there has been negative impact to our business by such events and developments. forecasted. In the longer term, our business might be negatively affected by financial pressures on or changes to the travel industry and the economy overall.

Our operations could be significantly hindered by the occurrence of a natural disaster or other catastrophic event.

Our operations are susceptible to outages due to fire, floods, power loss, telecommunications failures, unexpected technical problems in the systems that power our websites and distribute our email newsletters, break-ins and similar events. Outages could cause significant interruptions of our service. In addition, despite our implementation of network security measures, and although we have moved most of our IT operations to the cloud, our servers are vulnerable to computer viruses, physical and electronic break-ins, and similar disruptions from unauthorized tampering with our systems. We do not carry business interruption insurance to compensate us for losses that may occur as a result of any of these events.

We are subject to payments-related and fraud risks.

We accept payments for the sale of vouchers using a variety of methods, including credit cards and debit cards. We pay interchange and other fees, which may increase over time, raise our operating expenses, and lower profitability. We rely on third parties to provide payment processing services and it could disrupt our business if these companies become unwilling (on favorable terms or otherwise) or unable to provide these services to us. Because Macroeconomic circumstances over which the global pandemic increased the risk profile of travel-related companies, such Company has no control may result in payment processing services may require requiring larger deposits, impose imposing stricter rules or requirements, or may decide deciding to stop working with companies related to the travel industry altogether. For example, Travelzoo was required to change processors in certain jurisdictions in 2021 because its previous processor decided to stop working with companies related to the travel industry. If we are unable to pivot to a new payment processor quickly, this could lead to periods of time where we are unable to accept or process payments from our members, impacting our ability to generate revenue. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers and regulations for electronic payment services, such as PSD2 in Europe, which could change or be reinterpreted to make it difficult or impossible for us to comply. In addition, our results can be negatively impacted by purchases made using fraudulent credit cards. Because we act as the merchant of record for certain transactions, we may be held liable for accepting fraudulent credit cards on our websites as well as other payment disputes with our customers. If we have an increase of charge-backs due to the use of fraudulent credit cards on our websites, our business, results of operations and financial condition could be adversely affected. Moreover, under payment card rules and our contracts with our card processors, if there is a security breach of payment card information that we store, we could be liable to the payment card issuing banks for their cost of issuing new cards and related expenses. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments, process electronic funds transfers, or facilitate other types of online payments, and our business and results of operations could be adversely affected. If one or more of these contracts are terminated and we are unable to replace them on similar terms, or at all, it could adversely affect our results of operations.

Our reported financial results may be adversely affected by changes in United States generally accepted accounting principles, and we may incur significant costs to adjust our accounting systems and processes to comply.

United States generally accepted accounting principles are subject to interpretation by the Financial Accounting Standards Board ("FASB" (“FASB”), the American Institute of Certified Public Accountants (“AICPA”), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. We may need to change our accounting processes if we are required to adopt future or proposed changes in principles. The cost of these changes may negatively impact our results of operations during the transition.

Increased focus on environmental, social, and governance ("ESG") responsibilities have and will likely continue to result in additional costs and risks, and may adversely impact our business.

There has been an increased focus on ESG practices of companies, including climate change, diversity, equity and inclusion, human capital management, data privacy and security, supply chains (including human rights issues), among other topics, by institutional, individual, and other investors, proxy advisory services, regulatory authorities, consumers, employees and other stakeholders. These evolving expectations and our efforts and ability to respond to and manage these issues, provide updates on them, and establish and meet appropriate goals, commitments, and targets present numerous operational, regulatory, reputational, financial, legal, and other risks, any of which may be outside of our control or could have a material adverse impact on our business. Our efforts in this area may result in a significant increase in costs and may not meet expectations, evolving standards or regulatory requirements, which may negatively impact our financial results, our reputation, our ability to attract or retain employees, or business partners, or expose us to various types of legal actions.

Risks Related to Our Markets and Strategy

Our international operations may result in operating losses and are subject to other material risks.

We may continue to invest in marketing as well as additional employees to support our operations (including licensing arrangements) or develop new products, such as Travelzoo META or the new Travelzoo paid membership, which may generate operating losses. Furthermore, operating losses in certain jurisdictions may not have any recognizable tax benefit. These factors could have a material negative impact on our consolidated net income and cash flows, which could result in a significant decrease in the trading price of our common stock. There are certain additional risks inherent in doing business internationally, including: uncertainties and instability in economic and market conditions; exposure to local economic or political instability and threatened or actual acts of war or terrorism; compliance with regulatory laws and requirements relating to anti-corruption, antitrust or competition, economic sanctions, data privacy, consumer protection, employment and labor laws, health and safety, information reporting and advertising and promotions; financial risks from transactions in multiple currencies; longer payment cycles and difficulties in collecting accounts receivable; trade barriers and changes in trade regulations, including new or increased tariffs; difficulties in developing, staffing and simultaneously managing foreign operations as a result of distance, language and cultural differences; stringent local labor laws and regulations; bans on travel among or between various countries; risks related to government regulation, including changing policies in areas such as trade, travel, immigration, and healthcare, among others; and potentially adverse tax consequences. Moreover, fluctuations in currency exchange rates can impact our revenues. Foreign currency movements relative to the U.S. dollar have negatively impacted our revenues from our operations in Europe. The uncertainty and volatility in foreign exchange rates, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations.

In addition, a decline in the growth rates of our international businesses could have a negative impact on our gross profit and earnings per share growth rates and, as a consequence, our stock price. Many of these regions have different customs, currencies, levels of consumer acceptance and use of the Internet for commerce, legislation, regulatory environments, tax laws and levels of political stability. International markets may have strong local competitors with an established brand brands that may make expansion in that market difficult and costly and take more time than anticipated. In addition, compliance with legal, regulatory or tax requirements in multiple jurisdictions places demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences. As we continue to focus on increasing the profitability of our business, we may not achieve targeted operational cost savings, improvements and efficiencies, which could affect our results of operations and financial condition. In addition, significant potential risks could impair our ability to achieve anticipated operating improvements and/or cost reductions throughout the organization, including, but not limited to, higher than anticipated costs, management distraction from ongoing business activities, failure to maintain adequate controls and procedures, and damage to our reputation and brand image. Additionally, we could also experience a loss of continuity, loss of accumulated knowledge and/or inefficiency, adverse effects on employee morale and productivity and adverse effects on our ability to attract and retain highly skilled employees. Any of these consequences could adversely impact our business.

We may not be able to continue developing awareness of our brand names.

We believe that continuing to build awareness of the Travelzoo and Jack's Flight Club brand names, and starting to build awareness of the Travelzoo META brand name, are critical to achieving widespread acceptance of our business. Brand recognition is a key differentiating factor among providers of online advertising opportunities, and we believe it could become more important as competition in our industry continues to increase. opportunities. In order to maintain and build brand awareness, we must succeed in our marketing efforts. Our marketing spend is influenced by the marketing spend of our competitors as we seek to maintain and increase our brand recognition and to maintain and grow traffic to our platforms through performance marketing channels. If we fail to successfully promote and maintain our brand consistently across numerous jurisdictions and channels, incur significant expenses in promoting our brands and fail to generate a corresponding increase in revenue revenues as a result of our branding efforts, or encounter legal obstacles which prevent our continued use of our brand names, our business could be materially adversely affected. Deterioration in our marketing efficiency could result in reduced revenues or revenue growth, or marketing expenses increasing faster than revenues, which would reduce margins and earnings growth.

If we fail to retain our existing members or acquire new members, our revenue and business will be harmed.

We spent $5.3 million $7.0 million and $2.9 million $5.3 million on marketing initiatives relating to member acquisition for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively, and expect to continue to spend significant amounts to acquire members. Our long-term success depends on our continued ability to increase the overall number of members attract, retain and engage those members. We cannot assure you that the revenue from members we acquire will ultimately exceed the cost of acquiring new members. If members do not perceive our offers to be of high value and quality or if we fail to introduce new and more relevant deals, we may not be able to acquire or retain members. members, especially after the introduction of a paid membership. If we reduce our member acquisition costs, we cannot assure you that this will not adversely impact our ability to acquire new members. If we are unable to acquire new members who purchase our membership and deals in numbers sufficient to grow our business, or if members cease to purchase, our deals, the revenue we generate may decrease and our operating results will be adversely affected. If the level of usage by our member base members declines or does not grow as expected, we may suffer a decline in member growth or revenue. A significant decrease in the level of usage or member growth would have an adverse effect on our business, financial condition and results of operations.

We may not be able to attract travel and entertainment companies or Internet users if we do not continually enhance and develop the content and features of our products and services.

To remain competitive, we must continually improve the responsiveness, functionality, and features of our products and services. We may not succeed in developing features, functions, products, or services that travel and entertainment companies and Internet users find attractive. attractive, including in unsettled and untested areas like artificial intelligence (AI) and the Metaverse. Our current technology may not meet the future technical requirements of travel and entertainment companies. This could reduce the number of travel and entertainment companies and Internet users using our products and materially adversely affect our business. We are also continually looking to refine our product offerings. We cannot guarantee that any such refinements will be embraced by our members. It may take us longer than expected to fully realize the anticipated benefits, and those benefits may ultimately be smaller than anticipated, which could adversely affect our business. While we are striving to improve functionality, usability and design in our products, the ongoing enhancements on web and mobile and investment in packaging and other technology may not achieve the desired results we anticipate, and if unsuccessful, could result in a decline in revenues, an increase in costs, and a negative impact on our business.

Our business and growth will suffer if we are unable to hire and retain highly skilled personnel.

Our future success depends on our ability to attract, train, motivate, and retain highly skilled employees. We may be unable to retain our skilled employees, or attract, assimilate, and retain other highly skilled employees in the future. We have in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. If we are unable to hire and retain skilled personnel, our growth may be restricted, which could adversely affect our future success. Additionally, the loss or departure of any of our key employees could materially adversely affect our ability to implement our business plan. We do not maintain key person life insurance for any member of our management team. We also expect new members to join our management team in the future. If our key management personnel are not able to work together effectively, our business could be materially adversely affected.

Intense competition may adversely affect our ability to achieve or maintain market share and operate profitably.

The markets for the services we offer are intensely competitive, constantly evolving and subject to rapid change, and current and new competitors can launch new services at a relatively low cost. We compete for advertising dollars with large Internet portal sites, such as Trip Advisor, Tripadvisor, that offer listings or other advertising opportunities to travel, entertainment and local businesses. These companies have significantly greater financial, technical, marketing and other resources and larger advertiser bases. They may be able to research, develop and deploy new products and technologies (including in the area of AI) faster than us. We compete with companies like Groupon that sell vouchers for deals from local businesses such as spas, hotels and restaurants and tour operators for vacation packages. We compete with search engines like Google that offer pay-per-click listings. Additionally, certain search engines have increased their focus on acquiring or launching travel products, such as Google Flights. We compete with newspapers, magazines and other traditional media companies that operate websites which provide online advertising opportunities. We compete with travel metasearch engines like Kayak.com (owned by Booking Holdings) and online travel and entertainment deal publishers (including online restaurant reservation services). We compete with large online travel agencies like the Expedia Group and Booking Holdings, as well as thousands of individual travel agencies around the world, that also offer advertising placements and hotel booking platforms and capture consumer interest. We also compete with companies that offer similar services to Jack's Flight Club, like Going (formerly Scott's Cheap Flights) and Dollar Flight Club. There has been substantial consolidation of the global travel industry and we believe this trend will continue. Some of our competitors are large and have significant resources and substantial international operations. Such companies have also completed acquisitions to further consolidate the industry.

There has also been a proliferation of new channels and platforms through which accommodation providers can offer reservations. For example, companies such as Airbnb (which acquired HotelTonight), HomeAway and VRBO (which are both owned by Expedia Group) offer services providing alternative accommodation property owners, particularly individuals, an online place to list their alternative accommodations, which compete with our hotel offers. Further, meta-search services may lower the cost for new companies to enter the market by providing a distribution channel without the cost of promoting the new entrant's brand to drive consumers directly to its website. Some competitors offer a variety of online services, such as food delivery, shopping, gaming or search services, many of which are used by consumers more frequently than online travel services. As a result, a competitor that has established other, more frequent online interactions with consumers may be able to more easily acquire customers for its travel services than we can. If any of these platforms are successful in offering similar services to consumers who would otherwise use our platforms or if we are unable to offer our services to consumers within these super-apps, our customer acquisition efforts could be less effective and our customer acquisition costs could increase, either of which would harm our business and results of operations. We also have seen that some competitors will accept lower margins, or even negative margins, to attract attention and acquire new members. If competitors engage in group buying initiatives in which merchants receive a higher percentage of the face value than we currently offer, we may be forced to pay a higher percentage of the face value than we currently offer, which may reduce our revenue. We expect to face additional competition as other companies enter the online advertising market. Competition could result in reduced margins on our services, loss of market share or less use of Travelzoo by advertisers and consumers. If we are not able to compete effectively with current or future competitors as a result of these and other factors, our business could be materially adversely affected.

We may not be able to access third-party technology upon which we depend.

We use data technology and software products from third parties (such as hosting and cloud services), and technology from our vendors may not continue to be available to us on commercially reasonable terms, or at all. Our business, including Jack’s Flight Club which relies on third parties for flight data, will suffer if we are unable to access technology, to gain access to additional products or to integrate new technology with our existing systems. This could hinder our existing product offerings, cause delays in our development and introduction of new services and related products or enhancements of existing products until equivalent or replacement technology can be accessed, if available, or developed internally, if feasible. If we experience these delays, our business could be materially adversely affected. We also rely on certain third-party service providers, including Global Distribution Systems and computerized central reservation systems, in connection with providing our hotel booking services and travel package offerings. Any interruption in these services and systems or deterioration in their performance could have an adverse effect on our business, brands and results of operations. Our agreements with some third-party service providers are terminable upon short notice and often do not provide recourse for service interruptions.

We are in the process of a multi-year phased migration to integrate and upgrade certain cross-brand global systems and processes. The implementation of new information technology, payment, enterprise resource planning, or other systems (including AI) could be disruptive and/or costly or we may experience difficulty successfully integrating new systems into existing systems or migrating to new systems from existing systems, any of which could adversely affect our business and results of operations. Any failure to implement or adapt to new technologies in a timely manner or at all could adversely affect our ability to compete, increase our consumer acquisition costs or otherwise adversely affect our business, brand, market share, and results of operations.

Acquisitions, investments, licensing arrangements and joint ventures could result in operating difficulties, dilution, and other harmful consequences that may adversely impact our business and results of operations.

We may evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including business combinations, acquisitions and dispositions of businesses, technologies, services, and other assets, as well as strategic investments, licensing arrangements and joint ventures. At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to our financial condition and results of operations. These transactions involve significant challenges and risks, including: diversion of management time; implementation or remediation of controls, procedures, and policies at the acquired company; integration of accounting, human resource, and other systems, and coordination of various functions; transition of operations, users, and customers; failure to obtain required approvals on a timely basis, if at all, or conditions placed upon approval, which could, among other things, delay or prevent us from completing a transaction, or otherwise restrict our ability to realize the expected goals of an acquisition; the need to integrate operations across different cultures and languages and to address the particular risks associated with specific countries; failure to successfully develop the acquired business; liability for activities of the acquired company; litigation or other claims in connection with the acquired company; challenges relating to the structure of an investment; expected and unexpected costs incurred in pursuing acquisitions; entrance into markets in which we have no prior experience and increased complexity in our business; inability to sell disposed assets or impairment of investments, goodwill and other assets acquired or divested; and failure to secure necessary financing in order to complete an applicable transaction. Future acquisitions may also require us to issue additional equity securities, spend our cash, or incur debt (and increased interest expense), liabilities and amortization expenses related to intangible assets or write-offs of goodwill, which could adversely affect our results of operations and dilute the economic and voting rights of our stockholders. Also, the anticipated benefit of an acquisition may not materialize. As licensing arrangements typically involve third parties unrelated to the Company operating under our brand name in foreign jurisdictions, we risk, among other things, damage to our reputation or brand image if such third parties are unsuccessful or behave in a way that is contrary to Travelzoo. Travelzoo. For example, the business of MTE which Travelzoo acquired in December 2022 will require management resources to grow strategically and to realize the synergies that we believe exist between MTE and Travelzoo META. We cannot guarantee that changes in management of MTE will not lead to disruption in the utilization of the contact network that MTE built up in the Metaverse creator community and that MTE as part of Travelzoo will be able to source Metaverse travel experiences as successfully as anticipated.

Risks Related to Legal Uncertainty

We may become subject to shareholder lawsuits over alleged securities violations due to volatile stock price.

Shareholder lawsuits for securities violations are often launched against companies whose stock price is volatile. Such lawsuits involving the Company would require management’s attention to defend, which may distract attention from operating the Company. In addition, even if the lawsuit is meritless, the Company may incur substantial costs to defend itself and/or settle such claims, to minimize the distraction and costs of defense. Such lawsuits could result in judgments against the Company requiring substantial payments to claimants. Such costs may materially impact our results of operations and financial condition.

We are subject to laws and regulations worldwide, changes to which could increase the Company’s costs and individually or in the aggregate adversely affect the Company’s business.

The Company is subject to laws and regulations affecting its domestic and international operations in a number of areas. These U.S. and foreign laws and regulations affect the Company’s activities including, but not limited to, in areas of employment, advertising, digital content, consumer protection, real estate, billing, e-commerce, promotions, intellectual property, tax, anti-corruption, foreign exchange controls and cash repatriation restrictions, data privacy, anti-competition, health and safety, and vacation packaging. Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent across jurisdictions, further increasing the costs of compliance and doing business. For example, the Company and Jack’s Flight Club employ employees and engage contractors in various countries and therefore could be subject to misclassification or tax claims related to such arrangements or increased costs to ensure continued compliance as both companies grow and add to their workforce. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make the Company's services less attractive, delay the introduction of new products, or cause the Company to change or limit its business practices or incur more costs to comply or defend itself. We have implemented policies and procedures designed to ensure compliance, but there can be no assurance that our employees, contractors, partners, or agents will not violate such laws and regulations or the Company's policies and procedures.

The CARD Act and similar state and foreign laws may harm our Local Deals and Getaways business.

Vouchers may be considered gift cards, gift certificates, stored value cards or prepaid cards ("gift cards") and therefore governed by, among other laws, the Credit Card Act of 2009 (the "CARD Act"), and state laws governing gift cards. Other foreign jurisdictions have similar laws in place, in particular European jurisdictions where the European E-Money Directive

regulates the business of electronic money institutions. Many of these laws contain provisions governing the use of gift cards, including specific disclosure requirements and prohibitions or limitations on the use of expiration dates and the imposition of certain fees. Purported class actions against other companies have been filed claiming that coupons similar to the vouchers are subject to the CARD Act and various state laws governing gift cards and that the defendants have violated these laws by issuing the coupons with expiration dates and other restrictions. In addition, investigations by certain state attorney general offices have been launched against other companies with regards to similar issues. If similar claims are asserted against the Company in respect of the *Local Deals* and *Getaways* vouchers and are successful, we may become subject to fines and penalties and incur additional costs. In addition, if federal or state laws require that the face value of our vouchers have a minimum expiration period beyond the period desired by a merchant for its promotional program, or no expiration period, this may affect the willingness of merchants to issue vouchers in jurisdictions where these laws apply. For unredeemed vouchers, similar laws in other jurisdictions require us or merchants to honor the face value of vouchers sold, after the redemption period. Such developments may materially and adversely affect the profitability or viability of our *Local Deals* and *Getaways* vouchers.

Certain gift card laws could require us to materially increase the estimated liability recorded in our financial statements and our operating result results could be materially and adversely affected.

Some of states and foreign jurisdictions include gift cards under their unclaimed and abandoned property laws, which require companies to remit to the government the value of the unredeemed balance on the gift cards after a specified period of time (generally between 1 and 5 years) and impose certain reporting and record keeping obligations. The analysis of the potential application of the unclaimed and abandoned property laws to our vouchers is complex, involving an analysis of constitutional and statutory provisions and factual issues, including our relationship relationships with members and merchants and our role as it relates to the issuance and delivery of a voucher. In the event that one or more jurisdictions successfully challenges our position on the application of its laws to vouchers, or if the estimates that we use in projecting the likelihood of vouchers being redeemed prove to be inaccurate, our liabilities with respect to unredeemed vouchers may be materially higher than the amounts shown in our financial statements. If we are required to materially increase the estimated liability recorded in our financial statements, our net income could be materially and adversely affected. Moreover, a successful challenge to our position could subject us to penalties or interest, which would have a further material adverse impact on our net income.

Tax treatment of companies engaged in Internet commerce may adversely affect the use of our services and our results.

Due to the global nature of the Internet, it is possible that various states or foreign countries might attempt to regulate our transmissions or levy sales, income or other taxes relating to our activities. New or revised international, federal, state or local tax regulations may subject us or our members to additional sales, income and other taxes. We cannot predict the effect of any attempts to impose sales, income or other taxes on commerce over the Internet. New or revised taxes and, in particular, sales taxes, Valued Added Tax and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over the Internet. For example, due to media sales for travel agents, clients or partners in certain states with economic nexus provisions, we could have potential tax exposure. We are continuing to evaluate states and countries where we could have such exposure, including for Jack's Flight Club. New taxes could also create significant increases in internal costs. Any of these events could have an adverse effect on our business and results.

We may suffer liability as a result of information transmitted over the Internet and claims related to our service offerings.

We may be sued for legal claims relating to information that is published or made available on our websites or service offerings we make available. The fact that we distribute information via email may subject us to additional potential risks, such as liabilities or claims resulting from unsolicited email or spamming, security breaches, illegal or fraudulent use of email or interruptions or delays in email or mobile service, etc.. We have also seen an increase in claims relating to the Federal Wire Tap Act and "trap and trace" software in connection with the California Invasion of Privacy Act. These risks are enhanced elevated in certain jurisdictions, where our liability for such third-party actions may be less clear and we may be less protected. In addition, we could incur significant costs in investigating and defending such claims, even if we ultimately are not found liable. We are subject to risks associated with information disseminated through our websites and applications, including content that is produced by our editorial staff and errors or omissions related to our product offerings. Such information, whether accurate or inaccurate, may result in a lawsuit, which could materially and adversely affect our business. In addition, we may acquire confidential information, including credit card information, from users of our websites and mobile applications. Our existing security measures may not be successful in preventing breaches. Outside parties may attempt to fraudulently induce disclosure of sensitive information in order to gain access to our secure networks or to takeover take over customer accounts. A party that is able to circumvent our security systems could steal proprietary or other sensitive information. A security breach at any third-party supplier could result in negative publicity and exposure.

While we strive to use commercially acceptable means to protect personal data, no method of transmission over the Internet, or method of electronic storage, is 100% secure. Cyberattacks are increasing in frequency and sophistication and are evolving. Consequently, we may be unable to anticipate these attacks or to implement adequate preventative measures. We have experienced and responded to cyberattacks, which we believe have not had a significant impact on our systems or the security of any data maintained by us. Security breaches or the unauthorized disclosure of personal information could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. Any failure or perceived failure by us, or our service providers, to comply with any privacy-related obligations, or any compromise of security that results in the unauthorized release or transfer of data, may result in governmental enforcement actions, litigation or public statements against the Company by consumer advocacy groups or others and could cause our members to lose trust in us, which could have an adverse effect on our business and we may incur significant legal and financial exposure.

We could also be adversely affected if legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business. There are a number of proposals for enactment or modification of data privacy laws pending or proposed in other jurisdictions. jurisdictions (including various states across the United States), including laws and regulations which dictate whether, how and under what circumstances we can transfer, process, or receive certain data that is critical to our operations and consent-related requirements for email marketing. While we do not "sell" personal data and/or do not engage in "behavioral advertising", as each are defined under the various laws and regulations in different jurisdictions, it is possible that these definitions may change and/or that regulators may not agree with our interpretations. Complying with these varying requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. To the extent that regulatory authorities impose fines on the Company or require changes to the Company's business practices, the Company's business and results of operations could be materially and adversely affected.

Claims have been asserted against us relating to shares not issued in our 2002 merger.

In 2002, Travelzoo.com Corporation ("Netsurfers") was merged into Travelzoo. Under and subject to the terms of the merger agreement, holders of promotional shares of Netsurfers who established that they had satisfied certain prerequisites were allowed a period of 2 years following the effective date of the merger to receive one share of Travelzoo in exchange for each share of common stock of Netsurfers. In 2004, certain promotional shares remained unexchanged. As the right to exchange these promotional shares expired, no additional shares were reserved for issuance. Thereafter, the Company began to offer a voluntary cash program for those who established that they had satisfied certain prerequisites for Netsurfers promotional shares. Beginning in 2010, the Company became subject to unclaimed property audits of various states in the U.S. Although the Company settled the claims with all states, the Company still receives inquiries from certain potential Netsurfers promotional stockholders that had not provided their state of residence to the Company. Therefore, the Company is continuing its voluntary program under which it makes cash payments to individuals related to the promotional shares for individuals whose residence was unknown by the Company and who establish that they satisfy the original conditions required and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period. The Company did not make any material payments under this program in 2022 2023 and 2021. 2022. The total cost of this voluntary program is not reliably estimable because it is based on the ultimate number of valid requests received and future levels of the Company's common stock price.

Certain laws and regulations could be expanded to include Travelzoo products or services, including vouchers.

Various federal laws, such as the Bank Secrecy Act and the USA PATRIOT Act and foreign laws and regulations, such as the European Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. For these purposes, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers and providers of prepaid access cards. Examples of anti-money laundering requirements imposed on financial institutions include customer identification and verification programs, suspicious activity monitoring and reporting, record retention policies and procedures and transaction reporting. We do not believe that we are a financial institution subject to these regulations based, in part, upon the closed loop nature and other characteristics of vouchers and our role with respect to the distribution of vouchers to members. However, the Financial Crimes Enforcement Network previously issued final rules regarding the scope and requirements for non-bank parties involved in stored value or

prepaid access cards, including obligations on sellers or providers of "prepaid access". Under the final rule, providers or sellers of closed loop vouchers, such as those offered through the *Local Deals* and *Getaways* programs, , would only be subject to registration if the vouchers exceed $2,000 in total value or if they are sold in aggregate amounts exceeding $10,000 to any single person in one day. Should the $2,000 limit be exceeded or should more than $10,000 in aggregate vouchers be sold to any individual person (sales to businesses for resale or distribution are excluded) then we may be deemed either a seller or provider of prepaid access subject to regulation. In the event that we become subject to these requirements or any other anti-money laundering law laws or regulation regulations imposing obligations on us as a money services business, our regulatory compliance costs to meet these obligations would likely increase which could reduce our net income. In addition, the costs for third parties to sell vouchers would increase, which may restrict our ability to enlist third parties to issue vouchers.

Many states and certain foreign jurisdictions impose license and registration obligations on those companies engaged in the business of money transmission, with varying definitions of what constitutes money transmission. We currently believe that we are not a money transmitter, given our role and the product terms of Travelzoo vouchers or other Travelzoo products or services. However, a successful challenge to our position or expansion of laws could subject us to increased compliance costs and delay our ability to offer our products or services in certain jurisdictions, pending receipt of necessary licenses.

Our internal control over financial reporting may not be effective which could impact our business.

The SEC approved amendments in 2018 that raised the cap for status as a "smaller reporting company". Travelzoo qualified as a smaller reporting company in since 2020, meaning it is not subject to the SOX 404(b) requirement of having an auditor attestation report on internal control over financial reporting. However, we may be obligated to evaluate our internal control over financial reporting if we are were no longer smaller a smaller reporting company and if we may identify areas of internal control that may need improvement or require remediation efforts. For the year ended December 31, 2022, management identified a material weakness in our internal control over financial reporting related to having sufficient resources for the accounting for certain non-routine, non-recurring, unusual or complex transactions within our financial statement closing and reporting process. Specifically, the Company did not have internal financial staff with sufficient specific expertise to ensure complete and timely financial reporting and disclosures related to technical and complex accounting transactions. In case of any future non-routine, non-recurring, unusual and complex transactions, we have decided to take the following planned measures: Engage sufficient outside subject matter experts and specialists to ensure the complete and timely accounting and financial reporting for certain non-routine, unusual or complex transactions and technical matters, where appropriate. In some cases, multiple experts may be required. Maintain adequate internal qualified personnel to properly supervise and review the information provided by outside subject matter experts and specialists. experts. We cannot assure you that these planned measures will be sufficient to avoid potential future material weaknesses. We are unable to predict the time when we will again have a non-routine, non-recurring, unusual and complex transaction. transaction. This material weakness continued to exist as of December 31, 2023.

We may be unable to protect our registered trademark or other proprietary intellectual property rights and may face liability from intellectual property litigation.

Our success depends to a significant degree upon the protection of the Travelzoo brand name. We rely on a combination of copyright and trademark laws, non-disclosure and other contractual arrangements to protect our intellectual property ("IP") rights. The steps we have taken to protect our IP rights, however, may not always succeed in deterring misappropriation of proprietary information or preventing improper utilization of the Travelzoo brand name. We have registered the Travelzoo and Jack's Flight Club trademarks in various jurisdictions. If we are unable to protect our rights, a key element of our strategy could be disrupted and our business could be adversely affected. We may not always be able to detect unauthorized use or take appropriate steps to enforce our IP rights. The laws of countries in which we may market our services in the future are uncertain and may afford little or no effective protection of our IP. The unauthorized reproduction or other misappropriation of our proprietary technology could enable third parties to benefit from our technology and brand name without paying us. If this were to occur, our business could be materially adversely affected. We cannot be certain that our products, content and brand names do not or will not infringe valid IP rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the IP of others in the ordinary course of business. We may incur substantial expenses in defending against these claims, regardless of their merit. Successful claims against us may result in monetary liability or a material disruption of our business. We endeavor to defend our IP rights diligently, but litigation is expensive and time consuming, and has and is likely to continue to divert managerial attention and resources from our business objectives. Resolution of claims may require us to obtain licenses to use IP rights, which may be expensive to procure.

Risks Related to Investment in our Shares

Our stock price has been volatile historically and may continue to be volatile.

The trading price of our common stock has been and may continue to be subject to wide fluctuations. During the twelve months ended December 31, 2022 December 31, 2023, the closing price of our common stock on NASDAQ ranged from $4.11 $4.51 to $10.33. $10.45. OurOur

stock price may fluctuate in response to a number of factors, such as quarterly variations in operating results; announcements by us or our competitors; changes in financial estimates and recommendations by securities analysts; the operating and stock price performance of comparable companies; news reports relating to trends in our markets or general economic conditions; the level of demand for our stock, including the amount of short interest in our stock; stockholder collateral arrangements, and cash requirement on funds or stockholders that result in stockholder trades. trades; and repurchases of our common stock, including failure to meet internal or external expectations around the timing or price of share repurchases and any reductions or discontinuances of repurchase activities. There are several products offered in the market that allow stockholders to hedge stock, pledge their stock for collateral or engage in short selling, which can negatively impact the price of our stock. The Company does not prohibit these arrangements but does have strict policies against trading with material non-public information. Our stock price

may be volatile given that operating results may vary from the expectations of securities analysts and investors, which are beyond our control. In the event that our operating results fall below expectations, the trading price of our common shares may decline significantly. Moreover, fluctuations in our stock price and our price-to-earnings multiple may have made our stock attractive to hedge or day-trading investors who often shift funds into and out of stocks rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis. In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Negative market conditions could adversely affect our ability to raise additional capital or the value of our stock in connection with merger and acquisition activities.

We are have a controlled company. significant shareholder.

Ralph Bartel, who founded Travelzoo, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro Capital Inc. (“Azzurro”). Azzurro. Azzurro is the Company’s largest shareholder, and as of December 31, 2022 together with Ralph Bartel, in his individual capacity (together, the “Azzurro Parties”) December 31, 2023, holds approximately 50.3%40.2% of the Company’s Company's outstanding shares. This means that the Company is a controlled company again. Azzurro previously held greater than 50% ownership until approximately 2018. 2018 and again from late 2022 until Q2 2023 and should Azzurro purchase additional shares or should the Company repurchase additional shares of its common stock, Azzurro’s ownership percentage could increase again, potentially above 50%, resulting in the Company being a controlled company again. The Company already has in place applicable corporate governance processes and procedures necessary for a controlled company to ensure independence (e.g., board of directors with majority independent directors, committees comprised solely of independent directors, etc.). Holger Bartel, the Company’s Global Chief Executive Officer, is Ralph Bartel’s brother and holds approximately 3.3% 3.8% of the Company’s outstanding shares.

It is possible that the interests of the Azzurro Parties may conflict with those of the Company or the its other stockholders of the Company in the future. As a result of the Azzurro Parties' Azzurro's ownership interests and voting power, they are could be in a position to influence and control significant corporate actions, including corporate transactions such as mergers, business combinations or dispositions of assets. actions. Our other stockholders will therefore have limited influence and control on matters requiring stockholder approval and this controlling significant ownership position could discourage others from initiating any potential merger or takeover that may otherwise be beneficial to Travelzoo stockholders.

Item 1B. *Unresolved Staff Comments*

None.

Item 1C. *Cybersecurity*

The Company, including its Board of Directors, Audit Committee, management and internal legal, information technology (IT) and finance teams, recognize the importance of safeguarding the Company’s data, information systems and technology assets, as it is a critical part of the trust that we have built with our members, partners and employees.

Risk Management and Strategy

Our approach involves an annual review of our established IT systems and vendor relationships, to assess salient risks and discuss mitigation procedures, as well as the establishment of an Incident Response Team appointed to manage cybersecurity risk, which meets at least twice per year. The Incident Response Team is led by the Company’s Systems Administrator and Cybersecurity Analyst, and includes employees from different functions and levels of the organization, including the Head of Engineering (most senior IT leader), the General Counsel and Head of Global Functions (executive-level legal), the Global Head of Business Services (most senior business operations leader), as well as representatives from finance, marketing, and customer service. The team is also supported by external vendors and consultants, as needed (for example, specialized cybersecurity legal counsel, specialized IT cybersecurity agencies and Sarbanes-Oxley (SOX) compliance/audit consultants to assist with internal controls review).

The Incident Response Team follows industry best-practices for Payment card industry (PCI) compliance and cybersecurity. Starting in Q1, the team reviews the Company’s plan and policy for cybersecurity incident response, making updates as needed to reflect changes in the systems, processes or requirements of the organization. The team then coordinates a broader meeting where a testing incident is provided and discussed, to ensure that everyone across the organization is aligned and understands the process should an incident arise in the future. The scenarios involve realistic threats to prompt discussion and practice in the application of the Company’s policies. The Company established this process with the support of outside consultants to ensure it aligns with industry best practices. It is customized to address the most prominent IT and cybersecurity risks based on the Company’s assessments. Any significant changes in policies, risk profiles, internal practices, etc. are reported to the Company’s Chair of the Board and Board of Directors, as needed.

Separately from the Incident Response Team, the Company requires all employees to complete an annual security training and the Company’s Head of Corporate Systems evaluates security features and compliance with security requirements by employees on an ongoing basis, in consultation with legal.

Given the importance of our member data, the Company has also appointed an internal Data Protection Officer (DPO), who is a member of the Company’s legal function and who has received outside training and qualifications. The Company’s DPO reviews any changes in rules, requirements, internal policies and procedures and ensures the Company’s compliance for data privacy globally is up-to-date (including vendor relationships, privacy policy, data subject access request processes, website terms, employee processes, etc.). The DPO also administers annual data privacy training to all employees and reviews processes and security procedures with the Head of Corporate Systems and IT team, to ensure no areas of exposure or material risk for the Company’s data.

We rely on certain third-party computer systems and third-party service providers in connection with providing some of our services (including our hotel platform and email newsletters). We also depend upon various third parties to process payments for our voucher transactions around the world. These third-party business partners, service providers, and consultants need to access certain of our member and other data, and connect to our computer networks. We define expected security and privacy requirements through our contracting processes with third parties and we perform third-party cyber risk assessments to monitor the cyber risk management efforts of third parties as needed.

Although we expend significant internal resources to protect against security breaches, our existing security measures may not be successful in preventing all attacks on our systems. We have experienced cybersecurity incidents and threats, including malware, phishing, partner and customer account takeover attacks, and denial-of-service attacks on our systems. We do not believe these cybersecurity incidents have had a materially adverse effect on our Company, including our business strategy, results of operations, or financial condition. For further discussion, please review our Risk Factors.

Governance

The Board, in coordination with the Audit Committee, oversees the Company’s risk management program, which includes evaluation of material cybersecurity-related risks as needed. The Audit Committee receives from time-to-time presentations and reports from both Company management and third parties, as appropriate, that address cybersecurity and data protection topics, including evolving standards, third-party and independent reviews, technology trends and information security considerations. The Audit Committee meets at least quarterly with Company management and the Company’s external SOX consultant to discuss internal IT controls and, in reviewing the controls, exercises oversight into the Company’s IT processes and any areas of risk. Additionally, should an incident arise that is material, the Incident Response Team promptly apprises the Chair of the Board of Directors and the Audit Committee and provides ongoing updates until such incident has been resolved. At regularly scheduled Board meetings, the Audit Committee Chair provides the Board with an update as needed on any significant matters discussed, reviewed, considered and approved by the committee since the last regularly scheduled Board meeting.

Item 2. *Properties*

We are headquartered in New York, New York, where we occupy approximately 13,500 square feet of leased office space. We also have leased offices for our Europe operations in France, Germany, Spain, and the U.K., including offices in Barcelona, Berlin, London, Munich, and Paris.In addition to our New York office, we have several leased offices throughout the U.S. and Canada for our North America operations, including offices in Chicago, Illinois; Miami, Florida; Mountain View, California Florida and Toronto, Ontario. We also have leased offices for our Europe operations in Germany, Spain, and the U.K., including offices in Barcelona, Berlin, London, and Munich.

We believe that our leased facilities are adequate to meet our current needs; however, we intend to expand our operations and therefore may require additional facilities in the future. We believe that such additional facilities are available.

Item 3. *Legal Proceedings*

The information set forth under “Note 6: Note 6–*Commitments and Contingencies”* *Contingencies* to the accompanying consolidated financial statements included in Part II, Item 8 of this report is incorporated herein by reference.

Item 4. *Mine Safety Disclosure*

Not applicable.

PART II

Item 5. *Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Since August 18, 2004, our common stock has been trading on the NASDAQ Global Select Market under the symbol “TZOO.” The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported by NASDAQ.

	High	Low		High	Low
2023:			**2023:**		
Fourth Quarter					
Third Quarter					
Second Quarter					

First Quarter				
2022:	**2022:**			**2022:**
Fourth Quarter	Fourth Quarter	$ 6.35	$ 4.11	
Third Quarter	Third Quarter	$ 6.80	$ 4.43	
Second Quarter	Second Quarter	$ 8.04	$ 5.71	
First Quarter	First Quarter	$ 10.33	$ 5.30	
2021:				
Fourth Quarter		$ 13.32	$ 9.10	
Third Quarter		$ 15.42	$ 10.64	
Second Quarter		$ 18.34	$ 14.04	
First Quarter		$ 17.88	$ 8.71	

On March 29, 2023 March 18, 2024, the last reported sales price of our common stock on the NASDAQ Global Select Market was $5.31 10.35 per share.

As of March 29, 2023 March 18, 2024, there were approximately 177 175 stockholders of record of our shares.

Dividend Policy

Travelzoo has not declared or paid any cash dividends since inception and does not expect to pay cash dividends for the foreseeable future. The payment of dividends will be at the discretion of Travelzoo's Board of Directors and will depend upon factors such as future earnings, capital requirements, our financial condition and general business conditions.

Sales of Unregistered Securities

In connection with that certain Stock Purchase Agreement, by and between Azzurro Capital Inc. and the Company, dated as of December 30, 2022, the Company issued 3,410,000 shares of common stock (the "Shares") of the Company in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933 (the "Securities Act") or another available exemption from the Securities Act. The Shares were registered by the Company pursuant to an S-3 registration statement made effective on February 15, 2023.

Repurchases of Equity Securities

We repurchased 106,375 600,000 of our equity securities during the quarter ended December 31, 2022 December 31, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Shares that May Yet be Purchased Under the Programs
October 1, 2022 - October 31, 2022	699	$ 4.91	699	799,301
November 1, 2022 - November 30, 2022	30	$ 5.02	30	799,271
December 1, 2022 - December 31, 2022	105,646	$ 4.43	105,646	693,625
	106,375		106,375	

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Shares that May Yet be Purchased Under the Programs
October 1, 2023 - October 31, 2023	107,065	$ 7.04	107,065	892,935
November 1, 2023 - November 30, 2023	377,527	$ 8.25	377,527	515,408
December 1, 2023 - December 31, 2023	115,408	$ 9.95	115,408	400,000
	600,000		600,000	

Performance Graph

The following graph compares, for the dates specified, the cumulative total stockholder return for Travelzoo, the NASDAQ Stock Market (U.S. companies) Composite Index (the "NASDAQ Market Index"), and the Standard & Poor's 500 Publishing Index (the "S&P 500 Publishing"). Russell 2000 Index. Measurement points are the last trading day of each of the Company's fiscal years ended December 31, 2018, December 31, 2019, December 31, 2020, December 31, 2021 , December 31, 2022 and December 31, 2022 December 31, 2023. The graph assumes that $100 was invested on December 31, 2017 December 31, 2018 in the Common Stock of the Company, the NASDAQ Market Index and the S&P 500 Publishing Russell 2000 Index and assumes reinvestment of any dividends. The stock price performance on the following graph is not indicative of future stock price performance.

Capture.jpg

Measurement Point	Measurement Point	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	Measurement Point	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Travelzoo	Travelzoo	$ 100	$ 152	$ 166	$ 146	$ 146	$ 69							
NASDAQ Market Index	NASDAQ Market Index	$ 100	$ 96	$ 130	$ 187	$ 227	$ 152							
Russell 2000 Index	Russell 2000 Index	$ 100	$ 88	$ 109	$ 129	$ 146	$ 115							

Item 6. ***Reserved***

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The information in this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations, assumptions, estimates and projections about Travelzoo and our industry. These forward-looking statements are subject to the many risks and uncertainties that exist in our operations and business environment that may cause actual results, performance or achievements of Travelzoo to be different from those expected or anticipated in the forward-looking statements. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may", "will", "should", "estimates", "predicts", "potential", "continue", "strategy", "believes", "anticipates", "plans", "expects", "intends", and similar expressions are intended to identify forward-looking statements. Travelzoo's actual results and the timing of certain events could differ significantly from those anticipated in such forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those discussed elsewhere in this report in the section entitled "Risk Factors" and the risks discussed in our other SEC filings. The forward-looking statements included in this report reflect the beliefs of our management on the date of this report. Travelzoo undertakes no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other circumstances occur in the future.

Overview

We are Travelzoo, the club for travel enthusiasts, is a global Internet media company. Travelzoo® provides its 30 million members with exclusive offers and one-of-a-kind experiences personally reviewed by our deal experts around the globe. We have our finger on the pulse of outstanding travel, entertainment and lifestyle local experiences. We work in partnership with more than than 5,000 top travel suppliers—our long-standing relationships give Travelzoo members access to irresistible offers.

Travelzoo attracts a high-quality audience of travel enthusiasts across multiple digital platforms, including email, websites, social media and mobile applications. The *Travelzoo* website is visited by 5.4 million to 6.6 million unique visitors each month. We have over 4.5 million followers on Facebook, Instagram, and Twitter, Our Apple and Android mobile applications have been downloaded 7.4 million times.

Our most important products and services are the *Travelzoo*website (travelzoo.com), the *Travelzoo* iPhone iOS and Android apps, the *Top 20 20®* ® email newsletter,*Standalone* email newsletters, the *Travelzoo Network*, and *Jack's Flight Club*®. Our *Travelzoo*website and newsletters include *Local Deals*and *and Getaways* listings that allow our members to purchase vouchers for offers from local businesses such as spas, hotels and restaurants. *Jack's Flight Club* is a subscription service that provides members with information about exceptional airfares.

Travelzoo membership has historically been free, however, beginning in 2024, new members in the United States, Canada, United Kingdom and Germany are charged an annual fee of $40 (or local equivalent), with the 2024 annual fee waived for existing members as of December 31, 2023. For any subscription revenue derived from the paid membership, we recognize revenue monthly pro rata over the subscription period.

We also license *Travelzoo* products, services and our intellectual property to licensees licenses in various countries in Asia Pacific, including but not limited to (a) Australia, New Zealand, and Singapore and (b) Japan and Southeast Asia. South Korea, in each case, where the Company is entitled to a quarterly royalty payment based on a percentage of net revenue. The Company recognized $71,000 and $25,000 in royalties in 2023 and 2022, respectively. Under the licensing agreements, Travelzoo's existing members in the applicable territories continue to be owned by the Company.

In March 2022 we announced the development of, and in May 2023 we launched Travelzoo META, a subscription to extend the range of experiences we offer consumers to the emerging metaverse. This paid membership service that intends to provide currently provides founding members with exclusive a limited edition "Travel Companion" non-fungible token ("NFT") and future access to innovative, high quality Metaverse beta version metaverse travel experiences. experiences, as developed. On December 30, 2022, we acquired Metaverse Travel Experiences, Inc., now Metaverse Travel Experiences, LLC ("MTE"), a Metaverse experience scouting business to support Travelzoo META.

As of December 31, 2022, we had 30.4 million members worldwide. In North America, the unduplicated number of Travelzoo members was 16.3 million as of December 31, 2022, down 4% from December 31, 2021. In Europe, the unduplicated number of Travelzoo members was 9.0 million as of December 31, 2022, up 8% from December 31, 2021. Jack's Flight Club had 1.9 million subscribers as of December 31, 2022, up 8% from December 31, 2021.

More than 5,000 META in sourcing prospective travel experiences. MTE also continues to operate its legacy business in retail and local providers use our advertising and marketing services, including Air France, Air New Zealand, Air Tahiti Nui, Alaska Airlines, Cathay Pacific Airways, Club Med, Emirates, Etihad, Exoticca, Fairmont Hotels and Resorts, Fiji Airways, Gate 1 Travel, Hilton Hotels & Resorts, Hyatt Corporation, Icelandair, InterContinental Hotels Group, Lion World Travel, Myrtle Beach Area Conventions & Visitors Bureau, Princess Cruises, Royal Caribbean, Singapore Airlines, Starwood Hotels & Resorts and United Airlines.

Stock Purchase Agreement between Travelzoo and Azzurro Capital Inc., a Related-Party

In connection with the development of Travelzoo META, the Company acquired MTE, a wholly owned subsidiary of Azzurro, and also completed a private placement of newly issued shares. Ralph Bartel, who founded the Company, is the sole beneficiary of the Ralph Bartel 2005 Trust, fashion, which is the controlling shareholder of Azzurro. Azzurro was included in but not material to the Company's largest shareholder as of consolidated results. See Note 3–*Acquisitions* to the time accompanying consolidated financial statements included in Part II, Item 8 of this transaction and as report, which is incorporated herein by reference for further information regarding the acquisition of December 31, 2022 owned approximately 50.3% the Company's outstanding shares. On December 28, 2022, the stockholders of Travelzoo approved the issuance and sale of 3.4 million shares of common stock (the "Shares") of Travelzoo to Azzurro, in exchange for certain consideration, and on December 30, 2022 (the "Closing Date"), the transaction was consummated. The closing price of Travelzoo's common stock on December 30, 2022 was $4.45 per share, resulting in an aggregate fair value $15.2 million. The Purchase Price was paid as follows: (a) $1.0 million in cash paid on the Closing Date; (b) $4.8 million paid in the form of a promissory note issued on the Closing Date and payable by June 30, 2023 with accrued interest of 12%; and (c) the transfer to the Company of all outstanding capital stock of Metaverse Travel Experiences, Inc. ("MTE"), which transfer was effected pursuant to a merger of MTE with a wholly-owned subsidiary of the Company on the Closing Date. The Company recorded the $4.8 million promissory note as Note receivable from shareholder in the stockholders' equity section on the consolidated balance sheet as of December 31, 2022.

Government funding

In January 2022 and July 2022, the Com MTE.pany's German branch of Travelzoo (Europe) Limited, a wholly-owned subsidiary of the Company ("Travelzoo Germany"), received the notification and payment of approximately $1.2 million and $494,000, respectively, from the German Federal Government Bridging Aid III plan and Bridging Aid III+. This program was for companies that suffered a pandemic-related decrease in sales of at least 30% in one month compared to the reference month in 2019. Travelzoo Germany applied for the funding in 2021 and 2022, respectively, and was approved by the German government in January 2022 and July of 2022. The Company has to submit a final declaration in connection with this grant by June 30, 2023. The Company believes it was eligible to participate in the plan and is entitled to the payment and does not expect significant changes to the amount already received from the final submission. The Company recorded $1.2 million and $494,000 gains in Other income, net in the first and third quarters of 2022.

In 2020, we received $3.1 million and $535,000, respectively, pursuant to loans under the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") administered by the Small Business Association. In 2021, the principal and the interest of the $3.1 million PPP loan were forgiven and a gain was recorded, the Company also settled the $535,000 PPP loan, $429,000 was forgiven which was recorded as gain and the remaining outstanding balance of the loan and interest of $111,000 was paid off.

The Company also received job retention related government funding in 2022 and 2021. Job retention related funding from Canada location was approximately $164,000 and $400,000 for 2022 and 2021, respectively. The Company did not receive retention related funding from European locations in 2022. Job retention related funding from European locations was approximately $31,000 for 2021. Those fundings were recorded against salary and related expenses.

APAC Exit and Pivot to Licensing Model

In March 2020, Travelzoo exited its loss-making Asia Pacific business and pivoted to a licensing model. The Company's Asia Pacific business was classified as discontinued operations at March 31, 2020. Prior periods have been reclassified to conform with the current presentation.

Travelzoo currently has license agreements in Japan and South Korea, as well as covering Australia, New Zealand and Singapore. Singapore, as well as Japan and South Korea. The license agreement for Australia, New Zealand and Singapore provides the licensee exclusive rights to use the Travelzoo products, services and intellectual property in Australia, New Zealand and Singapore in exchange for quarterly royalty payments based upon net revenue over a 5 year term, with an option to renew. The Company recognized royalties of $35,000 and $25,000 from the licensee for the years ended December 31, 2023 and 2022, respectively.

The license agreement for Japan and South Korea provides a license to the licensee exclusive rights to use the Travelzoo products, services, and intellectual property of Travelzoo exclusively in Japan in exchange for quarterly royalty payments based on net revenue over a 5 year term, with an option to renew. The territory subject to the license was amended to also include South Korea. An interest free loan was provided to the licensee to be repaid over 3 years for JPY 46 million (approximately $430,000), of which $133,000 was repaid in 2021 and the remaining is expected to be paid off amount repaid in 2023. The Company recorded this loan as short-term prepaid expense and other on the consolidated balance sheet as of December 31, 2022. The license agreement for Australia, New Zealand and Singapore provides a license to the licensee to use the intellectual property of Travelzoo exclusively in Australia, New Zealand and Singapore for quarterly royalty payments based upon net revenue over a 5 year term, with an option to renew. The Company records royalties for its licensing arrangements on a one-quarter lag basis. The Company recognized royalties of $25,000 $36,000 and $3,000 $0 from the licensee for its licensing arrangements from AUS Buyer for the years ended December 31, 2022 December 31, 2023 and 2021. The Company did not record royalties from Travelzoo Japan for the year ended December 31, 2022. 2022, respectively.

Reportable Segments

The Company recognized royalties of $9,000 from Travelzoo Japan for the year ended December 31, 2021. We expect the royalty payments to increase over time as the effects of the pandemic subside.

WeGo Investment

In April 2018, we entered into an agreement with WeekenGO ("WeGo"), a start-up company in Germany. WeGo uses new technology to promote vacation packages. We held a minority share equal to 33.7% in weekengo GmbH ("WeGo"), which the Company sold to trivago N.V. ("trivago") on December 23, 2020. Per the Share Purchase Agreement, by and among Travelzoo (Europe) Limited, trivago, and the other shareholders of WeGo (the "trivago SPA"), the Company sold all of determines its shares in WeGo to trivago for a total purchase price of approximately $2.9 million, of which $196,000 was placed in escrow for one year. The Company recorded $468,000 gain in Other income (loss), net for the sale of WeGo shares in 2020. The Company received the full escrow payment in January 2022 and recorded the gain in Other income (loss), net for the year ended December 31, 2022. WeGo agreed to pay in a lump sum the remaining amount outstanding pursuant to the Insertion Order

equal to approximately $200,000. The payment was made and recorded in the first quarter of 2021. The Second Insertion Order and any obligation for additional payments from WeGo for marketing were terminated.

Acquisition of Jack's Flight Club

In January 2020, Travelzoo acquired JFC Travel Group Co. ("Jack's Flight Club"), which operates *Jack's Flight Club*, a subscription service that provides members with information about exceptional airfares. As of December 31, 2022, Jack's Flight Club had 1.9 million subscribers. Jack's Flight Club's revenues are generated by subscription fees paid by members. In June 2020, the Company renegotiated certain aspects of that certain Stock Purchase Agreement, dated as of January 13, 2020 (the "SPA"), by and among Travelzoo, Jack's Flight Club and the sellers party thereto (the "Sellers") with the Sellers and reached a settlement for the outstanding Promissory Notes, dated as of January 13, 2020, by and between Travelzoo and each Seller (the "Promissory Notes"). See "Note 3: Acquisition" to the accompanying consolidated financial statements for further information.

Historically, the Company managed its business geographically and operated in three reportable segments including Asia Pacific, Europe and North America. In the first quarter of 2020, the Company classified the results of its Asia Pacific segment as discontinued operations in its consolidated financial statements for current and prior periods presented. On January 13, 2020, Travelzoo entered into a Sales Purchase Agreement with the Sellers of Jack's Flight Club to purchase 60% of the Shares. Upon the acquisition, based upon the Company's chief operating decision maker reviewed and evaluated Jack's Flight Club as a separate segment. Travelzoo managing the performance of the business. The Company currently has three four reportable operating segments: Travelzoo North America, Travelzoo Europe, and Jack's Flight Club. Club and New Initiatives. Travelzoo North America consists of the Company's operations in Canada the U.S. and the U.S. Canada. Travelzoo Europe consists of the Company's operations in France, Germany, Spain and the UK. U.K. Jack's Flight Club consists of subscription revenues from premium members to access and receive flight deals from Jack's Flight Club via email or mobile applications. New Initiatives consists of Travelzoo's licensing business, the Travelzoo META subscription service and MTE. For the year ended December 31, 2022 December 31, 2023, Travelzoo North America operations were 67% comprised 66% of revenues, Travelzoo Europe operations were 28% comprised 29% of revenues and Jack's Flight Club were comprised 5% of revenues. Financial information with respect to our business segments and certain financial information about geographic areas appears in Note 12 12–*Segment Reporting and Significant Customer Information* to the accompanying consolidated financial statements. statements included in Part II, Item 8 of this report is incorporated herein.

When evaluating the financial condition and operating performance of the Company, management focuses on financial and non-financial indicators such as growth in the number of members to the Company's newsletters, operating margin, growth in revenues in the absolute and relative to the growth in reach of the Company's publications measured as revenue per member and revenue per employee as a measure of productivity.

How We Generate Revenues

Travelzoo

Revenues from the Travelzoo brand and business are generated primarily from advertising fees from two categories of revenue: Travel and Local.

The "Travel" category consists primarily of advertising or publishing revenues, primarily (a) listing advertising fees paid by travel companies for the publishing of their offers on Travelzoo's media properties and (b) commission generated from the sale of *Getaways* vouchers. Listing Advertising fees are may be based on audience reach, placement in email newsletters or on media properties, number of listings, number of impressions, number of clicks, and and/or actual sales. For publishing revenue, we We typically recognize revenue advertising revenues upon delivery of the emails and delivery of the or clicks, over as tracked by our internal platform or third-party platforms, in the period of the placement of the advertising. Insertion applicable insertion orders, for publishing revenue which are typically for periods between one month and twelve months and are not automatically renewed. For *Getaways* vouchers, we recognize a percentage of the face value of the vouchers upon the sale as commission, net of the vouchers. an allowance for future refunds. Merchant agreements for *Getaways* advertisers are typically for periods between twelve months and twenty-four months and are not automatically renewed.

In the second quarter of 2020, due to the pandemic and various stay-at-home protocols, the Company expanded its vouchers voucher refund policy in order to entice customers given the economic climate at that time to fully refundable until the voucher expires or is redeemed by the customer. This refund policy has been adjusted starting April 1, 2022, back was reverted in April 2022 to fully refundable within fourteen days a 14-day refund period from date of purchase, unless with a surcharge is paid at the time of the newly introduced option to extend refund eligibility until voucher purchase redemption or expiration, for the right to be fully refundable. a surcharge. The expiration dates of vouchers range between January 2023 2024 through December 2025 with the majority of vouchers expiring in 2023; 2025; provided, that these expiration dates may sometimes be extended on a case-by-case basis. The revenues generated from *Local Deals* basis and final payment to merchants upon expiration may not be due for up to a year later.

As of December 31, 2023 and 2022, the Company had approximately $5.2 million and $8.1 million of unredeemed vouchers and entertainment offers are based upon a percentage of that had been sold, respectively, representing the face value of the vouchers, commission on actual sales or a listing fee based on audience reach. For *Local Deals* vouchers, we recognize a percentage of the face value of vouchers upon the sale of the vouchers. Company's commission. The Company estimated the estimates a refund reserve by using historical and current refund rates by product and by merchant location to calculate the estimated future refunds. As of December 31, 2022, the Company had approximately $8.1 million of unredeemed vouchers that had been sold through December 31, 2022 representing the Company's commission earned from the sale. The Company had estimated and recorded a refund liability reserve of $1.3 million for $268,000 and $1.3 million as of December 31, 2023 and 2022 for these unredeemed vouchers as of December 31, 2022 which is recorded as a reduction of revenues on the consolidated statements of operations, and is reflected as a current liability in Accrued expenses accrued expense and other on the consolidated balance sheet. The Company has recorded merchant

Merchant payables of

$32.6 million $20.6 million as of December 31, 2022 December 31, 2023 related to unredeemed vouchers. vouchers is recorded on the consolidated balance sheet, representing amounts payable to merchants by the Company for vouchers sold but not redeemed. Certain merchant contracts, typically in foreign locations, allow the Company to retain the proceeds from unredeemed vouchers upon expiration. With these contracts, the Company estimates the value of vouchers that will ultimately not be redeemed and records the estimate as revenues in the same period.

The "Local" category consists of publishing revenue for negotiated high-quality offers from local businesses, such as restaurants, spas, shows, and other activities and includes *Local Deals* vouchers and entertainment offers (vouchers and direct bookings). The revenues Revenues generated from these products are based upon a percentage of the face value of the vouchers sold, commission on actual sales or a listing fee based on audience reach. We recognize revenue upon the sale of the vouchers, upon notification of the amount of direct bookings or upon delivery of the emails. For *Local Deals* vouchers, we recognize a percentage of the face value of vouchers upon the sale of the vouchers. vouchers, net of an allowance for refunds. Insertion orders and merchant agreements for *Local Deals* are typically for periods between one month and twelve months and are not automatically renewed. Certain merchant contracts in foreign locations allow us to retain fees related to vouchers sold that are not redeemed by purchasers upon expiration, which we recognize as revenue based upon estimates at the time of sale.

Jack's Flight Club

Jack's Flight Club revenue is generated generates revenues from paid subscriptions by members. Subscription options are quarterly, semi-annually, and annually. We recognize the revenue subscription revenues monthly pro rata over the respective subscription period. periods.

Trends in Our Business

Our ability to generate revenues in the future depends on numerous factors, such including those relating to members, advertisers, competitors, the travel industry, the online advertising business, internal factors and external factors.

Factors relating to members include their willingness to purchase the deals we advertise, their demand for vouchers as a promotional format, and with the introduction of membership fees for new members in 2024 and existing members in 2025, our ability to enroll new paying members and transition existing members to paid membership, without adversely affecting our membership base and existing advertising revenue streams.

Factors relating to advertisers include our ability to sell more advertising to existing and new advertisers, our ability to increase enhance our audience reach and advertising rates, our ability to have sufficient supply of hotels offered at competitive rates, our ability to develop and launch new products and our ability to continue to service our members without interruption. Our ability to generate revenues is also dependent on trends impacting the travel industry and online advertising businesses more broadly.

Our current revenue model primarily depends on advertising fees paid primarily by travel, entertainment and local businesses. A number of factors can influence whether current and new advertisers decide to advertise their offers with us. We have been impacted and expect to continue to be impacted by external factors such as the shift from offline to online advertising, the relative condition of the economy, competition and the introduction of new methods of advertising, and the decline in consumer demand for vouchers and travel more generally. A number of factors will have impact on our revenue, such as the reduction in spending controls by travel intermediaries due to their focus on improving profitability, the trend towards mobile usage and advertiser shifts from one advertising service (e.g. *Top 20*) to another (e.g. *Local Deals* and *Getaways*). Advertiser shifts between advertising services could result in no incremental revenue or less revenue than in previous periods, depending on amounts purchased, and in particular with *Local Deals* and *Getaways*, depending on how many vouchers are purchased by consumers, the willingness of consumers members.

Factors relating to purchase the deals we advertise, and competitors include the willingness of certain competitors to grow their business unprofitably. In addition, we have been impacted Factors relating to the travel industry include lingering effects of the global pandemic, geopolitical tensions affecting consumer travel to certain regions, and expect risk of future unforeseeable macro events that impact travel, while factors relating to the online advertising business include shifts in consumer use of different digital media formats such as from desktop to mobile, from mobile web to mobile app, and from email to push notifications and SMS text messaging.

Internal factors include risks relating to our ability to continue to be impacted by internal factors such as introduction of service members without interruption, our ability to develop and launch new technologies products members will utilize and advertising products, advertisers will adopt, and hiring and relying on key employees for the continued maintenance and growth of our business and ensuring our business.

External factors include the introduction of new methods of advertising, products continue to attract the audience that advertisers desire. We also have been impacted and expect to continue to be impacted by external factors, such as relative condition of the global pandemic, which decreased the demand for travel and entertainment and increasing economy, cybersecurity risks due to increased dependence on digital technologies. We also could be indirectly impacted by technologies, and climate change and related legislation, to the extent such legislation impacts the businesses of our advertisers such as airlines and cruise ship operators, which have come under increasing scrutiny for their carbon footprints.

Additionally, existing advertisers may shift from one advertising service (e.g. *Top 20*) to another (e.g. *Local Deals* and *Getaways*). These shifts between advertising services by advertisers could result in no incremental revenue or less revenue than in previous periods depending on the amount purchased by the advertisers, and in particular with *Local Deals* and *Getaways*, depending on how many vouchers are purchased by members.

Local revenues have been and may continue to decline over time due to market conditions driven by competition and declines in consumer demand. In the last several years, we have seen a decline in the number of vouchers sold and a decrease in the average take commission rate earned by us from the merchants for voucher vouchers sold. However, due to during the global pandemic, and the we saw an increase in demand by consumers for fully refundable travel options, we saw which led to a slight reversal of this trend and an increase in the sale of *Getaways* hotel vouchers. This trend has appeared to reverse again, particularly as we move away from full refundability on our vouchers. However, vouchers (although demand for restaurants and spas was low due continued to be low). With the global ending of the pandemic, but in recent quarters the importance of fully refundable travel options has started decreased (and we also shifted to increase as restrictions have been lifted. offering a surcharge for full refundability), and the trend is therefore returning to pre-pandemic patterns.

Our ability to continue to generate generating revenues through advertising, revenue commissions and generate subscription revenue through Jack's Flight Club subscriptions depends heavily upon our ability to maintain and grow an attractive audience for our publications. We monitor our members membership base to assess our efforts to maintain and grow our audience reach. We obtain additional members and activity on our websites by acquiring traffic from Internet search companies. The costs to grow our audience have had, and we expect will continue to have, a significant impact on our financial results and can vary from period to period. We may have With the introduction of membership fees in 2024, our former user acquisition strategies and marketing tactics are no longer applicable for the Travelzoo membership base, and we are developing new user acquisition strategies whose timeframes to increase become effective are inherently uncertain. While we are initially reducing our expenditures on acquiring traffic as we test new strategies for efficacy, in time we may need to continue increase these expenditures to maintain or grow or maintain our audience and reach of our publications due to competition. publications. We continue to see a shift in the audience to users accessing our services through mobile devices and social media. When funds are available for marketing spend, we are addressing media and, therefore, anticipate continuing to address this growing channel of our audience through increased marketing on social media channels. However, we will need to keep pace with technological change and this trend to further address this shift in the audience behavior in order to offset any related declines in revenue.

We believe that we can increase an important factor for our advertising rates only if is the reach of our publications, increases. however, we also believe that there are other important factors, such as the engagement of our membership base with our content. We do not know if we will be able to increase the reach of our publications. publications, particularly with the introduction of membership fees in 2024. We do not know if by increasing the reach of our publications, we will also be able to increase engagement and other key metrics of importance to our advertisers. If we are able to increase the reach of our publications, we still may not be able to or want to increase rates given market conditions, such as intense competition in our industry. We have not had any significant rate increase in recent years due to including intense competition in our industry. Even if we increase our rates, the increased price may reduce the number of advertisers willing to advertise with us and could, therefore, decrease our revenue. We may need to decrease our rates based on competitive market conditions and the performance of our audience in order to maintain or grow our revenue.

We do not know what our cost of revenues as a percentage of revenues will be in future periods. Our cost of revenues may increase if change in relation to volume and terms with third-party partners of the face value Travelzoo network, the incurrence of merchant processing fees from the sale of vouchers that we sell for *Local Deals* and *Getaways* increases or the total number and payment of vouchers sold increases because we have credit card membership fees, based upon face value changes in refund request trends and provisioning of vouchers sold, due to customer service costs related to vouchers sold and due to refunds to members on vouchers sold. service. We expect fluctuations in cost of revenues as a percentage of

revenues from quarter to quarter. Some of the fluctuations may be significant and may have a material impact on our results of operations.

We do not know that what our sales and marketing expenses as a percentage of revenue will be in future periods. Increased competition Changes in our industry may require us to increase advertising for our brand and for our products. In order to increase the reach of our publications, we have to acquire a significant number of new members in every quarter and continue to promote our brand. One significant factor that impacts our advertising expenses is the average cost per acquisition of a new member. Increases in the average cost of acquiring new members may result in an increase of impacts our advertising expenses and sales and marketing expenses as a percentage of revenue. We revenue, and are not readily predictable. With the introduction of membership fees in 2024, we expect the cost of acquiring new paying members to increase significantly, as compared with the cost of acquiring non-paying members prior to 2024. Initially, we are reducing our advertising expenditures, as we are no longer offering free memberships for new members and, accordingly, prior user acquisition strategies are not in use. Further, we are early in the development of new strategies to acquire paying members, so our test budgets have not yet fully scaled. However, as we test new strategies and gain more learnings as to acquiring paying members, our expenditures may increase significantly. In addition, there may be a significant number of members that cancel or we may cancel their subscriptions for various reasons, which may prompt us to spend more on member acquisition in order to replace lost members.

In addition to the type of membership offered, we believe that the average cost per acquisition depends mainly on the advertising rates which we pay for media buys, the quality of the members we acquire, our ability to manage our member acquisition efforts successfully, the regions we choose target to acquire new members and the relative costs for that region, and the degree of competition in our industry. We All else equal, increased competition may decide require us to accelerate increase advertising for our brand and advertisers' deals.

Beside member acquisition including through merger and acquisition activity, for various strategic and tactical reasons and, as a result, increase our marketing and other expenses. We expect the average cost per acquisition to increase with our increased expectations for the quality of the members costs, we acquire. We may see a unique opportunity for a brand marketing campaign, that will experience increases in the cost of retaining or sourcing new advertiser clients, or change the number of personnel or compensation structure for the Sales and marketing function, any of which would result in an increase of in sales and marketing expenses. In addition, there may be a significant number of members that cancel or we may cancel their subscription for various reasons, which may drive us to spend more on member acquisition in order to replace the lost members. We expect fluctuations in sales and marketing expenses as a percentage of revenue from year to year and from quarter to quarter. Some of the fluctuations may be significant and have a material impact on our results of operations. We expect increased marketing expense expenses to spur continued growth in members and revenue in future periods; however, we cannot be assured of this due to the many factors that impact our growth in members and revenue. growth. We expect to adjust the level of such incremental spending dynamically during any given quarter based upon market conditions, as well as our performance in each quarter.

We do not know what our product development expenses as a percentage of revenue will be in future periods. There may be fluctuations that have a material impact on our results of operations. Product development changes may lead to reductions of revenue based on changes in presentation receptivity of our offerings to our audience. member audience and advertiser clients. We expect our efforts on in developing our product products and services will continue to be a focus in the future, which may lead to increased product development expenses. This increase Increases in expense may be the result of an increase in from costs related to third party third-party technology service providers and software licenses, headcount the compensation related to existing headcount and the increased use of professional services.

We do not know what our general and administrative expenses as a percentage of revenue will be in future periods. There may be fluctuations that have a material impact on our results of operations.

We do not know what our income taxes will be in future periods. There may be fluctuations that have a material impact on our results of operations. Our income taxes are dependent on numerous factors such as the geographic mix of our taxable income, foreign, federal, state and local tax law and regulations and changes thereto. Our income taxes are also dependent on the determination of whether valuation allowances for certain tax assets are required or not, any audits of prior years' tax returns that result in adjustments, resolution of uncertain tax positions and different treatments for certain items for tax versus books. book purposes. We expect fluctuations in our income taxes from year to year and from quarter to quarter. Some of the fluctuations quarter, which may be significant and have a material impact on our results of operations.

With Due to the impact to revenues caused by adverse effects of the global pandemic, spending by the Company reduced expenditures in many areas, within the business was slowed or stopped, including but not limited to, marketing, technology and human resources. For example, in 2020, the Company ceased operations in Asia Pacific, conducted employee furloughs and restructured its employees operations significantly. The Company also renegotiated many of its outstanding contractual obligations with vendors and closed some ancillary office locations in order to reduce capital expenditures. locations. We do not currently anticipate that any additional cost-cutting measures will be necessary at this time. Instead, the Company is beginning necessary. We anticipate incurring limited growth in fixed costs for our existing business, while investing in new initiatives where we see opportunities to invest again expand our business, in marketing, technology and human resources in line aggregate, in-line with the recovery trend of its revenue from the effects of the pandemic. our revenues.

The key elements of our growth strategy include building a our trusted travel, entertainment and lifestyle brand local brands, increasing the value and engagement of our membership base, sourcing more exclusive and compelling offers from advertisers, and innovating with a large, high-quality user base new experiences and offering our users products that keep pace with consumer preference and technology, such as the trend toward mobile usage by consumers and toward fully refundable travel deals which was a result of the global pandemic. revenue streams. We expect to continue our efforts to grow; however, we may not grow or we may experience slower growth.

We believe that we can sell more advertising if the market for online advertising continues to grow and if we can maintain or increase our market share. We believe that the market for advertising continues to shift from offline to online. We do not know if we will be able to maintain or increase our market share. We do not know if we will be able to increase the number of our advertisers in the future. We do not know if we will have market acceptance of our new products or whether the market will continue to accept our existing products.

Results of Operations

The following table sets forth, as a percentage of total revenues, the results from our operations for the periods indicated.

		2022	2021		2023		2022	
Revenues	Revenues	100.0 %	100.0 %	Revenues	100.0	%	100.0	%
Cost of revenues	Cost of revenues	14.2	18.2					
Gross profit	Gross profit	85.8	81.8					
Operating expenses:	Operating expenses:							
Sales and marketing	Sales and marketing	46.8	48.3					
Sales and marketing								
Sales and marketing								
Product development	Product development	2.9	4.1					
General and administrative	General and administrative	25.4	31.5					
Total operating expenses	Total operating expenses	75.1	83.9					
Operating income (loss)		10.7	(2.1)					
Operating income								
Other income, net	Other income, net	3.4	6.4					
Income from continuing operations before income taxes	Income from continuing operations before income taxes	14.1	4.3					
Income tax expense	Income tax expense	4.6	2.8					
Income from continuing operations	Income from continuing operations	9.5	1.5					
Loss from discontinued operations, net of tax		(0.1)	—					
Income (loss) from discontinued operations, net of tax								
Net income	Net income	9.4	1.5					
Net loss attributable to non-controlling interest		—	—					

Net income attributable to non-controlling interest						
Net income attributable to Travelzoo	Net income attributable to Travelzoo	9.4 %	1.5 %	Net income attributable to Travelzoo	14.6 %	9.4 %
Net income attributable to Travelzoo—continuing operations	Net income attributable to Travelzoo—continuing operations	9.5 %	1.5 %			
Net loss attributable to Travelzoo—discontinued operations		(0.1)%	— %			
Net income attributable to Travelzoo—continuing operations						
Net income attributable to Travelzoo—continuing operations					14.1 %	9.5 %
Net income (loss) attributable to Travelzoo—discontinued operations				Net income (loss) attributable to Travelzoo—discontinued operations	0.5 %	(0.1) %

Operating Metrics

The following table sets forth operating metrics in Travelzoo North America, Travelzoo Europe, and Jack's Flight Club:

		Years Ended December 31,		Years Ended December 31,
		2022	2021	
Travelzoo North America	**Travelzoo North America**			
Travelzoo North America				
Travelzoo North America				
Total members (1)				
Total members (1)				
Total members (1)	Total members (1)	16,251,000	17,241,000	
Average cost per acquisition of a new member	Average cost per acquisition of a new member	$ 2.81	$ 4.99	
Average cost per acquisition of a new member				
Average cost per acquisition of a new member				
Revenue per member (2)				
Revenue per member (2)				
Revenue per member (2)	Revenue per member (2)	$ 2.82	$ 2.59	
Revenue per employee (3)	Revenue per employee (3)	$ 381	$ 370	
Revenue per employee (3)				
Revenue per employee (3)				

Mobile application downloads

Mobile application downloads

Mobile application downloads	Mobile application downloads	4,126,000	3,902,000
Social media followers	Social media followers	3,185,000	3,254,000

Social media followers

Social media followers

Travelzoo Europe

Travelzoo Europe

Travelzoo Europe	**Travelzoo Europe**		
Total members (1)	Total members (1)	9,029,000	8,387,000

Total members (1)

Total members (1)

Average cost per acquisition of a new member

Average cost per acquisition of a new member

Average cost per acquisition of a new member	Average cost per acquisition of a new member	$ 2.08	$ 2.50
Revenue per member (2)	Revenue per member (2)	$ 2.32	$ 2.04

Revenue per member (2)

Revenue per member (2)

Revenue per employee (3)

Revenue per employee (3)

Revenue per employee (3)	Revenue per employee (3)	$ 193	$ 178
Mobile application downloads	Mobile application downloads	2,335,000	2,188,000

Mobile application downloads

Mobile application downloads

Social media followers

Social media followers

Social media followers	Social media followers	938,000	897,000
Jack's Flight Club	**Jack's Flight Club**		

Jack's Flight Club

Jack's Flight Club

Total members

Total members

Total members	Total members	1,905,000	1,757,000

Consolidated	**Consolidated**		
Consolidated			
Consolidated			
Total members (1)			
Total members (1)			
Total members (1)	Total members (1)	30,404,000	30,312,000
Average cost per acquisition of a new member	Average cost per acquisition of a new member	$ 2.36	$ 4.05
Average cost per acquisition of a new member			
Average cost per acquisition of a new member			
Revenue per member (2)			
Revenue per member (2)			
Revenue per member (2)	Revenue per member (2)	$ 2.32	$ 2.40
Revenue per employee (3)	Revenue per employee (3)	$ 297	$ 280
Revenue per employee (3)			
Revenue per employee (3)			
Mobile application downloads			
Mobile application downloads			
Mobile application downloads	Mobile application downloads	6,461,000	6,090,000
Social media followers	Social media followers	4,123,000	4,151,000
Social media followers			
Social media followers			

(1) Members represent individuals who are signed up to receive one or more of our email publications that present our travel, entertainment and local deals. Consolidated includes retained APAC members.

(2) Annual revenue divided by number of members at the beginning of the year.

(3) Annual revenue divided by number of employees at the end of the year (in thousands).

Revenues

The following table sets forth the breakdown of revenues (in thousands) by category and segment. Travel revenue includes travel publications (*Top 20, Standalone emails, Website, Travelzoo emails, Travelzoo Network*), *Getaways* vouchers, and hotel platform and vacation packages. package bookings. Local revenue includes *Local Deals* vouchers and entertainment offers (vouchers and direct bookings).

		Year Ended December 31,	
		Year Ended December 31,	
		Year Ended December 31,	
		Year Ended December 31,	
		2022	**2021**
Travelzoo North America	Travelzoo North America		
Travelzoo North America			

Travelzoo North America					
Travel					
Travel					
Travel	Travel	$	44,471	$	38,834
Local	Local		3,196		3,212
Local					
Local					
Total Travelzoo North America revenues					
Total Travelzoo North America revenues					
Total Travelzoo North America revenues	Total Travelzoo North America revenues		47,667		42,046
Travelzoo Europe	Travelzoo Europe				
Travelzoo Europe					
Travelzoo Europe					
Travel					
Travel					
Travel	Travel		18,053		15,178
Local	Local		1,402		2,142
Local					
Local					
Total Travelzoo Europe revenues					
Total Travelzoo Europe revenues					
Total Travelzoo Europe revenues	Total Travelzoo Europe revenues		19,455		17,320
Jack's Flight Club	Jack's Flight Club		3,477		3,346
Jack's Flight Club					
Jack's Flight Club					
New Initiatives					
New Initiatives					
New Initiatives					
Consolidated					
Consolidated					
Consolidated	Consolidated				
Travel	Travel		62,524		54,012
Travel					
Travel					
Local					
Local					
Local	Local		4,598		5,354
Jack's Flight Club	Jack's Flight Club		3,477		3,346
Jack's Flight Club					
Jack's Flight Club					
New Initiatives					
New Initiatives					
New Initiatives					
Total revenues	Total revenues	$	70,599	$	62,712
Total revenues					
Total revenues					

Travelzoo North America

North America revenues increased $5.6 million $8.4 million, or 13% 17.7%, in 2022 2023 as compared to 2021. 2022. This increase was primarily due to $5.6 million a $9.0 million increase in Travel revenues, offset partially by $16,000 a $564,000 decrease in Local revenues. The increase in Travel revenue of $5.6 million $9.0 million was primarily due attributable to $11.4 million a $4.5 million increase in revenues advertising fees from *Top 20* and *Standalone* offset partially by $5.8 million decrease emails, a $2.4 million increase in hotel booking commissions and a $1.4 million increase in *Getaways* revenue due to a decrease in the number of vouchers sold. voucher commissions. The decrease in Local revenues of $16,000 $564,000 was primarily due to the decrease a reduction in the number of *Local Deals* vouchers sold. voucher commissions.

Travelzoo Europe

Europe revenues increased $2.1 million $4.6 million, or 12% 23.5%, in 2022 2023 as compared to 2021. 2022. This increase was primarily due to $5.1 million a $4.1 million increase in Travel revenues, offset partially by $571,000 decrease a $175,000 increase in Local revenues and $2.4 million negative a $343,000 positive impact from foreign currency movements relative to the U.S. dollar. The increase in Travel revenue revenues was primarily due to $5.1 million a $3.2 million increase in revenues from *Top 20* and *Standalone*, offset partially by $3.3 million decrease emails and a $709,000 increase in *Getaways* revenue due to a decrease in number of vouchers sold. Hotel booking commissions. The decrease increase in Local revenues of $571,000 $175,000 was primarily due to the decrease an increase in number of *Local Deals* vouchers sold. voucher commissions.

Jack's Flight Club

Travelzoo acquired 60% of the shares of Jack's Flight Club on January 13, 2020. Jack's Flight Club's premium members pay subscription fees for quarterly, semi-annually semi-annual or annually annual subscriptions to receive emails or app notifications of flight deals. Jack's Flight Club's revenue revenues increased $131,000 $695,000, or 4% 20.0%, in 2022 2023 as compared to 2021 2022, primarily due to the an increase in premium members.

New Initiatives

New Initiatives' revenues increased by $179,000 in 2023 as compared to 2022, due to a $46,000 increase in royalties from licensees operating in the territories of Japan, South Korea, Australia, New Zealand and Singapore, and $133,000 primarily attributable to activities of MTE, which was acquired on December 30, 2022, including a license fee, founding membership subscription fees to Travelzoo META, and various other items.

For 2022 2023 and 2021, 2022, none of our customers accounted for 10% or more of our revenue.

Cost of Revenues

Cost of revenues consists primarily of network expenses, including fees we pay for co-location services and depreciation and maintenance of network equipment, payments made to third-party partners of the *Travelzoo Network*, amortization of capitalized website development costs, software license expenses, credit card merchant processing fees, certain estimated refunds to members and for member purchases of vouchers, customer service costs associated with vouchers we sell and hotel bookings, and salary expenses associated with network operations and customer service staff. employees. Cost of revenues was $10.0 million $10.9 million and $11.4 million $10.0 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Cost of revenues decreased $1.4 million increased $931,000 for the year ended December 31, 2022 December 31, 2023 compared to the year ended December 31, 2021 December 31, 2022 primarily due to a $532,000 increase in expenses from third-party partners of the *$975,000 decrease Travelzoo Network* and a $320,000 increase in credit card fees salary related expenses. Cost of revenues as a result percent of decreased voucher sales and $596,000 decrease revenues declined from 14.2% in network expenses. 2022 to 12.9% in 2023.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of advertising and promotional expenses, salary and headcount related expenses associated with sales, marketing and production employees, expenses related to our participation in industry conferences, public relations expenses and facilities costs. Sales and marketing expenses were $33.1 million $37.8 million and $30.3 million $33.1 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Advertising expenses consist primarily of online advertising, which we refer to as traffic user acquisition cost costs and member acquisition costs. For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, advertising expenses accounted for 21% 26% and 12% 21%, respectively, of total sales and marketing expenses. The goal of our advertising was is to acquire new members, to our email products, increase the traffic to our websites, increase brand awareness and increase our audience through mobile and social media channels. channels, drive traffic to our websites and increase brand awareness.

Sales and marketing expenses increased $2.8 million for the $4.7 million, or 14.2%, in year ended December 31, 2022 2023 as compared to the year ended December 31, 2021 2022, primarily due to $2.4 million a $1.8 million increase in member acquisition costs. costs, a $1.8 million increase in salary and related expenses, and a $1.2 million increase in trade and brand marketing expenses. Sales and marketing expenses as a percent of revenues declined from 46.8% in 2022 to 44.7% in 2023.

Product Development

Product development expenses consist primarily of salary and related expenses associated with software development staff, employees, fees for professional services, software maintenance, amortization and facilities costs. Product development expenses were $2.1 million and $2.6 million for each of the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Product development expenses decreased $526,000 for the year ended December 31, 2022 increased modestly by $49,000, or 2.4%, in 2023 as compared to the year ended December 31, 20212022, primarily due to a decrease in increased salary and headcount related expenses. Product development expenses as a percent of revenues declined from 2.9% in 2022 to 2.4% in 2023.

General and Administrative

General and administrative expenses consist primarily of salary and related expenses associated with administrative and executive employees, bad debt expense, professional service expenses, legal expenses, amortization of intangible assets, general office expense, facilities costs and facilities costs. bad debt expense. General and administrative expenses were $17.9 million $18.1 million and $19.8 million $17.9 million for the years ended 2022 2023 and 2021, 2022, respectively.

General and administrative expenses decreased $1.9 million for the year ended December 31, 2022 increased modestly by $181,000, or 1.1%, in 2023 as compared to the year ended December 31, 2021 2022, primarily due to $1.8 million a $942,000 increase in travel-related expenses, largely offset by a $808,000 decrease in salary and headcount related expenses which mainly related to the $1.9 million decrease of stock-based compensation expense. The annual impairment test indicated that Jack's Flight Club's indefinite lived intangible assets ("Trade name") was impaired for $200,000 in 2022 and the Company recorded this impairment in the General and administrative expenses in 2022.

Other Income, net

Other income, net consisted primarily of foreign exchange transactions gains and losses, our share of investment gains and losses, sublease sublease income, gains from PPP loan forgiveness, German federal government funding for Corona-related pandemic relief, interest income earned on cash, cash equivalents and restricted cash as well as interest expense. Other income was $2.4 million $1.5 million and $4.0 million $2.4 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Other income decreased for the $860,000, or 35.8%, in 2023 as year ended December 31, 2022 compared to the year ended December 31, 2021 2022, was primarily due primarily to $3.6 million gain recorded as the result of PPP loan forgiveness a $1.5 million reduction in 2021 offset partially by the $1.7 million German federal government funding for COVID pandemic relief, and the $196,000 escrow payment for WeGo sale the Company received in 2022. offset partially by $604,000 interest income on note receivable from stockholder.

Income Taxes

Our income is generally taxed in the U.S., Canada and U.K. Our income tax provision reflects federal, state and country statutory rates applicable to our worldwide income, adjusted to take into account expenses that are treated as having no recognizable tax benefit. Income tax expense was $3.3 million $5.1 million and $1.8 million $3.3 million, respectively, for the years ended December 31, 2022 December 31, 2023 and 2021. 2022. Our effective tax rate was 30% and 33% for 2023 and 66% for 2022, and 2021, respectively.

Our effective tax rate decreased for the year ended December 31, 2022 2023 as compared to the year ended December 31, 2021, 2022, primarily due to a decrease in non-deductible stock compensation disallowed excess compensation of officers in 2021. . We expect our effective tax rate to fluctuate in future periods depending on the geographic mix of our worldwide income or losses mainly incurred by our operations, statutory tax rate changes that may occur, existing or new uncertain tax matters that may arise and require changes in tax reserves and the need for valuation allowances on certain tax assets, if any. See "Note 7: Inc 7–*ome Taxes" Income Taxes* to the accompanying consolidated financial statements for further information. included in Part II, Item 8 of this report which is incorporated herein by reference.

Segment Information

Travelzoo North America

		Year Ended December 31,			Year Ended December 31,	
		2022	2021		2023	2022
		(In thousands)			(In thousands)	
Revenues	Revenues	$47,667	$42,046			
Income from operations	Income from operations	$ 9,360	$ 550			
Income from operations as a % of revenues	Income from operations as a % of revenues	20 %	1 %	Income from operations as a % of revenues	27 %	22 %

North America revenues increased by $5.6 million for the $8.4 million, or 17.7%, in year ended December 31, 2022 2023 as compared to the year ended December 31, 2021 2022 (see "Revenues" above). North America cost of sales and operating expenses decreased increased by $3.2 million from 2021 $3.5 million in 2023 as compared to 2022, primarily due to $1.4 million decrease a $1.5 million increase in member acquisition costs, $1.2 million increase in salary and headcount related expenses $820,000 decrease and $943,000 increase in credit card fee as a result of decreased voucher sales, $597,000 decrease in network expenses and $477,000 decrease in legal expenses. member acquisition costs.

Travelzoo Europe

	Year Ended December 31,	
	2022	2021
	(In thousands)	
Revenues	$ 19,455	$ 17,320
Loss from operations	$ (1,803)	$ (1,997)
Loss from operations as a % of revenues	(9)%	(12)%

	Year Ended December 31,			
	2023		2022	
	(In thousands)			
Revenues	$	24,021	$	19,455
Income (loss) from operations	$	1,317	$	(1,803)
Income (loss) from operations as a % of revenues		5 %		(9)%

Europe net revenues increased $2.1 million for the year ended December 31, 2022 $4.6 million, or 23.5%, in 2023 as compared to the year ended December 31, 2021 (see "Revenues" above). 2022. Europe cost of sales and operating expenses increased $1.9 million from 2021 $1.4 million in 2023 as compared to 2022, primarily due to $2.2 million $403,000 increase in travel-related expenses, $242,000 increase in professional service expenses, $233,000 increase in member acquisition costs. costs and $175,000 increase in bad debt expense.

Foreign currency movements relative to the U.S. dollar negatively impacted our local currency income from our operations in Europe by approximately $40,000 and $246,000 in 2023 and $33,000 for 2022, and 2021, respectively.

Jack's Flight Club

	Year Ended December 31,			
	2022		2021	
	(In thousands)			
Revenues	$	3,477	$	3,346
Income from operations	$	—	$	134
Income from operations as a % of revenues		— %		4 %

	Year Ended December 31,			
	2023		2022	
	(In thousands)			
Revenues		4,172	$	3,477
Loss from operations	$	(23)	$	—
Loss from operations as a % of revenues		(1)%		— %

Jack's Flight Club revenues increased by $131,000 for the $695,000, or 20.0%, year ended December 31, 2022 in 2023 as compared to the year ended December 31, 2021 2022 (see "Revenues" above). Jack's Flight Club cost of sales and operating expenses increased by $265,000 for the year ended December 31, 2022 $718,000 in 2023 as compared to the year ended December 31, 2021 2022, primarily due to an increase in advertising and marketing expenses.

New Initiatives

	Year Ended December 31,			
	2023		2022	
	(In thousands)			
Revenues	$	204	$	25
Income from operations	$	(976)	$	(988)

New Initiatives revenues increased $179,000 in 2023 as compared to 2022. New Initiatives cost of sales and operating expenses increased $167,000 in 2023 as compared to 2022, primarily due to increased product advertising and marketing expenses.

Liquidity and Capital Resources

As of December 31, 2022 December 31, 2023, we had $18.7 15.7 million ofin cash and cash equivalents, of which $10.7 million was held outside the U.S. in our foreign operations. We also, and we had $675,000 in restricted cash held in the U.S. as of December 31, 2022. If the assets our cash and cash equivalents held outside the U.S. are were distributed to the U.S., we may be subject to additional U.S. taxes in certain circumstances.

Cash, cash equivalents and restricted cash decreased $25.6 million from $45.0 million by $3.0 million to $16.4 million as of December 31, 2021 December 31, 2023 from $19.4 million as of December 31, 2022, primarily due to $23.1 million $16.8 million of cash used in to repurchase common stock, offset partially by $10.7 million of cash provided by operating activities and $1.3 million cash used in investing activities primarily for purchase $3.0 million payment of intangible assets. promissory notes.

As of December 31, 2022 December 31, 2023, we had merchant payables of $32.6 $20.6 million related to unredeemed vouchers. In the Company's financial statements presented in this 10-K report, following GAAP U.S. generally accepted accounting principles ("GAAP"), we classified all merchant payables as current. When all merchant payables are classified as current, there is negative net working capital (which is defined as current assets minus current liabilities) of $11.9 million. $3.4 million. Payables to merchants are generally due upon redemption of vouchers. The vouchers have maturities from expire between January 2023 2024 through December 2025 with the majority of vouchers expiring in 2023; provided, that 2025; however these expiration dates may sometimes be extended on a case-by-case basis. Management believes that redemptions basis and final payment upon expiration may not be delayed due for international vouchers in the current environment.

up to a year after expiration. Based on current projections of redemption activity, we expect that cash and cash equivalents on hand as of December 31, 2022 December 31, 2023 will be sufficient to provide for working capital needs for at least the next twelve months. However, if redemption activity is more accelerated, if

The following table provides a summary of our business is not profitable, or if our planned targets for cash flows from operations are not met, we may need to obtain additional operating, investing and financing to meet our working capital needs in the future. We believe that we could obtain additional financing if needed, but there can be no assurance that financing will be available on terms that are acceptable to us, if at all. activities:

	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
	(In thousands)		(In thousands)	
Net cash used in operating activities	$(23,121)	$ (8,083)		
Net cash provided by (used in) investing activities	(1,315)	104		
Net cash provided by (used in) operating activities				
Net cash used in investing activities				
Net cash provided by (used in) financing activities	1,282	(11,158)		
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,457)	(259)		
Net decrease in cash, cash equivalents and restricted cash	$(25,611)	$(19,396)		

Net cash provided by operating activities for 2023 was $10.7 million, consisting of net income of $12.5 million and $2.4 million adjustments for non-cash items, offset partially by $4.2 million used in changes in operating assets and liabilities. Adjustments for non-cash items primarily consist of $1.9 million for depreciation and amortization and $1.6 million for stock-based compensation, offset partially by a $1.0 million reversal of reserve for accounts receivable and refunds. Cash used in operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities. liabilities was primarily due to a $12.1 million decrease in merchant payables, offset partially by a $3.8 million decrease in prepaid expenses and other, $2.4 million increase in other liabilities and $1.2 million decrease in prepaid income taxes.

Net cash used in operating activities for 2022 was $23.1 million, which consisted of $30.4 million decrease in cash from changes in operating assets and liabilities, offset partially by net income of $6.6 million and $684,000 increase in non-cash items. The decrease in cash from changes in operating assets and liabilities was primarily due to $35.2 million decrease in merchant payables, offset partially by $1.6 million decrease in prepaid expenses and other, $1.5 million decrease in prepaid income tax and $1.3 million decrease in accounts receivables. Adjustments for non-cash items primarily consisted of $2.2 million for depreciation and amortization, $1.8 million for stock-based compensation and $774,000 for deferred income tax, offset partially by $4.4 million reversal of reserves from accounts receivable and other reserves.

Net cash used Cash refunds received for income tax, net of payment made, in operating activities 2023 was $8.1 million for 2021, which consisted of $11.8 million decrease in cash from changes in operating assets and liabilities, offset partially by $2.8 million non-cash items and net income of $902,000. The decrease in cash from changes in operating assets and liabilities primarily consisted of $9.7 million increase in accounts receivable, $8.1 million increase in prepaid expenses and other, $3.3 million decrease in accounts payable and $2.5 million increase in prepaid income taxes, offset partially by $12.2 million increase in merchant payables. Adjustments for non-cash items primarily consisted of $3.7 million of stock-based compensation and $1.8 million depreciation and amortization, offset partially by $3.6 million gain on PPP notes payable forgiveness.

$1,000. Cash paid for income taxes, tax, net of refunds received, in 2022 and 2021, was $1.1 million.

Net cash used in investing activities for 2023 was $39,000 which consisted of $255,000 for purchases of property and $3.1 million, respectively.

equipment and $216,000 proceeds from repayment of note receivable from a licensee. Net cash used in investing activities for 2022 was $1.3 million, which consisted of $1.0 million for purchases of intangible assets and $462,000 for purchases of property and equipment..

Net cash provided by investing used in financing activities for 2021 2023 was $104,000 $14.2 million, which primarily consisted of $133,000 proceeds from repayment $16.8 million for the repurchase of investment Japan loan.

common stock and $3.0 million payment of promissory notes. Net cash provided by financing activities for 2022 was $1.3 million, which primarily consisted of $1.9 million proceeds from the exercise of stock options and $1.0 million proceeds from the issuance of common stock in a private placement, offset partially by $1.6 million for the repurchase of common stock. Net cash used in financing activities for 2021 was $11.2 million which primarily consisted of taxes paid for net share settlement of $5.6 million and stock repurchases of $5.5 million.

Although we have settled the states unclaimed property claims with all states, we may still receive inquiries from certain potential Netsurfers promotional stockholders that had not provided their state of residence to us by April 25, 2004. Therefore, we are continuing our voluntary program under which we make cash payments to individuals related to the promotional shares for held by individuals whose residence was unknown by us and who establish that they satisfied the conditions to receive shares of

Netsurfers, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period. This voluntary program is not available for individuals whose promotional shares have been escheated to a state by us.

Our capital requirements depend on a number of factors, including market acceptance of our products and services, the amount of our resources we devote to the development of new products, cash payments related to former shareholders of Netsurfers, expansion of our operations, and the amount of resources we devote to promoting awareness of the Travelzoo brand. Since the inception of the voluntary program under which we make cash payments to people who establish that they were are qualifying former shareholders of Netsurfers, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period, we have incurred expenses of $2.9 million. While future payments for this program are expected to decrease, the total cost of this voluntary program is still undeterminable because it is dependent on our stock price and on the number of valid requests ultimately received.

Consistent with our growth, we have experienced fluctuations in our cost of revenues, sales and marketing expenses, product development expenses and our general and administrative expenses, including increases in product development costs, and we anticipate that these increases will continue for the foreseeable future. We believe cash on hand will be sufficient to pay such costs for at least the next twelve months. In addition, we will continue to evaluate possible investments in businesses and products and technologies, the consummation of any of which would increase our capital requirements.

Although we currently believe that we have sufficient capital resources to meet our anticipated working capital and capital expenditure requirements for at least the next twelve months, unanticipated events and opportunities or a less favorable than expected development of our business with one or more of advertising formats may require us to sell additional equity or debt securities or establish new credit facilities to raise capital in order to meet our capital requirements.

If we sell additional equity or convertible debt securities, the such sale could dilute the ownership of our existing stockholders. If we issue debt securities or establish a new credit facility, our fixed obligations could increase and we may be required to agree to operating covenants that would restrict our operations. We cannot be sure that any such financing will be available in amounts or on terms acceptable to us.

If the development of our business is less favorable than expected, we may decide to significantly reduce the size of our operations and marketing expenses in certain markets with the objective of reducing cash outflow. outflows.

The information set forth under “Note 6—*Commitments and Contingencies” Contingencies*” and “Note 14: Leases” 14—*Leases*” to the accompanying consolidated financial statements included in Part II, Item 8 of this report is incorporated herein by reference. Litigation and claims against the Company may result in legal defense costs, settlements or judgments that could have a material impact on our financial condition.

The following summarizes our principal contractual commitments as of December 31, 2022 December 31, 2023 (in thousands):

	Gross Operating Lease Commitments		Sublease Income		Net Operating Lease Commitments		Purchase Obligations		Total Commitments
2023	$	3,028	$	(271)	$	2,757	$	1,747	$	4,504
2024		2,130		—		2,130		103		2,233
2025		1,350		—		1,350		—		1,350
2026		1,350		—		1,350		—		1,350
2027		1,350		—		1,350		—		1,350
Thereafter		2,925		—		2,925		—		2,925
Total	$	12,133	$	(271)	$	11,862	$	1,850	$	13,712

	Operating Lease Commitments Long-term		Operating Lease Commitments Short-term		Total Operating Lease Commitments		Purchase Obligations		Total Commitments
2024	$	2,701	$	381	$	3,082	$	492	$	3,574
2025		1,900		—		1,900		43		1,943
2026		1,396		—		1,396		—		1,396
2027		1,350		—		1,350		—		1,350
2028		1,350		—		1,350		—		1,350
Thereafter		1,575		—		1,575		—		1,575
Total	$	10,272	$	381	$	10,653	$	535	$	11,188

We also have contingencies related to net unrecognized tax benefits, including interest, of approximately $16.9 million $24.7 million as of December 31, 2022 December 31, 2023. See Note 7 7—*Income Taxes* to the accompanying consolidated financial statements included in Part II, Item 8 of this report which is incorporated herein by referencefor further information.

Critical Accounting Policies and Estimates

We believe prepare our consolidated financial statements and accompanying notes in accordance with GAAP. Preparation of the consolidated financial statements and accompanying notes requires management to make estimates and assumptions that there are a number of accounting policies that are critical to understanding our historical and future performance, as these policies affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and amounts of revenue and expenses reported during the more significant areas involving management's period. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and estimates. These liabilities. Actual results may differ significantly from those estimates under different assumptions and conditions and may be material. Refer to Note 1—*Basis of Presentation and Summary of Significant Accounting Policies* of the notes to consolidated financial statements in Part II Item 8 of this Annual Report on Form 10-K for an overview of our significant accounting policies relate.

There are certain critical estimates employed in the preparation of our consolidated financial statements that we believe require management to revenue recognition, reserve for member refunds, allowance for doubtful accounts, income taxes and loss contingencies. These policies, and our procedures related to these policies, are described in detail below.

Revenue Recognition

The Company follows Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (Topic 606).

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in use significant judgment. We consider an amount that reflects the consideration we expect accounting estimate to be entitled critical if:

- It requires us to in exchange for those goods or services.

The Company's revenues are primarily advertising fees generated from the publishing of travel and entertainment deals on the *Travelzoo* website, in the *Top 20* email newsletter, in the *Standalone* email newsletter and through the *Travelzoo Network*. The Company also generates transaction-based revenues from the sale of vouchers through our *Local Deals* and *Getaways* products and operation of a hotel booking platform, limited offerings of vacation packages and subscription revenues from Jack's Flight Club. The Company's disaggregated revenues are included in "Note 12: Segment Reporting and Significant Customer Information".

For fixed-fee website advertising, the Company recognizes revenues ratably over the contracted placement period.

For *Top 20* email newsletter and other email products, the Company recognizes revenues when the emails are delivered to its members.

The Company offers advertising on a cost-per-click basis, which means that make an advertiser pays the Company only when a user clicks on an ad on Travelzoo properties or *Travelzoo Network* members' properties. For these customers, the Company recognizes revenues each time a user clicks on the ad.

The Company also offers advertising on other basis, such as cost-per-impression, which means that an advertiser pays the Company based on the number of times their advertisement is displayed on Travelzoo properties, email advertisement, *Travelzoo Network* properties, or social media properties. For these customers, the Company recognizes revenues each time an ad is displayed or email delivered.

For transaction based revenues, including products such as *Local Deals, Getaways*, hotel platform and vacation packages, the Company evaluates whether it is the principal (i.e., report revenue on a gross basis) versus an agent (i.e., report revenue on a net basis). The Company reports transaction revenue on a net basis assumption because the supplier is primarily responsible for providing the underlying service and we do information was not control the service provided by the supplier prior to its transfer to the customer.

For *Local Deals* and *Getaways* products, the Company earns a fee for acting as an agent for the sale of vouchers that can be redeemed for services with third-party merchants. Revenues are presented net of the amounts due to the third-party merchants for fulfilling the underlying services and an estimated amount for future refunds. Since the second quarter of 2020, the Company expanded its vouchers refund policy in order to entice customers given the economic climate at that time to fully refundable until the voucher expires or is redeemed by the customer. This refund policy has been adjusted starting April 1, 2022, back to fully refundable within fourteen days of purchase unless a surcharge is paid available at the time of the voucher purchase for the right to be fully refundable. Certain merchant contracts allow the Company to retain the proceeds from unredeemed vouchers. With these contracts, the Company estimates the value of vouchers or it included matters that will ultimately not be redeemed and records the estimate as revenues in the same period.

Jack's Flight Club revenue is generated from paid subscriptions by members. Subscription options are quarterly, semi-annually, and annually. We recognize the revenue monthly pro rata over the subscription period.

Commission revenue related to our hotel platform is recognized ratably over the period of guest stay, net of an allowance for cancellations based upon historical patterns. For arrangements for booking non-cancelable reservations where the Company's performance obligation is deemed to be the successful booking of a hotel reservation, the Company records revenue for the commissions upon completion of the hotel booking.

The Company's contracts with customers may include multiple performance obligations in which the Company allocates revenues to each performance obligation based on its standalone selling price. The Company determines standalone selling price based on its overall pricing objectives, taking into consideration the type of services, geographical region of the customers, normal rate card pricing and customary discounts. Standalone selling price is generally determined based on the prices charged to customers when the product is sold separately.

The Company relies upon the following practical expedients and exemptions allowed for in the Topic 606. The Company expenses sales commissions when incurred because the amortization period would be one year or less. These costs are recorded in sales and marketing expenses. In addition, the Company does not disclose the value of unsatisfied performance obligations for (a) contracts with an original expected length of one year or less and (b) contracts for which it recognizes revenues at the amount to which it has the right to invoice for services performed.

Reserve for Member Refunds

The Company records an estimated reserve for refunds to members based on our historical experience were highly uncertain at the time revenue is recorded for *Local Deals* and *Getaways* voucher sales. We consider many key factors such as we were making the historical refunds based upon the time lag since the sale, historical reasons for refunds, time period that remains until the deal expiration date, any changes in refund procedures and estimates of redemptions and breakage. estimate; and/or

For publishing revenue, • Changes in the estimate or different estimates that we recognize revenue upon delivery of the emails and delivery of the clicks, over the period of the placement of the advertising. Insertion orders for publishing revenue are typically for periods between one month and twelve months and are not automatically renewed. For *Getaways* vouchers, we recognize could have selected may have had a percentage of the face value of the vouchers upon the sale of the vouchers. Merchant agreements for *Getaways* advertisers are typically for periods between twelve months and twenty-four months and are not automatically renewed. Since the second quarter of 2020, the Company expanded its vouchers refund policy in order to entice customers given the economic climate at that time to fully refundable until the voucher expires or is redeemed by the customer. This refund policy has been adjusted starting April 1, 2022, back to fully refundable within fourteen days of purchase unless a surcharge is paid at the time of the voucher purchase for the right to be fully refundable. The expiration dates of vouchers range between January 2023 through December 2025 with the majority of vouchers expiring in 2023; provided, that these expiration dates may sometimes be extended material impact on a case-by-case basis. The revenues generated from Local Deals vouchers and entertainment offers are based upon a percentage of the face value of the vouchers, commission on actual sales or a listing fee based on audience reach. For Local Deals vouchers, we recognize a percentage of the face value of vouchers upon the sale of the vouchers. The Company estimated the refund reserve by using historical and current refund rates by product and by merchant location to calculate the estimated future refunds. As of December 31, 2022, the Company had approximately $8.1 million of unredeemed vouchers that had been sold through December 31, 2022 representing the Company's commission earned from the sale. The Company had estimated a refund liability of $1.3 million for these unredeemed vouchers as of December 31, 2022 which is recorded as a reduction of revenues and is reflected as a current liability in Accrued expenses and other on the consolidated balance sheet. The Company has recorded merchant payables of $32.6 million as of December 31, 2022 related to unredeemed vouchers. Insertion orders and merchant agreements for Travelzoo Local are typically for periods between one month and twelve months and are not automatically renewed except for merchant contracts in foreign locations. Should any of these factors change, the estimates made by management will also change, which could impact the level of our future reserve for refunds to member. Specifically, if the financial condition of our advertisers, the business that is providing the vouchered service, were to deteriorate, affecting their ability to provide the services to our members, additional reserves for refunds to members may be required and may adversely affect future revenue as the liability is recorded against revenue.

We record a liability associated with estimated future refunds in accrued expenses on the consolidated balance sheets. Estimated member refunds that are determined to be recoverable from the merchant are recorded in the consolidated statements of operations as a reduction to revenue. Estimated member refunds that are determined not to be recoverable from the merchant are presented as a cost of revenue. If our judgments regarding estimated member refunds are inaccurate, reported or results of operations could differ from operations.

A discussion of information about the amount we previously accrued.

Business Combinations

The purchase price of an acquisition nature and rationale for our critical accounting estimates is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is allocated to goodwill. The Company determines the estimated fair values after review and consideration of relevant information, including discounted cash flows, quoted market prices and estimates made by management. The Company records the net assets and results of operations of an acquired entity from the acquisition date and adjusts the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the acquisition closing date as it obtains more information as to facts and circumstances existing at the acquisition date impacting asset valuations and liabilities assumed. Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

Allowance for Doubtful Accounts

We record a provision for doubtful accounts based on our historical experience of write-offs and a detailed assessment of our accounts receivable and allowance for doubtful accounts. In estimating the provision for doubtful accounts, management considers the age of the accounts receivable, historical write-offs, the creditworthiness of the advertiser, the economic conditions of the advertiser's industry, and general economic conditions, among other factors. Should any of these factors change, the estimates made by management will also change, which could impact the level of the future provision for doubtful accounts. Specifically, if the financial condition of our advertisers were to deteriorate, affecting their ability to make payments, additional provision for doubtful accounts may be required. below:

Income Taxes

We utilize the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are subject recognized for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized for deductible temporary differences, along with net operating loss carryforwards and credit carryforwards, if it is more likely than not that the tax benefits will be realized. To the extent a deferred tax asset cannot be recognized under the preceding criteria, valuation allowances are established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income taxes in the U.S. and numerous foreign jurisdictions. years in which temporary differences are expected to be recovered or settled.

Significant judgment is required in evaluating our the Company's uncertain tax positions and determining our the Company's provision for income taxes. Although we believe We record liabilities to address uncertain tax positions we have taken in previously filed tax returns or that we expect to take in a future tax return. Although the Company believes it has adequately reserved for our its uncertain tax positions, no assurance can be given that the final tax outcome outcomes of these matters will not be different. We adjust these The Company adjusts its reserves in light of changing facts and circumstances, such as the progress or closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome outcomes of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest. In addition to local country tax laws and regulations, our income tax rate depends on the extent that our foreign earnings are taxed by the U.S. through new provisions under the Tax Act such as the new CARES Act, GILTI tax and BEAT or as a result of our indefinite reinvestment assertion. Indefinite reinvestment is determined by management's judgment about and intentions concerning our future operations.

Our effective tax rates have differed from the statutory rate primarily due to the tax impact of foreign operations, state taxes, certain benefits realized related to stock option activities, credits, the extent that our earnings are indefinitely reinvested outside the U.S. and tax asset valuation allowance determinations, including on certain loss carryforwards. For the years ended December 31, 2022 and 2021, our effective tax rates were 33% and 66%, respectively. Our future effective tax rates could be materially impacted by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, changes in the deferred tax assets or liabilities, existing or new uncertain tax matters that may arise and require changes in tax reserves, changes in tax asset valuation allowance determinations, changes in our judgment about whether certain foreign earnings are indefinitely reinvested outside the U.S., or changes in tax laws, regulations, and accounting principles. In addition, we are subject to the continuous examination of our income tax returns by the IRS and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. See Note 7 to the accompanying consolidated financial statements for further information.

Loss Contingencies

We are involved in claims, suits, and proceedings arising from the ordinary course of our business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. Such claim proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and cash flows. Please refer to Note 6 to the accompanying consolidated financial statements for further information regarding our loss contingencies.

Recent Accounting Pronouncements

See "Note 1 — Summary of Significant Accounting Policies" to the accompanying consolidated financial statements included in this report, regarding our significant accounting policies and any impact of certain recent accounting pronouncements on our consolidated financial statements.

Recent Accounting Pronouncements

For a discussion of the recent accounting pronouncements, see Note 1—*Basis of Presentation and Summary of Significant Accounting Policies* of the notes to consolidated financial statements in Part II Item 8 of this Annual Report on Form 10-K.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Not required for smaller reporting companies.

Item 8. ***Financial Statements and Supplementary Data***

TRAVELZOO

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Travelzoo:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Travelzoo and subsidiaries (the Company) as of December 31, 2023, the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit), and cash flows for the year then ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited the adjustments to the 2022 consolidated financial statements to retrospectively apply the change in segment composition, as described in Note 12. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements taken as a whole.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Sufficiency of audit evidence over revenue related to advertising fees

As discussed in Notes 1(b) and 12 to the consolidated financial statements, the Company enters into contracts with advertisers to promote their respective advertisements through the Travelzoo website and emails. Advertising revenue is recognized by the Company upon the delivery of the emails to its members or each time a user clicks on the respective advertisements. For the year ended December 31, 2023, the Company recorded $84.5 million in revenues, which included advertising fee revenues from email newsletters and cost-per-click advertising.

We identified the evaluation of the sufficiency of audit evidence over revenue related to advertising fees for email newsletters and cost-per-click advertising as a critical audit matter. The Company's reliance on its information technology (IT) system to capture the number of emails and clicks for revenue recognition required a heightened level of auditor judgment due to the extensive automation of the process. Our audit procedures required the involvement of IT professionals with specialized skills and knowledge and auditor judgment was required to determine the nature and extent of procedures and to evaluate audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed. We involved IT professionals with specialized skills and knowledge, who assisted in evaluating the design and testing the operating effectiveness of certain internal controls over the Company's revenue process, including general IT controls and IT application controls over the tracking of emails and clicks. For a sample of transactions, we assessed the recorded revenue by comparing the amounts recognized for consistency with underlying documentation, including contract terms, number of emails or clicks, and subsequent cash, if applicable. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of the nature and extent of such evidence.

/s/ KPMG LLP

We have served as the Company's auditor since 2023.

New York, New York
March 22, 2024

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Travelzoo

Opinion on the Financial Statements

We have audited, before the effects of the adjustments to retrospectively apply the changes in the Company's disclosures about segments and related information in Note 12, the accompanying consolidated balance sheets sheet of Travelzoo and its subsidiaries (the Company) as of December 31, 2022 and 2021, , the related consolidated statements of operations, comprehensive income, stockholders' stockholders' equity (deficit) and cash flows for the years year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). The 2022 financial statements before the effects of the adjustments described in Note 12 are not presented herein. In our opinion, before the effects of the adjustments to retrospectively apply the changes in the Company's disclosures about segments and related information in Note 12, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, , and the results of its their operations and its their cash flows for the years year then ended, in conformity with accounting principles generally accepted in the United States of America.
We were not engaged to audit, review, or apply any procedures to retrospectively apply the changes in the Company's disclosures about segments and related information in Note 12 and, accordingly we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the 2022 financial statements have been restated to correct a misstatement.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an Our audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenues

As described in Note 1 of the financial statements, the Company generates its revenues through a significant volume of low-dollar transactions tracked and recorded in a highly automated process within the Company's internally developed systems. During 2022, the Company continued to offer voucher refund policy to its consumers given the ongoing restrictions on worldwide travel with certain vouchers remaining fully refundable until the voucher expires or is redeemed by the consumer. The Company also estimated the reserve for refunds to members by using historical and current refund rates by product and by merchant location to calculate the estimated future refunds. Revenues are presented net of the amounts due to the third-party merchants for fulfilling the underlying services and an estimated amount for future refunds.

We identified the Company's revenue as a critical audit matter as the processes to track and record revenues are highly automated, differ between listings and rely on internally developed systems. These processes and internally developed systems are complex and require an increased audit effort around assessing the reliability of data and the information technology environment, including the use of our internal information technology specialists. Additionally, we also identified the Company's refund reserve as a critical audit matter because of certain significant assumptions management makes in determining the estimate for future refunds, including expected refunds and redemption activity. These significant assumptions are forward looking and could be affected by uncertainty in the travel and entertainment industries, and other economic and market conditions.

Our audit procedures related to the Company's revenue included the following, among others:

- We obtained an understanding of the relevant controls related to the automated portion of the revenue process, including management's review of the data, and tested key information technology and transaction controls for design effectiveness and implementation.
- We utilized our internal information technology specialists to assist in testing the operating effectiveness of the Company's information technology general and application controls.
- We selected a sample of revenue transactions to test agreement between amounts recognized to contractual agreements and other supporting information of completion of the performance obligations.
- We evaluated the reasonableness of management's estimate for voucher refunds by performing the following:
    - Testing the Company's process used to develop the estimate of the future refunds by comparing current year results to prior year estimates;
    - Developing an independent range of projected refund activity based on voucher location and time to maturity for comparison to the Company's estimate; and
    - Evaluating redemption and refund rates occurring subsequent to year end for comparison to the Company's estimate.

Goodwill and Trade Name Impairment

As described in Notes 1 and 3 of the consolidated financial statements, goodwill and trade name are evaluated for impairment annually. The Company estimated the fair values of the Jack's Flight Club reporting unit for goodwill using a combination of valuation techniques, including an income approach (discounted cash flows method) and market approach (guideline company method). The Company estimated the fair value of the trade name using a relief from royalty method. These methods required management to make significant estimates including revenues and operating margins projections, the royalty rate, discount rates, long term growth rates, and market multiples.

We identified the Company's goodwill and trade name impairment evaluation for the Jack's Flight Club reporting unit as a critical audit matter because of the significant assumptions management makes in the estimate, including revenues and operating margins projections, the royalty rate, discount rates, long term growth rates, and market multiples which require an increased level of audit effort.

Our audit procedures related to the goodwill and trade name impairment evaluation for the Jack's Flight Club reporting unit included the following, among others:

- With the assistance of our valuation specialists, we evaluated the reasonableness of the Company's valuation methodology and applicable rates utilized by management by:
    - Testing the reasonableness of the royalty rate by comparing them to comparable companies.
    - Assessing the reasonableness of the royalty rate, discount rates and long-term growth rates selected by management and the Company's appraiser by comparing those to the rates developed with the use of our internal valuation specialist with corroborative market data.
    - Testing the reasonableness of the selected market participants and multiples selected by comparing to market data and consistency of selections with historical selections.
- We evaluated the reasonableness of management's revenue and gross margin projections by comparing management's prior forecasts to historical results for the reporting unit and comparing future forecasts to historical results and market data.

Liquidity

As described in Note 1 to the consolidated financial statements, the global pandemic has had a significant negative effect on the Company and many of its advertisers. As of December 31, 2022, the Company had negative working capital of $11.9 million and cash used in operating activities was $23.1 million for the year ended December 31, 2022. These conditions raise doubt over the Company's ability to meet all of its obligations over the next twelve months. Management has evaluated these conditions and concluded that its plans have alleviated the doubt of the Company's ability to continue as a going concern.

We have identified management's liquidity assessment as a critical audit matter because of certain significant assumptions in management's plans relating to the timing of redemptions or refunds for previous voucher sales and the related settlement of merchant payables, as well as the forecasted revenues and expenses. Auditing management's assumptions, and the timing of these assumptions relating to the Company's voucher and advertising sales, refund rates of vouchers, redemption of merchant payables and cash flow projections involved a high degree of auditor judgment and an increased level of audit effort.

Our audit procedures related to the Company's liquidity assessment included the following, among others:

- We evaluated the reasonableness of management's forecasted revenues and expenses by comparing:
    - management's prior forecasts to historical results,
    - results subsequent to year end to management's forecasts, and
    - future forecasts to historical results and forecasted market data.
- We evaluated the reasonableness of management's forecasted timing of cash flow estimates relating to the timing of refunds and the settlement of the merchant payable, by comparing management's forecasted redemption and refund estimates to historical redemption and refund rates experienced during the year and subsequent to year end.
- We evaluated management's projections in the context of other audit evidence obtained during the audit to determine whether it supported or contradicted the conclusion reached by management.

Stock Purchase Agreement between Travelzoo and Azzurro Capital Inc., a Related-Party

As described in Note 3 of the consolidated financial statements, the Company consummated the Stock Purchase Agreement with Azzurro Capital Inc. ("Azzurro") for the acquisition of Metaverse Travel Experiences, Inc. ("MTE"), a wholly owned subsidiary of Azzurro. Azzurro is a related party by virtue of their significant ownership of Travelzoo common stock prior to the transaction. The Stock Purchase Agreement involved the issuance of 3,410,000 shares of Travelzoo common stock in exchange for $1.0 million of cash, a $4.8 million promissory note receivable and the transfer to the Company of all outstanding capital stock of Metaverse Travel Experiences, Inc. ("MTE").

We have identified the Stock Purchase Agreement between Travelzoo and Azzurro as a critical audit matter as a result of the related party relationship and the significant judgement used by the Company to determine the accounting and reporting implications of this transaction, including the accounting for the assumed net operating losses (NOL's) acquired from MTE and the recognition of a tax indemnification asset for any losses related to the inability to utilize the NOL's after the closing by Travelzoo. Auditing management's accounting for, and disclosure of, this transaction and the related uncertain tax positions involved a high degree of auditor judgment and an increased level of audit effort and was especially challenging due to the significant judgment required to assess management's evaluation of technical merits under the tax laws.

Our audit procedures related to the Company's accounting for the MTE transaction and disclosures included the following, among others:

- We reviewed the executed agreements, including the tax indemnification provisions included in the agreement, for their accounting implications and obtained and reviewed the Company's legal analysis of the tax indemnification provisions performed by the Company's and external legal counsel.
- We obtained support for authorization and approval of the related party transaction through review of shareholder approval in the proxy and the minutes of the special committee of the board of directors.
- With the assistance of our tax specialist, we evaluated the reasonableness of the technical merits of the tax position related to the acquired NOL's from MTE and the related uncertain tax positions.
- We tested the schedule of NOL's acquired from MTE by selecting a sample of years to trace annual losses to historical tax returns filed by MTE.
- We evaluated the reasonableness of management's assessment of this transaction as an asset acquisition and management's allocation of the purchase price of the identified assets acquired.
- We evaluated the reasonableness of the allocation of value to the tax indemnification by comparing to contractual agreements and the legal positions provided by the Company and external legal counsel.
- We assessed the adequacy of the Company's disclosures for this transaction in the notes to the consolidated financial statements, including the classification of the tax indemnification asset.

/s/ RSM US LLP

We have served as the Company's auditor since 2019. from 2019 to 2023.

San Jose, California
March 31, 2023,

except for Note 17 as to which the date is August 14, 2023

TRAVELZOO
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
ASSETS					
ASSETS					

Current assets:	Current assets:		
Current assets:			
Current assets:			
Cash and cash equivalents	Cash and cash equivalents	$18,693	$43,815
Accounts receivable, less allowance for doubtful accounts of $1,468 and $2,094 as of December 31, 2022 and 2021, respectively		13,820	14,871
Cash and cash equivalents			
Cash and cash equivalents			
Accounts receivable, net of allowance of $1,484 and $1,468 as of December 31, 2023 and 2022, respectively			
Prepaid income taxes	Prepaid income taxes	1,778	3,325
Prepaid expenses and other	Prepaid expenses and other	1,289	1,891
Prepaid expenses—Related party		—	1,150
Assets from discontinued operations	Assets from discontinued operations	11	71
Total current assets	Total current assets	35,591	65,123
Deposits and other	Deposits and other	5,094	6,784
Deferred tax assets	Deferred tax assets	3,222	3,949
Restricted cash	Restricted cash	675	1,142
Operating lease right-of-use assets	Operating lease right-of-use assets	7,440	7,700
Property and equipment, net	Property and equipment, net	657	659
Intangible assets, net	Intangible assets, net	3,651	3,426
Goodwill	Goodwill	10,944	10,944
Total assets	Total assets	$67,274	$99,727
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 4,271	$ 3,411

Merchant payables	Merchant payables	32,574	68,678	
Accrued expenses and other	Accrued expenses and other	5,049	10,212	
Deferred revenue	Deferred revenue	2,216	1,733	
Operating lease liabilities	Operating lease liabilities	2,972	3,180	
Income tax payable	Income tax payable	—	185	
Liabilities from discontinued operations	Liabilities from discontinued operations	452	485	
Total current liabilities	Total current liabilities	47,534	87,884	
Long-term tax liabilities				
Long-term operating lease liabilities	Long-term operating lease liabilities	8,326	9,111	
Other long-term liabilities	Other long-term liabilities	2,563	2,364	
Total liabilities	Total liabilities	58,423	99,359	
Commitments and contingencies (Note 6)	Commitments and contingencies (Note 6)			Commitments and contingencies (Note 6)
Non-controlling interest		4,595	4,600	
Stockholders’ equity (deficit):				
Stockholders’ equity:				
Preferred stock, $0.01 par value per share (5,000 shares authorized; none issued)	Preferred stock, $0.01 par value per share (5,000 shares authorized; none issued)	—	—	
Common stock, $0.01 par value (20,000 shares authorized as of December 31, 2022 and 2021, respectively; 16,505 shares issued and 15,704 shares outstanding as of December 31, 2022 and 12,551 shares issued and 12,056 shares outstanding as of December 31, 2021)		165	126	
Treasury stock, at cost (801 shares and 495 shares as of December 31, 2022 and 2021)		(7,130)	(5,488)	
Preferred stock, $0.01 par value per share (5,000 shares authorized; none issued)				
Preferred stock, $0.01 par value per share (5,000 shares authorized; none issued)				

Common stock, $0.01 par value (20,000 shares authorized as of December 31, 2023 and 2022, respectively; 13,575 shares issued and outstanding as of December 31, 2023, 16,505 shares issued and 15,704 shares outstanding as of December 31, 2022)			
Treasury stock, at cost (801 shares as of December 31, 2022)			
Additional paid-in capital	Additional paid-in capital	23,274	4,415
Tax indemnification	Tax indemnification	(9,537)	—
Note receivable from shareholder	Note receivable from shareholder	(4,753)	—
Retained earnings	Retained earnings	7,142	508
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(4,905)	(3,793)
	Total stockholders’ equity (deficit)	4,256	(4,232)
	Total liabilities and stockholders’ equity (deficit)	$67,274	$99,727
Total Travelzoo stockholders’ equity			
Non-controlling interest			
Total stockholders’ equity			
Total liabilities and stockholders’ equity			

See accompanying notes to consolidated financial statements.

TRAVELZOO
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,	
	Year Ended December 31,	**Year Ended December 31,**

		2022	2021	2023	2022
Revenues	Revenues	$70,599	$62,712		
Cost of revenues	Cost of revenues	10,003	11,388		
Gross profit	Gross profit	60,596	51,324		
Operating expenses:	Operating expenses:				
Sales and marketing	Sales and marketing	33,072	30,294		
Sales and marketing					
Sales and marketing					
Product development	Product development	2,064	2,590		
General and administrative	General and administrative	17,903	19,753		
Total operating expenses	Total operating expenses	53,039	52,637		
Operating income (loss)		7,557	(1,313)		
Operating income					
Other income, net	Other income, net	2,401	4,006		
Income from continuing operations before income taxes	Income from continuing operations before income taxes	9,958	2,693		
Income tax expense	Income tax expense	3,270	1,778		
Income from continuing operations	Income from continuing operations	6,688	915		
Loss from discontinued operations, net of tax		(59)	(13)		
Income (loss) from discontinued operations, net of tax					
Net income	Net income	6,629	902		
Net loss attributable to non-controlling interest		(5)	(9)		
Net income (loss) attributable to non-controlling interest					
Net income attributable to Travelzoo	Net income attributable to Travelzoo	$ 6,634	$ 911		
Net income attributable to Travelzoo—continuing operations	Net income attributable to Travelzoo—continuing operations	$ 6,693	$ 924		
Net loss attributable to Travelzoo—discontinued operations		$ (59)	$ (13)		
Net income attributable to Travelzoo—continuing operations					

Net income attributable to Travelzoo—continuing operations					
Net income (loss) attributable to Travelzoo—discontinued operations					
Income (loss) per share—basic					
Income per share—basic					
Income per share—basic					
Income per share—basic					
Continuing operations					
Continuing operations					
Continuing operations	Continuing operations	$	0.54	$	0.08
Discontinued operations	Discontinued operations	$	—	$	—
Net income per share—basic	Net income per share—basic	$	0.54	$	0.08
Income (loss) per share—diluted					
Income per share—diluted					
Income per share—diluted					
Income per share—diluted					
Continuing operations					
Continuing operations					
Continuing operations	Continuing operations	$	0.53	$	0.07
Discontinued operations	Discontinued operations	$	—	$	—
Net income per share —diluted	Net income per share —diluted	$	0.53	$	0.07
Shares used in per share calculation from continuing operations—basic	Shares used in per share calculation from continuing operations—basic		12,372		11,646
Shares used in per share calculation from continuing operations—basic					
Shares used in per share calculation from continuing operations—basic					
Shares used in per share calculation from discontinued operations—basic	Shares used in per share calculation from discontinued operations—basic		12,372		11,646
Shares used in per share calculation from continuing operations—diluted	Shares used in per share calculation from continuing operations—diluted		12,561		12,991

Shares used in per share calculation from discontinued operations—diluted	12,372	11,646

See accompanying notes to consolidated financial statements.

TRAVELZOO
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,	
	2022	2021
Net income	$6,629	$ 902
Other comprehensive income (loss):		
Foreign currency translation adjustment	(1,112)	266
Total comprehensive income	$5,517	$1,168

Year Ended December 31,
2023
2022
Foreign currency translation adjustment
Foreign currency translation adjustment

See accompanying notes to consolidated financial statements.

TRAVELZOO
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Common Stock		Treasury	Additional Paid-In	Tax	Note Receivable from	Retained Earnings (Accumulated	Accumulated Other Comprehensive	Total Stockholders' Equity
	Shares	Amount	Stock	Capital	Indemnification	Shareholder	Deficit)	Loss	(Deficit)
Balances, January 1, 2021	11,365	$ 114	$ —	$ 6,239	$ —	$ —	$ (403)	$ (4,059)	$ 1,891
Stock-based compensation expense	—	—	—	3,748	—	—	—	—	3,748
Repurchase and retirement of common stock	—	—	(5,488)	—	—	—	—	—	(5,488)
Proceeds from exercise of stock options, net of share settlement	1,186	12	—	(5,572)	—	—	—	—	(5,560)
Foreign currency translation adjustment	—	—	—	—	—	—	—	266	266
Net loss—Travelzoo	—	—	—	—	—	—	911	—	911
Balances, December 31, 2021	12,551	126	(5,488)	4,415	—	—	508	(3,793)	(4,232)

Common Stock
Treasury Stock
Additional Paid-In Capital
Tax Indemnification
Not Receiv fror Shareh
Balances, December 31, 2021
Balances, December 31, 2021

Reclassification of non-controlling interest										
Stock-based compensation expense	Stock-based compensation expense	—	—	—	1,805	—	—	—	—	1,805
Repurchase of common stock	Repurchase of common stock	—	—	(1,642)	—	—	—	—	—	(1,642)
Exercise of stock options and taxes paid for net share settlement	Exercise of stock options and taxes paid for net share settlement	544	5	—	1,867	—	—	—	—	1,872
Proceeds from short swing settlement	Proceeds from short swing settlement	—	—	—	46	—	—	—	—	46
Issuance of common stock for cash, notes and other consideration, net	Issuance of common stock for cash, notes and other consideration, net	3,410	34	—	15,141	(9,537)	(4,753)	—	—	885
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	—	—	—	(1,112)	(1,112)
Net income—Travelzoo	Net income—Travelzoo	—	—	—	—	—	—	6,634	—	6,634
Balances, December 31, 2022	Balances, December 31, 2022	16,505	$ 165	$(7,130)	$23,274	$ (9,537)	$ (4,753)	$ 7,142	$ (4,905)	$ 4,256
Stock-based compensation expense										
Repurchase of common stock (1)										
Retirement of treasury stock										
Exercise of stock options and taxes paid for net share settlement										
Proceeds from Note receivable from shareholder										
Foreign currency translation adjustment										

Net income—Travelzoo

Balances, December 31, 2023

(1) Includes a 1% excise tax applicable to share repurchases.

See accompanying notes to consolidated financial statements.

TRAVELZOO
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	Year Ended December 31,	
	2022	2021
	2023	2022
Cash flows from operating activities:		
Net income	$ 6,629	$ 902
Adjustments to reconcile net income to net cash provided by operating activities:		
Net income		
Net income		
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization		
Depreciation and amortization		
Depreciation and amortization	2,189	1,820
Stock-based compensation	1,805	3,748
Deferred income tax	774	813
Impairment of intangible assets and goodwill	200	—
Loss on sale of long-lived assets	47	—
Gain on sale of equity investment in WeGo	(196)	—
Gain on PPP notes payable forgiveness	—	(3,588)
Net foreign currency effect	232	(373)
Provision for (reversal of) loss on accounts receivable and refund reserve	(4,367)	425
Net recoveries of accounts receivable and refund reserves		
Changes in operating assets and liabilities:		

Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	1,317	(9,735)
Prepaid income taxes	Prepaid income taxes	1,452	(2,458)
Prepaid expenses and other	Prepaid expenses and other	1,627	(8,092)
Accounts payable	Accounts payable	902	(3,311)
Merchant payables	Merchant payables	(35,228)	12,179
Accrued expenses and other	Accrued expenses and other	(496)	321
Income tax payable	Income tax payable	(162)	(138)
Other liabilities	Other liabilities	154	(596)
Net cash used in operating activities		(23,121)	(8,083)
Net cash provided by (used in) operating activities			
Cash flows from investing activities:	**Cash flows from investing activities:**		
Purchases of intangible assets			
Purchases of intangible assets			
Purchases of intangible assets	Purchases of intangible assets	(1,049)	—
Proceeds from repayment of note receivable	Proceeds from repayment of note receivable	—	133
Proceeds from sale of equity investment in WeGo	Proceeds from sale of equity investment in WeGo	196	—
Purchases of property and equipment	Purchases of property and equipment	(462)	(29)
Net cash provided by (used in) investing activities		(1,315)	104
Net cash used in investing activities			
Cash flows from financing activities:	**Cash flows from financing activities:**		
Repurchase of common stock	Repurchase of common stock	(1,642)	(5,488)
Payment of promissory notes		—	(110)
Repurchase of common stock			
Repurchase of common stock			

Proceeds from payment of promissory note			
Proceeds from short swing settlement	Proceeds from short swing settlement	46	—
Proceeds from issuance of common stock	Proceeds from issuance of common stock	1,006	—
Proceeds from exercise of stock options, net of taxes paid for net share settlement of equity awards	Proceeds from exercise of stock options, net of taxes paid for net share settlement of equity awards	1,872	(5,560)
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	1,282	(11,158)
Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	(2,457)	(259)
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	(25,611)	(19,396)
Cash, cash equivalents and restricted cash at beginning of year	Cash, cash equivalents and restricted cash at beginning of year	44,989	64,385
Cash, cash equivalents and restricted cash at end of year	Cash, cash equivalents and restricted cash at end of year	$19,378	$44,989

Supplemental disclosure of cash flow information:	Supplemental disclosure of cash flow information:				
Cash paid for income taxes, net		$	1,147	$	3,115
Cash paid for interest		$	—	$	4
Cash paid (refund) for income taxes, net					
Cash paid (refund) for income taxes, net					
Cash paid (refund) for income taxes, net					
Right-of-use assets obtained in exchange for lease obligations—operating leases	Right-of-use assets obtained in exchange for lease obligations—operating leases	$	1,652	$	1,777
Cash paid for amounts included in the measurement of lease liabilities	Cash paid for amounts included in the measurement of lease liabilities	$	3,224	$	4,304
Non-cash investing and financing activities:	Non-cash investing and financing activities:				
Accrued excise tax for share repurchases					
Accrued excise tax for share repurchases					
Accrued excise tax for share repurchases					
Non-cash consideration for purchase of intangible asset	Non-cash consideration for purchase of intangible asset	$	1,150	$	—

Common stock issued for Metaverse Travel Experience, Inc. assets	Common stock issued for Metaverse Travel Experience, Inc. assets	$	63	$	—
Common stock issued for note receivable from shareholder	Common stock issued for note receivable from shareholder	$	4,753	$	—
Common stock issued for tax indemnification	Common stock issued for tax indemnification	$	9,537	$	—

See accompanying notes to consolidated financial statements.

TRAVELZOO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation and Summary of Significant Accounting Policies

(a) The Company and Basis of Presentation

Travelzoo (including its subsidiaries and affiliates, the "Company" or "we" "we"), the club for travel enthusiasts, is a global Internet media company. Travelzoo® provides its 30 million 30 millionmembers with exclusive offers and one-of-a-kind experiences personally reviewed by our deal experts around the globe. We have our finger on the pulse of outstanding travel, entertainment and lifestyle local experiences. We work in partnership with more than 5,000 top travel suppliers—our long-standing relationships give Travelzoo members access to irresistible offers.

Travelzoo attracts a high-quality audience of travel enthusiasts across multiple digital platforms, including email, websites, social media and mobile applications. The *Travelzoo* website is visited by 5.4 million to 6.6 million unique visitors each month. We have over 4.5 million followers on Facebook, Instagram, and Twitter. Our Apple and Android mobile applications have been downloaded 7.4 million times.

Our most important products and services are the *Travelzoo* website (travelzoo.com), the *Travelzoo* iPhone iOS and Android apps, the *Top 20*® email newsletter, *Standalone* email newsletters, the *Travelzoo Network*, and Jack's Jack's Flight Club® Club®. Our *Travelzoo* website and newsletters include *Local Deals* and *Getaways* listings that allow our members to purchase vouchers for offers from local businesses such as spas, hotels and restaurants. *Jack's Jack's Flight Club*is a subscription service that provides members with information about exceptional airfares.

Stock Purchase Agreement between Travelzoo membership has historically been free, however, beginning in 2024, new members in the United States, Canada, United Kingdom and Azzurro Capital Inc. Germany are charged an annual fee of $40 (or local equivalent), with the 2024 annual fee waived for existing members as of December 31, 2023. For any subscription revenue derived from paid memberships, we recognize revenue monthly pro rata over the subscription periods.

We also license *Travelzoo* products, services and intellectual property to licensees in (a) Australia, New Zealand, and Singapore and (b) Japan and South Korea, in each case, where the Company is entitled to quarterly royalty payments based on a percentage of net revenue. The Company recognized $71,000 and $25,000 in royalties in 2023 and 2022, respectively. Under the licensing agreements, Travelzoo's existing members in the applicable territories continue to be owned by the Company.

In connection with March 2022 we announced the development of, and in May 2023 we launched Travelzoo META to extend the Company acquired MTE, a wholly owned subsidiary range of Azzurro Capital Inc. ("Azzurro"), and also completed a private placement of newly issued shares. Ralph Bartel, who founded the Company, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro. Azzurro is the Company's largest shareholder as of the time of this transaction and as of December 31, 2022, Azzurro and Ralph Bartel owned approximately 50.3% the Company's outstanding shares. On December 28, 2022, the stockholders of Travelzoo approved the issuance and sale of 3.4 million shares of common stock (the "Shares") of Travelzoo to Azzurro, in exchange for certain consideration, and on December 30, 2022 (the "Closing Date"), the transaction was consummated. The closing price of Travelzoo's common stock on December 30, 2022 was $4.45 per share, resulting in an aggregate fair value $15.2 million. The Purchase Price was paid as follows: (a) $1.0 million in cash paid on the Closing Date; (b) $4.8 million paid in the form of a promissory note issued on the Closing Date and payable by June 30, 2023 with accrued interest of 12%; and (c) the transfer experiences we offer consumers to the Company of all outstanding capital stock of emerging metaverse. This paid membership service currently provides founding members with a limited edition "Travel Companion" non-fungible token ("NFT") and future access to beta version metaverse travel experiences, as developed. On December 30, 2022, we acquired Metaverse Travel Experiences, Inc., now Metaverse Travel Experiences, LLC ("MTE"), which transfer was effected pursuant to a merger of MTE with a wholly-owned subsidiary of the Company on the Closing Date. The Company recorded the $4.8 million promissory note as Note receivable from shareholder support Travelzoo META in the stockholders' equity section on the consolidated balance sheet as of December 31, 2022. sourcing prospective travel experiences. See Note 3: Accqusitions and Note 13: Related Party Transactions in the accompanying 3–*Acquisitions* to the consolidated financial statements for further information. information regarding the acquisition of MTE.

Jack's Flight Club

In January 2020, Travelzoo acquired a 60% interest in JFC Travel Group Co. ("Jack's Flight Club"), which operates *Jack's Flight Club*, a subscription service that provides members with information about exceptional airfares. As of December 31, 2022 December 31, 2023, Jack's Flight Club had 1.9 2.4 million subscribers. Jack's Flight Club's revenues are generated by subscription fees paid by members. See Note 3 3–*Acquisitions* to the consolidated financial statements for further information.

APAC Exit and Pivot to Licensing Model

In March 2020, Travelzoo exited its loss-making Asia Pacific business and pivoted to a licensing model. The Company's Asia Pacific business was classified as discontinued operations at March 31, 2020. Prior periods have been reclassified to conform with the current presentation.

Travelzoo currently has license agreements in Japan and South Korea, as well as covering Australia, New Zealand and Singapore. Singapore, as well as Japan and South Korea. The license agreement for Australia, New Zealand and Singapore provides the licensee exclusive rights to use Travelzoo products, services and intellectual property in Australia, New Zealand and Singapore in exchange for quarterly royalty payments based upon net revenue over a 5 year term, with an option to renew. The Company recognized royalties of $35,000 and $25,000 from the licensee for the years ended December 31, 2023 and 2022, respectively.

The license agreement for Japan and South Korea provides a license to the licensee exclusive rights to use the Travelzoo products, services, and intellectual property of Travelzoo exclusively in Japan in exchange for quarterly royalty payments based on net revenue over a 5 year term, with an option to renew. The territory subject to the license was amended to also include South Korea. An interest free loan was provided to the licensee to be repaid over 3 years for JPY 46 million 46 million (approximately $430,000), of which $133,000 was repaid in 2021 and the remaining

to be paid off amount repaid in 2023. The Company recorded this loan as short-term prepaid expense and other on the consolidated balance sheet as of December 31, 2022.

The license agreement for Australia, New Zealand and Singapore provides a license to the licensee to use the intellectual property of Travelzoo exclusively in Australia, New Zealand and Singapore for quarterly royalty payments based upon net revenue over a 5 year term, with an option to renew. The Company records royalties for its licensing arrangements on a one-quarter lag basis. The Company recognized royalties of $25,000 $36,000 and $3,000 $0 from the licensee for its licensing arrangements from AUS Buyer for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The Company did not record royalties from Travelzoo Japan for the year ended December 31, 2022. The Company recognized royalties of $9,000 from Travelzoo Japan for the year ended December 31, 2021. We expect the royalty payments to increase over time as the effects of the pandemic subside.

WeGo Investment

The Company previously held a minority share equal to 33.7% in weekengo GmbH ("WeGo"), which the Company sold to trivago N.V. (“trivago”) on December 23, 2020.

Per the Share Purchase Agreement, by and among Travelzoo (Europe) Limited, trivago, and the other shareholders of WeGo (the “trivago SPA”), the Company sold all of its shares in WeGo to trivago for a total purchase price of approximately $2.9 million, of which $196,000 was placed in escrow for one year. The Company recorded $468,000 gain in Other income (loss), net for the sale of WeGo shares in 2020. The Company received the full escrow payment of $196,000 in January 2022 and recorded the gain in Other income (loss), net for the year ended December 31, 2022.

WeGo agreed to pay in a lump sum the remaining amount outstanding pursuant to the Insertion Order equal to approximately $200,000. The payment was made and recorded in the first quarter of 2021. The Second Insertion Order and any obligation for additional payments from WeGo for marketing were terminated.

Global funding Funding for Pandemic

In January 2022, and July 2022 and May 2023, the Company's Company’s German branch of Travelzoo (Europe) Limited, a wholly-owned subsidiary of the Company (“Travelzoo Germany”), received the notification and payment funding of approximately $1.2$1.2 million, $494,000 and $494,000 $205,000 from the German Federal Government under its Bridging Aid III, plan Bridging Aid III+ and Bridging Aid III+, IV programs, respectively. This program was These programs were for companies that suffered a pandemic-related Corona-related decrease in sales of at least 30% in one month compared to the reference month in 2019. Travelzoo Germany applied for the funding in 2021 and 2022, respectively, and was approved by the German government in January 2022, and July of 2022. 2022, and May 2023. The Company has is required to submit a final declaration in connection with this grant the grants received by June 30, 2023 September 30, 2024. The Company believes it was eligible to participate in the plan programs and is entitled to the payment funding received and does not expect significant changes to the amount amounts already received to arise from the final submission. The Company recorded $1.2the$1.7 million and $494,000 $205,000 as gains in Other income, net in the first 2022 and third quarters of 2022. 2023, respectively.

The Company also received $164,000 in job retention related government funding in 2022 and 2021. Job retention -related funding from the Canadian government in relation to its Canada office location in 2022. Such funding was approximately $164,000 recorded as a reduction of salary and $400,000 for 2022 and 2021, respectively. related expenses. The Company did not receive retention related any such funding in 2023. The Company did not receive pandemic-related funding from its non-German European locations in either of 2023 or 2022. Job retention related funding from European locations was approximately $31,000 for 2021. Such funding was recorded against salary

Going Concern

In accordance with the requirements of Accounting Standards Update (“ASU”) 2014-15, “Presentation of Financial Statements Going Concern (ASU 2014-15)”, and related expenses.

Liquidity

Travelzoo funds operations primarily with revenues generated from adverting fees and the sale ASC 205, “Presentation of vouchers. The global pandemic has had a significant negative effect on the Company and many of our advertisers. In the Company’s financial statements presented in this 10-K report, following GAAP accounting principles, we classified all merchant payables as current. When all merchant payables are classified as current, there is negative net working capital (which is defined as current assets minus current liabilities) of $11.9 million as of December 31, 2022. Cash used in operating activities was $23.1 million for the year ended December 31, 2022. In order to entice customers, Travelzoo adjusted its policy in the second quarter of 2020 so that vouchers were fully refundable until expiration or redemption by the customer. This refund policy has been adjusted starting April 1, 2022, back to fully refundable within fourteen days of purchase unless a surcharge is paid at the time of the voucher purchase for the right to be fully refundable. As of December 31, 2022Financial Statements”, the Company has recorded merchant payables of $32.6 million related is responsible to unredeemed vouchers with the majority of vouchers expiring in 2023. Management understands that these evaluate at each reporting period, including interim periods, whether conditions could and/or events raise substantial doubt over the Company's about its ability to meet all its future financial obligations. In its evaluation for this report, management considered the Company’s current financial condition and liquidity sources, including current funds available, forecasted future cash flows and conditional and unconditional obligations due within one year following the date of issuance of this Annual Report on Form 10-K.

The Company believes it has the ability to meet its obligations over for at least one year from the next twelve months, however, management has evaluated these conditions and concluded that management's plans alleviate these concerns. Management's plans include, among others, a focus on managing operating expenses while increasing revenues, as well as obtaining additional financing if required.

Revenue and net income increased for the year ended December 31, 2022 compared to the same period date of last year. The Company is expecting revenue and net income to increase for 2023 based on improving conditions for travel. Cash and cash

equivalents were $18.7 million as of December 31, 2022. Although as mentioned above, all merchant payables are classified as current, the expiration dates of these vouchers range between January 2023 through December 2025 with the majority of the vouchers expiring during 2023; provided, that these expiration dates may sometimes be extended on a case-by-case basis. However, if redemption and refund activities are more accelerated, or if we are not able to increase operating income, we may need to obtain additional financing to meet our working capital needs in the future. Management believes that it could raise funds through the issuance of equity securities or through debt securities if necessary. Management therefore concluded that these actions and plans this Form 10-K. Accordingly, the accompanying consolidated financial statements have alleviated the doubt of the Company's ability to been prepared assuming it will continue as a going concern. However, concern and contemplates the Company cannot predict, with certainty, the outcome realization of its action to generate liquidity, including the availability of additional financing on reasonable terms and conditions, or whether such actions would generate the expected liquidity as planned.

Jack's Flight Club

In January 2020, Travelzoo acquired Jack's Flight Club, which operates *Jack's Flight Club*, a subscription service that provides members with information about exceptional airfares. As of December 31, 2022, Jack's Flight Club had 1.9 million subscribers. Jack's Flight Club's revenues are generated by subscription fees paid by members. In June 2020, the Company renegotiated certain aspects of that certain Stock Purchase Agreement, dated as of January 13, 2020, by and among Travelzoo, Jack's Flight Club assets and the sellers party thereto (the "Sellers") with satisfaction of liabilities in the Sellers and reached a settlement for the outstanding Promissory Notes, dated as normal course of January 13, 2020, by and between Travelzoo and each Seller (the "Promissory Notes"). See Note 3 to the consolidated financial statements for further information.business.

Ownership

Ralph Bartel, who founded Travelzoo, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro. Azzurro is the Company's largest shareholder, and as of December 30, 2022 together with Ralph Bartel, in his individual capacity (together, the "Azzurro Parties") December 31, 2023, holds approximately 50.3% 40.2% of the Company's outstanding shares. Holger Bartel, the Company's Global CEO, is Ralph Bartel's brother and separately holds 3.8% of the Company's outstanding shares as of December 31, 2023.

Financial Statements Basis of Presentation and Consolidation

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States ("U.S."). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. For our consolidated financial statements as of and for the period ended December 31, 2023, we evaluated subsequent events and transactions for potential recognition or disclosure through the date that we filed this Form 10-K with the Securities and Exchange Commission (SEC).

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Significant estimates included in the consolidated financial statements and related notes include revenue recognition, refund liability, income taxes, stock-based compensation, loss contingencies, useful lives of property and equipment, purchase price allocation for the business combination combinations, and related impairment assessment, relating to the projections and assumptions used. used in related impairment assessments. Actual results could differ materially from those estimates.

(b) Revenue Recognition

The Company follows Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (Topic 606).

Under Topic 606, , under which revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The Company's revenues are primarily advertising fees generated from the publishing of travel and entertainment deals on the *Travelzoo* website, in the *Top 20* email newsletter, newsletters, in the *Standalone* email newsletter newsletters and through the *Travelzoo Network*. The Company also generates transaction-based revenues from the sale of vouchers through our (our *Local Deals* and *Getaways* products and offerings), operation of a our hotel booking platform and limited offerings of vacation packages, and as well as subscription revenues from Jack's Flight Club. Club and, beginning in 2024, Travelzoo membership fees. The Company's disaggregated revenues are included in "Note 12: Note 12–*Segment Reporting and Significant Customer Information" Information*.

For fixed-fee website advertising, the Company recognizes revenues ratably over the contracted placement period.

For *Top 20* email newsletter newsletters and other email products, the Company recognizes revenues when the emails are delivered to its members.

The Company offers For cost-per-click advertising, on a cost-per-click basis, which means that whereby an advertiser pays the Company only when a user clicks on an ad (typically served on Travelzoo properties or *Travelzoo Network* members' properties. For these customers, partner properties), the Company recognizes revenues each time a user clicks on the ad.

The Company also offers clients other advertising on other basis, such as cost-per-impression, which means that models whereby an advertiser pays the Company based on the number of times their advertisement is displayed (whether on Travelzoo properties, email advertisement, advertisements, *Travelzoo Network* properties, social platforms or social other media properties. properties). For these customers, instances, the Company recognizes revenues each time an ad is displayed or email delivered. displayed.

For transaction based transaction-based revenues, including from products such as *Local Deals* and *Getaways*, prepaidvoucher sales, hotel platform bookings and vacation packages, package sales, the Company evaluates whether it is the acting as principal (i.e., report (thereby reporting revenue on a gross basis) versus an agent (i.e., report (thereby reporting revenue on a net basis). The Accordingly, the Company reports transaction revenue transaction-based revenues on a net basis, because the supplier is as third-party suppliers are primarily responsible for providing fulfilling the underlying good or service, and we do which the Company does not control the service provided by the supplier prior to its transfer to the customer.

For *Local Deals* and *Getaways* products, prepaid voucher sales, the Company earns a fee for acting as an agent for on the sale, of while vouchers that can subsequently be redeemed for goods or services with third-party merchants. Revenues are, accordingly, presented net of the amounts due to the third-party merchants for fulfilling the underlying goods and services, and an net of estimated amount for future refunds. Since refunds to consumers, as the second quarter of 2020, the Company expanded its vouchers refund policy in order to entice customers given the economic climate at that time to fully refundable until the voucher expires or is redeemed by the customer. This refund policy has been adjusted starting April 1, 2022, back to fully refundable within fourteen days of purchase unless a surcharge is paid at the time terms of the voucher purchase for the right to be fully refundable. vouchers permit. Certain merchant contracts allow the Company to retain the proceeds from unredeemed vouchers. With these contracts, the Company estimates the value of vouchers that will ultimately not be redeemed and records the estimate as revenues in the same period.

Commission revenues generated from bookings on our hotel platform are recognized ratably over the periods of guest stays, net of an allowance for estimated cancellations, based upon historical patterns. For bookings of non-cancelable reservations, where the Company's performance obligation is deemed to be completed upon the successful booking, the Company records commission revenue at such time.

Jack's Flight Club revenue is generated generates revenues from subscription fees paid subscriptions by members. Subscription options are quarterly, semi-annually and annually. We recognize the revenue monthly pro rata subscription revenues ratably over the subscription period. periods.

Commission revenue related to our hotel platform is recognized ratably over

In certain instances, the period of guest stay, net of an allowance for cancellations based upon historical patterns. For arrangements for booking non-cancelable reservations where the Company's performance obligation is deemed to be the successful booking of a hotel reservation, the Company records revenue for the commissions upon completion of the hotel booking.

The Company's contracts with customers may include multiple performance obligations, in which whereby the Company allocates revenues to each performance obligation based on its standalone selling price. The Company determines standalone selling price prices based on its overall pricing objectives, taking into consideration the type of goods or services, geographical region of the customers, normal rate card pricing and customary discounts. Standalone selling price is prices are generally determined based on the prices charged to customers when the product good or service is sold separately.

The Company relies upon the following certain practical expedients and exemptions allowed provided for in the Topic 606. The Company expenses sales commissions when incurred, because as the amortization period would be one year or less. These costs less, which are recorded in sales and marketing expenses. In addition, the Company does not disclose the value of unsatisfied performance obligations for (a) contracts with an original expected length of one year or less, and (b) contracts for which it recognizes revenues at the amount to which it has the right to invoice for services performed.

Deferred revenue primarily consists of customer prepayments and undelivered Company performance obligations related to the Company's contracts with comprising multiple performance obligations. At December 31, 2021 December 31, 2023, $1.3 deferred revenue was $2.0 million, of which $1.5 million was recorded as deferred revenue for Jack's Flight Club, and $569,000 was fully recognized as revenue during 2022, $473,000 was recorded as deferred revenue for Travelzoo North America and Travelzoo Europe, of which $463,000 was recognized as revenue during 2022. Europe. At December 31, 2022, the deferred revenue balance was $2.2 million, of which $1.2 million was for Jack's Flight Club, and the remaining $981,000 was for Travelzoo North America and Travelzoo Europe.

(c) Reserve for Refunds to Members Members; Merchant Payables

The Company estimates and records an estimated a reserve for future refunds to members based on our historical experience at the time revenue is recorded for member purchases of *Local Deals* and *Getaways* voucher sales. vouchers, at the time revenue is recorded. We consider many key various factors such as the historical refunds based upon the time lag since the refund timeframes from dates of sale, historical reasons for refunds, time period that remains periods remaining until the deal expiration, date, any changes in refund procedures and estimates of redemptions and breakage.

For publishing revenue, we recognize revenue upon delivery of the emails and delivery of the clicks, over the period of the placement of the advertising. Insertion orders for publishing revenue are typically for periods between one month and twelve months and are not automatically renewed. For *Getaways* vouchers, we recognize a percentage of the face value of the vouchers upon the sale of the vouchers. Merchant agreements for *Getaways* advertisers are typically for periods between twelve months and twenty-four months and are not automatically renewed. In the second quarter of 2020, the Company expanded its vouchers refund policy to fully refundable until the voucher expires or is redeemed by the customer. This refund policy has been adjusted starting April 1, 2022, back to fully refundable within fourteen days of purchase unless a surcharge is paid at the time of the voucher purchase for the right to be fully refundable. The expiration dates of vouchers range between January 2023 through December 2025 with the majority of vouchers expiring during 2023; provided, that these expiration dates may sometimes be extended on a case-by-case basis. The revenues generated from *Local Deals* vouchers and entertainment offers are based upon a percentage of the face value of the vouchers, commission on actual sales or a listing fee based on audience reach. For Local Deals vouchers, we recognize a percentage of the face value of vouchers upon the sale of the vouchers. The Company estimated the refund reserve by using historical and current refund rates by product and by merchant location to calculate the estimated future refunds. As of December 31, 2022, the Company had approximately $8.1 million of unredeemed vouchers that had been sold through December 31, 2022 representing the Company's commission earned from the sale. The Company had estimated a refund liability of $1.3 million for these unredeemed vouchers as of December 31, 2022 which is recorded as a reduction of revenues and is reflected as a current liability in Accrued expenses and other on the consolidated balance sheet. As of December 31, 2021, the Company had approximately $17.2 million of unredeemed vouchers that had been sold through 2021 representing the Company's commission earned from the sale and estimated a refund liability of $5.2 million for these unredeemed vouchers as of December 31, 2021, which was recorded as a reduction of revenues and was reflected as a current liability in accrued expenses and other on the consolidated balance sheet. The Company has recorded merchant payables of $32.6 million as of December 31, 2022 related to unredeemed vouchers. Insertion orders and merchant agreements for *Local Deals* are typically for periods between one month and twelve months and are not automatically renewed except for merchant contracts in foreign locations. Should any of these factors change, the estimates made by management will also change, which could impact the level of our future reserve for refunds to member. members. Specifically, if the financial condition of our advertisers, the business that is providing the vouchered service, merchant partners, on behalf of whom vouchers are sold, were to deteriorate, affecting their ability to provide the goods or services to our members, additional reserves for refunds to members may be required and may adversely affect future revenue revenues as the liability is recorded against revenue.

We record a liability associated with estimated future refunds in accrued expenses onIn the consolidated balance sheets. Estimated member refunds that are determined second quarter of 2020, due to the pandemic and various stay-at-home protocols, the Company modified its voucher refund policy, providing for new voucher sales to be recoverable fully refundable until the earlier of voucher redemptions or their expiration dates. This refund policy was reverted in April 2022 to a 14-day refund period from date of purchase, with a newly introduced option to extend refund eligibility until voucher redemption or expiration, for a surcharge. As of December 31, 2023, the expiration dates of unexpired vouchers ranged from January 2024 through December 2025; provided, that expiration dates may sometimes be extended on a case-by-case basis and final payments to merchants upon expiration may not be due for up to a year later.

As of December 31, 2023, the merchant are Company had approximately $5.2 million of unredeemed vouchers that had been sold, representing the Company's commission earned. The Company estimated and recorded in a refund reserve of $268,000 for these unredeemed vouchers as of December 31, 2023, which is recorded as a reduction of revenues on the consolidated statements of operations and accrued expenses and other on the consolidated balance sheet. As of December 31, 2022, the Company had approximately $8.1 million of unredeemed vouchers that had been sold, representing the Company's commission earned, and estimated and recorded a refund reserve of $1.3 million for these unredeemed vouchers as of December 31, 2022, as a reduction to revenue. Estimated member refunds that are determined not to be recoverable from of revenues on the merchant are presented as a cost consolidated statements of revenue. operations and accrued expenses and other on the consolidated balance sheet.

If our judgments regarding estimated member refunds are inaccurate, reported results of operations could differ from the amount we amounts previously accrued.Merchant payables of $20.6 million as of December 31, 2023 is recorded on the consolidated balance sheet, representing amounts payable to merchants by the Company for vouchers sold but not redeemed.

(d) Business Combinations

The purchase price of an acquisition is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is allocated to goodwill. The Company determines the estimated fair values after review and consideration of relevant information, including discounted cash flows, quoted market prices and estimates made by management. The Company records the net assets and results of operations of an acquired entity from the acquisition date and adjusts the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the acquisition closing date, as it obtains more information as to facts and circumstances existing at the acquisition date impacting asset valuations and liabilities assumed. Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

(d)(e) Identifiable intangible assets

Upon acquisition, identifiable intangible assets are recorded at fair value and are carried at cost less accumulated amortization. Identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The carrying values of all intangible assets are reviewed for impairment annually, and whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

(d)(f) Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets. Goodwill is evaluated for impairment annually, and whenever events or changes in circumstances indicate the its carrying value of goodwill may not be recoverable. The Company performs an impairment test by comparing the book value of the reporting unit to the fair value of the reporting units unit utilizing a combination of valuation techniques, including an income approach (discounted cash flows) and market approach (guideline company method). The Company performed its annual impairment test testing as of October 31, 2022 October 31, 2023 and 2021 2022 and no impairment charge was charges were identified in connection with the annual impairment tests.

(d)(g) Allowance for Doubtful Accounts Expected Losses

The Company records a provision for doubtful accounts credit losses based on its historical experience of write-offs with uncollectible amounts due and a detailed assessment of our accounts receivable and allowance for doubtful accounts. expected credit losses. In estimating the provision for doubtful accounts, credit losses, management considers the age of the accounts receivable, historical provisioning and write-offs, the creditworthiness of the advertiser, debtor, the economic conditions of the advertiser's debtor's industry and general economic conditions, among other factors. Should any of these factors change, the estimates made by management will may also change, which could impact the level of the future provision provisioning for doubtful accounts. credit losses. Specifically, if the financial condition of our advertisers clients were to deteriorate, affecting their ability to make payments, additional provision provisioning for doubtful accounts credit losses may be required.

(e)(h) Advertising Costs

Advertising costs are expensed as incurred. Online advertising is expensed as incurred over the period the advertising is displayed. Advertising costs for Travelzoo North America and Travelzoo Europe amounted to amounte $8.1 million d to $6.4 million and $3.7 million$6.4 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Advertising and marketing costs for Jack's Flight Club was were $1.5 million and $545,000 and $221,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Advertising costs for New Initiatives were $238,000 and $0 for the years ended December 31, 2023 and 2022, respectively.

(f) (i) Operating Leases

The Company determines if an arrangement contains a lease at inception. Operating lease right-of-use (“ROU”) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments due over the lease term, at commencement date. The lease payments used to determine the operating lease assets may include lease incentives and stated rent increases. The Company does not include options to extend or terminate until it is reasonably certain that the an option will be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities, as the Company's leases generally do not provide an implicit rate. The Company elected not to recognize leases with an initial term of 12 months or less on its consolidated balance sheets.

The Company's leases are reflected in operating lease ROU assets, operating lease liabilities and long-term operating lease liabilities in on our accompanying consolidated balance sheet as of December 31, 2022 December 31, 2023. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company also has a lease agreement for real estate lease agreement which is subleased it subleases to a third party. The Company recognizes sublease income in Other income (expense), net on a straight-line basis over the lease sublease term in its consolidated statements of operations.

(g) (j) Stock-Based Compensation

The Company accounts for its employee stock options option grants under the fair value method, which requires stock-based compensation to be estimated using the fair value on the date of grant, using employing an option-pricing option pricing model. The value of the portion of the award that is expected to vest is recognized as expense over the related employees' requisite service periods in the Company's consolidated statements of operations. See Note 10 to the consolidated financial statements for a further discussion on of stock-based compensation.

(h)

(k) Foreign Currency

All foreign subsidiaries use the local currency of their respective countries as their functional currency. Assets and liabilities are translated into U.S. dollars at exchange rates prevailing at the balance sheet dates. Revenues, costs and expenses are translated into U.S. dollars at average exchange rates for the period. Gains and losses resulting from translation are recorded as a component of accumulated other comprehensive income (loss). Realized gains and losses from foreign currency transactions are recognized as gain or loss on foreign currency in the consolidated statements of operations. Total foreign currency transaction net gain gains of $72,000 65,000 and $31,000 72,000 for 2022 2023 and 2021, 2022, respectively, are included in Other income (loss), net in the Company's consolidated statements of operations.

(i) (l) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized for deductible temporary differences, along with net operating loss carryforwards and credit carryforwards, if it is more likely than not that the tax benefits will be realized. To the extent a deferred tax asset cannot be recognized under the preceding criteria, valuation allowances must be are established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Significant judgment is required in evaluating the Company's uncertain tax positions and determining the Company's provision for income taxes. Although the Company believes it has adequately reserved for its uncertain tax positions, no assurance can be given that the final tax outcome outcomes of these matters will not be different. The Company adjusts these its reserves in light of changing facts and circumstances, such as the progress or closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest.

(j) (m) Comprehensive Income

Comprehensive income consists of two components, net income and other comprehensive income (loss). Other comprehensive income (loss) refers to certain changes in equity that are excluded from net income. For the Company, other comprehensive income (loss) includes foreign currency translation adjustments. Total comprehensive income (loss) for all periods presented has been disclosed in the consolidated statements of comprehensive income.

(k) (n) Certain Risks and Uncertainties

The Company's business is subject to risks associated with its ability to attract and retain advertisers and offer products goods or services on compelling terms to our members. The outbreak of the coronavirus (COVID-19) in 2020 had an unprecedented impact on the global travel and hospitality industries. Governmental authorities implemented numerous measures to try to contain the virus, including restrictions on travel, quarantines, shelter-in-place orders, business restrictions and complete shut-downs. As the Company and many of our advertisers are part of the global travel and hospitality industries, the measures implemented to contain COVID-19 had a significant negative effect on our business, financial condition, results of operations and cash flows. Many During the pandemic, many of the Company's Company's advertising partners paused, canceled and/or stopped advertising. Additionally, there were significant levels of cancellations by members and partners for the Company's hotel partners and travel package partners packages, and voucher refund requests for our vouchers. requests. Now that COVID-19 and its lingering effects have mostly largely subsided, we are seeing many of our advertisers and partners return are returning to advertising advertise with us and we have altered our certain policies again to align with the changing environment (including reverting to a 14-day return window for vouchers voucher purchases and implementing a surcharge for vouchers to be fully refundable), although with the emergence of new variants, this trend could stop or even reverse, which could result in a material adverse impact on our business and financial performance. It is difficult to estimate the impact of the global coronavirus, future variants or other events giving rise to a pandemic on the Company's future revenues, results of operations, cash flows, liquidity or financial condition.

The Company's cash, cash equivalents and accounts receivable are potentially subject to concentration of credit risk. Cash and cash equivalents are placed with financial institutions that the management believes are of high credit quality. The accounts receivables Accounts receivable are derived from revenue revenues earned from customers located in the U.S. and internationally. As of December 31, 2022 2023 and 2021 2022, the Company did not have any customers that accounted for 10% or more of its accounts receivable.

As of December 31, 2022December 31, 2023, the Company had merchant payables of $32.6 $20.6 million related to the sale of vouchers. In the Company's financial statements presented in this 10-K report, following GAAP accounting principles, we classified all merchant payables as current. When all merchant payables are classified as current, there is As such, the consolidated balance sheet reflects negative net working capital (which is defined (defined as current assets minus current liabilities) of $11.9 million. $3.4 million at December 31, 2023. Payables to merchants are generally due upon the redemption of vouchers. The vouchers by members who purchased them from the Company. As of December 31, 2023, unredeemed vouchers have maturities ranging from January 2023 2024 through December 2025 with the majority of vouchers expiring in 2023; provided, that these 2025; however, expiration dates may sometimes be extended on a case-by-case basis. Management believes that redemptions basis and final payment to merchants upon expiration may not be delayed due for international vouchers in the current environment. up to a year after. Based on current projections of future redemption activity, management expect expects that cash on hand as of December 31, 2022 2023 will be sufficient to provide for working capital needs for at least the next twelve months. However, if redemption activity is more accelerated, if the Company's business is not profitable, or if the Company's planned targets for cash flows from operations are not met, the Company may need to obtain additional financing to meet its working capital needs in the future. The Company believes that it could obtain additional financing if needed, but there can be no assurance that financing will be available on terms that are acceptable to the Company, if at all.

(l)

(o) Cash, Cash Equivalents and Restricted Cash

Cash equivalents consist of highly liquid investments with maturities of three months or less on from the date of purchase. Restricted cash includes cash and cash equivalents that is restricted through legal contracts, regulations or our intention to use the cash for a specific purpose. Our restricted cash primarily relates to refundable security deposits for real estate leases and funds held in escrow.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets to the total amounts shown in the statements of cash flows (in thousands):

		December 31,	December 31,	December 31,	December 31,
		2022	2021		
	2023			2023	2022
Cash and cash equivalents	Cash and cash equivalents	$ 18,693	$ 43,815		
Restricted cash	Restricted cash	675	1,142		
Cash, cash equivalents and restricted cash– discontinued operations	Cash, cash equivalents and restricted cash– discontinued operations	10	32		
Total cash, cash equivalents and restricted cash in the consolidated statements of cash flows	Total cash, cash equivalents and restricted cash in the consolidated statements of cash flows	$ 19,378	$ 44,989		

(m) (p) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. The Company also includes in fixed assets the capitalized cost of internal-use software and website development, including software used to upgrade and enhance its website and processes supporting the Company's business, in accordance with the framework established and guidance provided by the FASB accounting guidance for relating to accounting for the cost of computer software developed or obtained for internal use, and accounting for website development costs. Costs incurred in the planning stage and operating stage are expensed as incurred, while costs incurred in the application development stage and infrastructure development stage are capitalized, assuming such costs are deemed to be recoverable.

Depreciation is provided determined using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 3 to 5 years for computer hardware and software, capitalized internal-use software and website development costs, and office equipment and office furniture. The Company depreciates leasehold improvements over the term of the lease or the estimated useful life of the asset, whichever is shorter.

(n) (q) Impairment of Property and Equipment

The Company accounts for long-lived assets in accordance with the accounting standard relating to impairment of long-lived assets, which requires an impairment loss to be recognized on assets to be held and used if the carrying amount of a long-lived asset group is not recoverable from its undiscounted cash flows. The amount of the impairment loss is measured as the difference between the carrying amount and the fair value of the asset group. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company evaluates long-lived assets for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. No impairment loss was recognized during the year ended December 31, 2022. December 31, 2023 and 2022.

(o) Recent (r) Recently Adopted Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which provides new guidance on the measurement of credit losses for financial assets measured at amortized cost, which includes accounts receivable. The new guidance replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. This update is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For Smaller Reporting Companies (as such term is defined by the SEC), such as Travelzoo, the standard will be is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Entities are required to apply this update on a modified retrospective basis with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company adopted the ASU prospectively on January 1, 2023. This ASU has not and is currently evaluating the impact on its financial position and results of operations.

In June 2022, the FASB issued an Accounting Standard Update not expected to clarify the fair value measurement of an equity security that is subject to a contractual sale restriction and requires specific disclosures related to such an equity security. The new guidance is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company does not expect it will have a material impact if any, on our consolidated financial statements.

(s) Recent Accounting Pronouncements Not Yet Adopted

In October 2021, November 2023, the FASB Financial Standards Accounting Board (FASB) issued new guidance requires contract assets Accounting Standards Update (ASU) 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which expands annual and contract liabilities (i.e., deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, *Revenue from Contracts with Customers*. The new guidance interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective on a prospective basis for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2022 December 15, 2024, with early adoption permitted. The Company does not expect it We are currently evaluating the potential effect that the updated standard will have a material impact, if any, on our consolidated financial statements. statement disclosures.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures", to expand the disclosure requirements for income taxes, primarily requiring more detailed disclosure for income taxes paid and the effective tax rate reconciliation. ASU 2023-09 is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted and can be applied on either a prospective or retroactive basis. We are currently evaluating the ASU to determine its impact on our income tax disclosures.

Note 2: Net Income (Loss) Per Share

Basic net income (loss) per share is computed using the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed by adjusting the weighted-average number of common shares outstanding for the effect of dilutive potential common shares outstanding during the period. Potential common shares included in the diluted calculation consist of incremental shares issuable upon the exercise of outstanding stock options calculated using the treasury stock method.

The following table sets forth the calculation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

		Year Ended December 31,		Year Ended December 31,	
		2022	2021	2023	2022
Numerator:	Numerator:				
Net income attributable to Travelzoo—continuing operations	Net income attributable to Travelzoo—continuing operations	$6,693	$ 924		
Net loss attributable to Travelzoo—discontinued operations		(59)	(13)		
Net income attributable to Travelzoo—continuing operations					
Net income attributable to Travelzoo—continuing operations					

Net income (loss) attributable to Travelzoo — discontinued operations			
Denominator:	Denominator:		
Weighted average common shares—basic			
Weighted average common shares—basic			
Weighted average common shares—basic	Weighted average common shares—basic	12,372	11,646
Effect of dilutive securities: stock options	Effect of dilutive securities: stock options	189	1,345
Weighted average common shares—diluted	Weighted average common shares—diluted	12,561	12,991
Income (loss) per share—basic	Income (loss) per share—basic		
Income (loss) per share—basic			
Income (loss) per share—basic			
Continuing operations			
Continuing operations			
Continuing operations	Continuing operations	$ 0.54	$ 0.08
Discontinued operations	Discontinued operations	—	—
Net income (loss) per share —basic	Net income (loss) per share —basic	$ 0.54	$ 0.08
Income (loss) per share—diluted	Income (loss) per share—diluted		
Income (loss) per share—diluted			
Income (loss) per share—diluted			
Continuing operations			
Continuing operations			
Continuing operations	Continuing operations	$ 0.53	$ 0.07
Discontinued operations	Discontinued operations	—	—
Net income (loss) per share —diluted	Net income (loss) per share —diluted	$ 0.53	$ 0.07

For the year years ended December 31, 2022, December 31, 2023 and 2022, options to purchase 750,000 shares of common stock were not included in the computation of diluted net income per share because the effect would have been anti-dilutive. For the year ended December 31, 2021, options to purchase 50,000 shares of common stock were not included in the computation of diluted net income per share because of the net loss.

Note 3: Acquisitions

Stock Purchase Agreement between Travelzoo and Azzurro Capital Inc., a Related-Party

In connection with the development acquisition of Travelzoo META, the Company acquired MTE, formerly a wholly owned wholly-owned subsidiary of Azzurro, Capital Inc. ("Azzurro"), and also the Company completed a private placement of newly issued shares. shares with Azzurro. Ralph Bartel, who founded the Company, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro. Azzurro was the Company's largest shareholder as of at the time of this transaction, the MTE acquisition and, as of December 31, 2022, Azzurro and Ralph Bartel, in his individual capacity, owned as of December 31, 2022 approximately 50.3% the Company's outstanding shares. On December 28, 2022, the stockholders of Travelzoo approved the issuance and sale of 3.4 million shares of common stock (the "Shares") of Travelzoo to Azzurro, in exchange for certain consideration, and on December 30, 2022 (the "Closing Date"), the transaction was consummated. The closing price of Travelzoo's common stock on December 30, 2022 was $4.45 per share, resulting in an aggregate fair value of the Shares of $15.2 million. The Purchase Price was paid as follows: consideration for the Shares consisted of the following: (a) $1.0 million in cash paid on the Closing Date; (b) $4.8 million paid in the form of a promissory note, carrying a 12% interest rate per annum, issued on the Closing Date and payable by June 30, 2023 with accrued interest of 12%; and (c) the transfer to the Company of all outstanding capital stock of Metaverse Travel Experiences, Inc. ("MTE"), MTE, which transfer was effected pursuant to a merger of MTE with a wholly-owned subsidiary of the Company on the Closing Date. The Company recorded the $4.8 million promissory note as Note receivable from shareholder in the stockholders' equity section on the consolidated balance sheet as of December 31, 2022. In October 2023, the Company and Azzurro agreed to a payment plan for payment of the promissory note in five installments, ending in February 2024, with interest on the outstanding principal accruing at 16% per annum beginning on July 1, 2023. During the year ended December 31, 2023, Azzurro paid $3.0 million of principal and $604,000 of interest. The remaining principal amount of $1.8 million promissory note is collateralized by the Shares and is expected to be paid in 2024.

Travelzoo acquired the entire business of MTE. The acquisition was accounted for as an asset acquisition in accordance with ASC Topic 805 – *Business Combinations.* The fair value of the consideration paid by Travelzoo and allocation of that amount to the underlying assets, on a relative fair value basis, was recorded by the Company as of the Closing Date. Additionally, costs directly related to the MTE acquisition of $184,000 were capitalized as a component of the Purchase Price.

As a result of the MTE acquisition, the Company also assumed MTE's historical net operating loss carryforwards of approximately $64.7 million. While these net operating losses (NOLs) may be used to offset future taxable income, given certain accounting considerations for the transaction, the Company determined it is appropriate to record an uncertain tax benefit liability in accordance with ASC Topic 740—*Income Taxes*. Subject to the provisions of the SPA, Azzurro agreed to indemnify Travelzoo for tax related liabilities in the event of the

inability of the Company to utilize any NOLs of MTE as a result of any breach of or inaccuracy in any representation or warranty made by Azzurro, which included the representation that NOLs will be available for use by the Company after the closing for federal and analogous state income tax purposes, including pursuant to section 381(a) of the U.S. tax code, and that, as of the date of the SPA, no NOLs of MTE are subject to any limitation, restriction or impairment on its use. Based on the terms of the agreement, the Company believes that with the uncertain tax position recognized related to the acquired NOLs, that the Company has the right to claim losses against Azzurro if NOLs are not able to be utilized. Therefore, the Company recorded an indemnification asset of $9.5 million for the relative fair value of this indemnification. Any losses indemnified by Azzurro related to the inability to utilize MTE's net operating loss carry forwards carryforwards shall be satisfied by Azzurro returning to the Company the number of shares of common stock of Travelzoo corresponding to the value of the loss. Accordingly, the Company has classified this tax indemnification asset as contra-equity in the accompanying consolidated financial statements.

The following table represents the allocation of the total cost of the MTE acquisition to the assets acquired (in thousands):

		Fair Value
Consideration for MTE assets		
Fair value of Travelzoo common stock issued	$	15,175
Direct transaction costs		184
Less:		
Cash received from Azzurro Capital Inc.		(1,000)
Notes receivable from Azzurro Capital Inc.		(4,753)
Total consideration for MTE assets	$	9,606
Relative fair value of the assets acquired		
Cash and cash equivalents	$	6
Prepaid expenses and other		45
Property and equipment		18
Tax indemnification asset		9,537
Total assets acquired	$	9,606

Travelzoo (Europe) Limited, Sucursal en España, Acquired Secret Escapes Limited's Spanish Business Unit

On March 3, 2022, Travelzoo (Europe) Ltd, Sucursal en España, the Spanish branch of Travelzoo (Europe) Limited, a wholly-owned subsidiary of the Company ("Travelzoo Spain"), entered into a Business Unit Purchase Agreement ("BUPA") with Secret Escapes Limited ("Secret Escapes") for the purchase of its Spanish business unit, which included, among other things, a database of approximately 940,000 members. The purchase price was 400,000 Euros, with an earn-out opportunity of an additional 100,000 Euros payable by the Company upon the achievement of certain metrics by the business unit in six months (September 2022). The metrics were not achieved and thus no payments were made on the earn-out. Travelzoo was granted the right to use the Secret Escapes name exclusively in Spain for a continuity period of six (6) months. The BUPA contained typical representations and warranties and indemnification protections, as well as a restrictive covenant, whereby Secret Escapes agreed to leave the Spanish market for at least three (3) years, subject to a right to purchase a waiver.

Asset Purchase Agreement between Metaverse Travel Experiences, Inc. f/k/a Azzurro Brands Inc. and Travelzoo

On March 17, 2022, the Company, as Buyer, entered into an Asset Purchase Agreement (the "APA") with Metaverse Travel Experiences, Inc. f/k/a Azzurro Brands Inc., a New York corporation (the "Seller") and a wholly-owned subsidiary of Azzurro Capital Inc., the Company's largest stockholder. Pursuant to the APA, the Company acquired certain assets, primarily comprised of all U.S. members of Secret Escapes Limited, which Seller acquired in March 2021 and licensed exclusively to Travelzoo pursuant to the previously disclosed License Agreement, dated as of March 12, 2021 (the "License Agreement"), in accordance with data privacy and other applicable laws. The License Agreement allowed the Company to exclusively utilize the assets in exchange for a license fee of $412,500 per quarter with a one-year term that automatically renewed. The License Agreement was reviewed and unanimously approved by the Audit Committee of the Board of Directors, which consists solely of independent directors. The purchase price for the transaction was $1.75 million, with $600,000 paid in cash upon closing in March 2022 and the remaining $1.15 million payable in the form of a credit with Seller relating to prepaid license fees, under the License Agreement. The remaining commitment of the Company under the License Agreement for the then-current remaining term (equal to $825,000) was eliminated.

The Company recorded the transactions with both Secret Escape Escapes Limited and Metaverse Travel Experiences, Inc. as asset acquisitions as the assets acquired and liabilities assumed do not meet the definition of a business in Accounting Standards Codification ("ASC") 805-10. Cost accumulation model was used to account for the cost of the acquisition and the 100,000 Euros earn-out was considered as contingent consideration based on ASC 805-50. Travelzoo acquired the database of members and recorded $2.2 million intangible assets from both agreements.

Acquisition of Jack's Flight Club

Travelzoo acquired 60% of the Jack's Flight Club for an aggregate purchase price of $12.0 million in January 2020. The strategic rationale for the Jack's Flight Club acquisition was to expand Jack's Flight Club's membership to Travelzoo members worldwide, so the members from Travelzoo could also sign up to receive offers from Jack's Flight Club. The Company renegotiated with Jack's Flight Club in June 2020 and reached a negotiated settlement which resulted in the partial forgiveness of the promissory note issued for the acquisition.

The acquisition has been accounted for using the acquisition method in accordance with ASC 805, Business Combinations. Under the acquisition method of accounting, the total purchase consideration of the acquisition is allocated to the tangible assets and identifiable intangible assets and liabilities assumed based on their relative fair values. The excess of the purchase consideration over the net tangible and identifiable intangible assets is recorded as goodwill. Accordingly, the Company allocated $3.5 million to customer relationships, $2.5 million to trade name and $660,000 to non-compete agreements and the remaining $13.1 million to goodwill. The acquisition related costs were not significant and were expensed as incurred. Jack's Flight Club's result have been included in the accompanying financial statements from their the dates of acquisition.

Intangible Assets

The following table represents presents the gross fair value values and estimated useful lives of intangible assets from the above acquisitions (in thousands):

		Fair Value	Estimated Life (Years)					
	Fair Value					Fair Value		Estimated Life (Years)
Customer relationships (Jack's Flight Club)	Customer relationships (Jack's Flight Club)	$3,500	5.0	Customer relationships (Jack's Flight Club)	$ 3,500	5.0	5.0	
Trade name (Jack's Flight Club)	Trade name (Jack's Flight Club)	2,460	indefinite	Trade name (Jack's Flight Club)	2,460	indefinite	indefinite	
Non-compete agreement (Jack's Flight Club)	Non-compete agreement (Jack's Flight Club)	660	4.0	Non-compete agreement (Jack's Flight Club)	660	4.0	4.0	
Intangible assets (Secret Escape Spain member database)		445	3.0					
Intangible assets (Secret Escape U.S. member database)		1,751	2.3					

Intangible assets (Secret Escapes Spain member database)	Intangible assets (Secret Escapes Spain member database)	445	3.0
Intangible assets (Secret Escapes U.S. member database)	Intangible assets (Secret Escapes U.S. member database)	1,751	2.3

Assets Measured at Fair Value on a Non-recurring Basis

The Company's non-financial assets, such as goodwill, intangible assets and property and equipment, are adjusted to fair value if an impairment is recognized during the period. The fair value measurements are based on Level 3 inputs. Level 3 inputs which are unobservable inputs based on our own management assumptions used to measure assets at fair value.

The goodwill assessment was performed by comparing the fair value of the reporting units to its their carrying value. The fair value estimates for the reporting units were based on a blended analysis of the present value of future discounted cash flows and the market value approach, using Level 3 inputs. The indefinite-lived intangible assets assessment was valued performed using the relief-from-royalty method, which includes unobservable inputs, classified as Level 3 inputs, including projected revenues and approximately an approximate 5% royalty rate.

The Company recorded a goodwill performed an annual impairment test in October 2023 and did not identify any indicators of $2.1 million and a Trade name impairment of $810,000 for Jack's Flight Club due to the year ended December 31, 2023.pandemic in the first quarter of 2020. No impairment charge was identified and recorded for 2021. The Company performed its annual test as of October 31, 2022 and a Trade name impairment charge of $200,000 was recorded as "General and administrative expenses" for Jack's flight club. The club, as revenue for Jack's Flight Club was negatively impacted by the pandemic and did not meet the forecasted growth expectation. expectations. No impairment charge was identified and recorded for goodwill in 2022.

In 2020, the Company recorded a goodwill impairment of $2.1 million and a Trade name impairment of $810,000 for Jack's Flight Club, due to the pandemic.

Amortization of Acquired Intangible Assets

The following table represents presents the activities of intangible assets for the years ended December 31, 2022 December 31, 2023 and 2021 2022 (in thousands):

	Jack's Flight Club	Secret Escape Spain member database	Secret Escape U.S. member database
Intangible assets—January 1, 2021	$4,534		
Amortization of intangible assets with definite lives	(1,108)		
Intangible assets—December 31, 2021	3,426		

		Jack's Flight Club	Jack's Flight Club	Secret Escapes Spain member database	Secret Escapes U.S. member database
Intangible assets, net—January 1, 2022					
Acquisitions—March 2022	Acquisitions—March 2022	—		$ 445	$1,751
Amortization of intangible assets with definite lives	Amortization of intangible assets with definite lives	(875)		(118)	(778)

Impairment of trade name—December 31, 2022	Impairment of trade name—December 31, 2022	(200)	—	—
Intangible assets—December 31, 2022		$2,351	$ 327	$ 973
Intangible assets, net — December 31, 2022				
Amortization of intangible assets with definite lives				
Intangible assets, net — December 31, 2023				

Amortization expense for acquired intangibles was $1.8 $1.6 million and $1.1 $1.8 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Expected future amortization expense of acquired intangible assets as of December 31, 2022 December 31, 2023 is as follows (in thousands):

Years ending December 31,	Years ending December 31,		
2023		$	1,562
2024			
2024			
2024	2024		586
2025	2025		53
		$	2,201
	$		

The Company performed its annual impairment testing of Trade name as of October 31, 2022 October 31, 2023 using a relief from royalty method. No impairment was identified in 2023. As of As previously discussed, December 31, 2023, the carrying value of the Trade name was $1.5 million. The Company's annual impairment test as of October 31, 2022 indicated that Jack's Flight Club's indefinite lived intangible assets ("Trade name") was impaired for $200,000 in 2022. No and an impairment was identified in 2021. As charge of December 31, 2022, the carrying value of the Trade name $200,000was $1.5 million. recorded as general and administrative expenses.

Note 4: Debt

On April 24, 2020 and May 5, 2020, the Company received $3.1 million and $535,000, respectively, pursuant to loans under the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") administered by the Small Business Association. The loans have had a maturity of two (2) years from the disbursement of the funds and an annual interest rate of 1%. The Company used the funds from these loans only for the purposes included in the PPP, including payroll, employee benefits, and rent, and also intends to apply for forgiveness of a portion of the loans in compliance with the CARES Act.

In the second quarter of 2021, the Company settled the $535,000 PPP loan, $429,000 494,000 was forgiven which was recorded as gain in "Other income (loss), net", and the remaining outstanding principal balance of the loan and interest of $111,000 was repaid. On July 1, 2021, During 2021, the principal and the interest of the $3.1 million PPP loan were forgiven and a gain was recorded in "Other income (loss), net", in the third quarter of 2021. . It is possible that the SBA could subsequently audit the forgiven loans. The Company believes it was eligible to participate in PPP, calculated the loan amount correctly, spent loan proceeds on allowable uses and is entitled to loan forgiveness. The Company will hold onto its financial documents relating to the PPP loans for six years as required.

Note 5: Balance Sheet Components

Prepaid expenses and other consist consists of the following (in thousands):

December 31,		December 31,	
2022	2021	2023	2022

Prepaid expenses	Prepaid expenses	$ 764	$1,620
Notes receivable — current	Notes receivable — current	232	—
Deposits	Deposits	153	190
Other current assets	Other current assets	140	81
Total prepaid expenses and other	Total prepaid expenses and other	$1,289	$1,891

Property and equipment consist nsists of the following (in thousands):

		December 31,		December 31,	
		2022	2021	2023	2022
Office equipment and office furniture		$ 5,005	$ 7,838		
Office equipment and furnishings					
Capitalized internal-use software and website development	Capitalized internal-use software and website development	4,601	4,390		
Leasehold improvements	Leasehold improvements	2,414	4,117		
Computer hardware and software	Computer hardware and software	1,728	2,142		
		13,748	18,487		
Property and equipment					
Less accumulated depreciation and amortization	Less accumulated depreciation and amortization	(13,091)	(17,828)		
Total		$ 657	$ 659		
Total property and equipment, net					

Depreciation expense was $418,000 $291,000 and $710,000 $418,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Amortization of capitalized internal-use software and website development costs was $1,000 $39,000 and $2,000 $1,000 for the years ended December 31, 2022 December 31, 2023 and 2021 2022, respectively.Amortization of acquired intangible assets is presented in Note 3 above.

Changes to the allowance for doubtful accounts credit losses and reserve for member refunds are as follows (in thousands):

	Allowance for doubtful accounts	Reserve for member refunds
Balance at January 1, 2021	$ 2,814	$ 4,085
Additions — charged to costs and expenses, or contra revenue	30	1,718

Deductions — recoveries of amounts previously reserved		(481)	—
Deductions — write-offs or refunds		(269)	(637)

		Allowance for doubtful accounts	Allowance for doubtful accounts	Reserve for member refunds
Balance at December 31, 2021	Balance at December 31, 2021	2,094	5,166	
Additions — charged to costs and expenses, or contra revenue	Additions — charged to costs and expenses, or contra revenue	54	15	
Deductions — recoveries of amounts previously reserved	Deductions — recoveries of amounts previously reserved	(470)	(3,006)	
Deductions — write-offs or refunds	Deductions — write-offs or refunds	(210)	(897)	
Balance at December 31, 2022	Balance at December 31, 2022	$ 1,468	$ 1,278	
Additions — charged to costs and expenses, or contra revenue				
Deductions — recoveries of amounts previously reserved				
Deductions — write-offs or refunds				
Balance at December 31, 2023				

Accrued expenses and other consist consists of the following (in thousands):

	December 31,	
	2022	2021
Reserve for member refunds	$ 1,278	$ 5,166
Accrued advertising expense	538	690

Accrued compensation expense		1,744		1,743
Other accrued expenses		1,489		2,613
Total accrued expenses and other	$	5,049	$	10,212

	December 31,			
	2023		2022	
Accrued compensation expense		1,381		1,744
Reserve for member refunds	$	268	$	1,278
Accrued advertising expense		743		538
Other accrued expenses		1,266		1,489
Total accrued expenses and other	$	3,658	$	5,049

At December 31, 2022 December 31, 2023 and 2021, 2022, accounts receivable, accounts payable and accrued expenses are not measured at fair value; however, the Company believes that the carrying amounts of these assets and liabilities are a reasonable estimate of their fair value values because of their relative short maturity. maturities.

Note 6: Commitments and Contingencies

From time to time, the Company is subject to various claims and legal proceedings, either asserted or unasserted, that arise in the ordinary course of business. The Company accrues for legal contingencies if the Company management can estimate the potential liability and if the Company believes it is probable that the case matter will be ruled against it. on adversely. Accruals for legal contingencies were not material as of December 31, 2022 December 31, 2023 or 2021. 2022. If a legal claim for which the Company did not accrue is resolved against it, the Company would record the expense in the period in which the ruling was made. The Company believes that the likelihood of an ultimate amount of liability, if any, for any pending claims of any type (alone or combined) that will materially affect the Company's financial position, results of operations or cash flows is remote. The ultimate outcome of any litigation is uncertain, however, and unfavorable outcomes could have a material negative impact on the Company's financial condition and operating results. Regardless of outcome, litigation can have an adverse impact on the Company because of defense costs, negative publicity, diversion of management resources and other factors.

The Company was formed as a result of a combination and merger of entities founded by Ralph Bartel. Azzurro, of which the Ralph Bartel 2005 Trust (of which he is the sole beneficiary) is the controlling shareholder, holds approximately 40.2% of the Company's principal stockholder, Ralph Bartel. outstanding shares as of December 31, 2023. In 2002, Travelzoo.com Corporation was merged into Travelzoo. Under and subject to the terms of the merger agreement, holders of promotional shares of Travelzoo.com Corporation ("Netsurfers") who established that they had satisfied certain prerequisite qualifications were allowed a period of 2 years following the effective date of the merger to receive one share of Travelzoo in exchange for each share of common stock of Netsurfers. In 2004, two years following the effective date of the merger, certain promotional shares remained unexchanged. As the right to exchange these promotional shares expired, no additional shares were reserved for issuance. Thereafter, the Company began to offer a voluntary cash program for those who established that they had satisfied certain prerequisite qualifications for Netsurfers promotional shares as further described below.

During From 2010 through 2014, the Company became subject to unclaimed property audits of various states in the United States related to the above unexchanged promotional shares and completed settlements with all such states. Although the Company has settled the unclaimed property claims with all such states, the Company may still receive inquiries from certain potential Netsurfers promotional stockholders that had not provided their state of residence to the Company by April 25, 2004.

Therefore, the Company is continuing its voluntary program under which it makes cash payments to individuals related to the promotional shares for individuals whose residence was unknown by the Company and who establish that they satisfy the original conditions required for them to receive shares of Netsurfers, and who failed to submit requests to convert their shares into shares of Travelzoo within the required time period. This voluntary program is not available for individuals whose promotional shares have been escheated to a state by the Company, except those individuals for which whom their residence was unknown to the Company. The Company did not make any such payments for 2022 and 2021. in 2023 or 2022.

The total cost of this program cannot be reliably estimated because it is based on the ultimate number of valid requests received and future levels of the Company's common stock price. The Company's common stock price affects the liability because the amount of cash payments under the program is based in part on the recent level of the stock price at the date valid requests are received. The Company does not know how many of the requests for shares originally received by Netsurfers in 1998 were valid, but the Company believes that only a portion of such requests were valid. In order to receive payment under this voluntary program, a person is required to establish that such person validly held shares in Netsurfers.

The Company leases office space in Canada, France, Germany, Spain, the U.K., and the U.S. under operating leases. Our leases have remaining lease terms ranging from less than one year to up to eight seven years. The Company maintained maintains standby letters of credit ("LOC") to serve as collateral issued to the landlords. The LOCs are collateralized with cash which is included in the line item "Restricted cash" in the Consolidated Balance Sheets.

Rent expense was $2.6 million$2.8 million and $3.5 million $2.6 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The Company's rental income from sublease was approximately $353,000$271,000 and $359,000 $353,000 for the years ended December 31, 2022 December 31, 2023 and 2021. 2022. See Note 14 14– - *Leases* for more information.

The Company has purchase commitments aggregating approximately $1.9 million$535,000 as of December 31, 2022 December 31, 2023, which represent the minimum obligations the Company has under agreements with certain third party third-party service providers. These minimum obligations are less than the Company's projected use for those periods. Payments may be more than the minimum obligations based on actual use.

Note 7: Income Taxes

The components of income (loss) before income tax expense are as follows (in thousands):

	Year Ended December 31,	
	2022	2021
U.S.	$ 9,636	$ 3,723
Foreign	322	(1,030)
	$ 9,958	$ 2,693

	Year Ended December 31,	Year Ended December 31,
	2023	2022
U.S.		
Foreign		
$		

Income tax expense consists of current and deferred components, further categorized by federal, state and foreign jurisdictions, as shown below. The current provision is generally that portion of income tax expense that is currently payable to the taxing authorities. The Company makes estimated payments of these amounts during the year. The deferred tax provision results from changes in the Company's deferred tax assets (future deductible amounts) and tax liabilities (future taxable amounts), which are presented in the table below:

	Current	Deferred	Total
	(In thousands)		
Year Ended December 31, 2022			
Federal	$ 1,772	$ 528	$ 2,300
State	376	221	597
Foreign	348	25	373
	$ 2,496	$ 774	$ 3,270
Year Ended December 31, 2021			
Federal	$ 593	$ 493	$ 1,086
State	197	219	416
Foreign	183	93	276
	$ 973	$ 805	$ 1,778

	Current	Deferred	Total
	(In thousands)		
Year Ended December 31, 2023			
Federal			
Federal			
Federal			
State			
Foreign			
$			
Year Ended December 31, 2022			
Federal			
Federal			
Federal			
State			
Foreign			
$			

Income tax expense differed from the amounts computed by applying the U.S. federal statutory tax rate rates applicable to the Company's level of pretax income as a result of the following (in thousands):

	Year Ended December 31,	
	2022	2021
Federal tax at statutory rates	$ 2,091	$ 566
State taxes, net of federal income tax benefit	471	297
Change of valuation allowance	(34)	7
Uncertain tax positions	107	458
Foreign income taxed at different rates	(38)	66
Foreign tax credit	—	(270)
PPP loan forgiveness	—	(768)
Stock-based compensation expenses	469	1,417

Other	204	5
Total income tax expense	$ 3,270	$ 1,778

	Year Ended December 31,	
	2023	2022
Federal tax at statutory rates	$ 3,594	$ 2,091
State taxes, net of federal income tax benefit	584	471
Change of valuation allowance	—	(34)
Uncertain tax positions	43	107
Foreign income taxed at different rates	539	(38)
Stock-based compensation expense	30	469
Other	315	204
Total income tax expense	$ 5,105	$ 3,270

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows (in thousands):

		December 31,		December 31,	
		2022	2021		
	December 31, 2023			2023	2022
Deferred tax assets:	Deferred tax assets:				
	Net operating loss and credit carryforward	$4,935	$9,175		
	Net operating loss and credit carryforwards				
	Net operating loss and credit carryforwards				
	Net operating loss and credit carryforwards				
Operating lease liabilities	Operating lease liabilities	2,417	2,797		
State income taxes	State income taxes	74	—		
Accruals and allowances	Accruals and allowances	627	1,461		
Stock-based compensation	Stock-based compensation	256	545		
Unrealized foreign exchange losses	Unrealized foreign exchange losses	329	273		
Deferred revenue	Deferred revenue	191	70		
Property, equipment and intangible assets					
Capital loss carryforward	Capital loss carryforward	410	410		
Total deferred tax assets	Total deferred tax assets	9,239	14,731		
Valuation allowance	Valuation allowance	(4,455)	(8,717)		
Total deferred tax assets net of valuation allowance	Total deferred tax assets net of valuation allowance	4,784	6,014		
Deferred tax liabilities:	Deferred tax liabilities:				
Operating lease right-of-use assets	Operating lease right-of-use assets	(1,416)	(1,600)		
Operating lease right-of-use assets					

Operating lease right-of-use assets			
Property, equipment and intangible assets	Property, equipment and intangible assets	(146)	(465)
Total deferred tax liabilities	Total deferred tax liabilities	(1,562)	(2,065)
Net deferred tax assets	Net deferred tax assets	$3,222	$3,949

Changes in the deferred tax assets valuation allowance for the years ended December 31, 2021 December 31, 2023 and 2022 are as follows (in thousands):

		Balance at the beginning of the year	Charged (Credited) to expenses	Charged (Credited) to other account (*)	Balance at end of year
		Balance at the beginning of the year	Charged (Credited) to expenses	Charged (Credited) to other account (*)	Balance at end of year
Deferred tax assets valuation allowance	Deferred tax assets valuation allowance				
2021		$ 10,145	—	(1,428)	$ 8,717
2023					
2023					
2023					
2022	2022	$ 8,717	—	(4,262)	$ 4,455

(*) Amounts not charged (credited) to expenses are charged (credited) to stockholder's stockholders' equity or deferred tax assets (liabilities).

As of December 31, 2022 December 31, 2023, the Company has a valuation allowance of approximately $4.5 million $2.3 million related to foreign net operating loss ("NOL") carryforwards of approximately $21.3 million $18.2 million primarily related to the Company's Asia Pacific entities (whose operations were classified as discontinued operations as of March 2020), for which it is more likely than not that the tax benefit will not be realized.

The amount liquidations of the valuation allowance represented a decrease of approximately $4.3 million over the amount recorded as of December 31, 2021, and was due to the decrease of deferred tax assets and related release of the valuation allowance for the Travelzoo Australia, Travelzoo (Hong Kong) Limited and Travelzoo Local (Hong Kong), which liquidation were completed during in 2023, resulting in a write-off of the year ended December 31, 2022. remaining net deferred tax assets of approximately $1.8 million for these entities, offset by the release of the corresponding valuation allowance. If not utilized, $10.9 million of the remaining foreign NOL may be carried forward indefinitely, and $10.4 million $7.3 million will expire at various times between 2023 2024 and 2027.

As of December 31, 2022 December 31, 2023, the Company has US U.S. federal NOL carryforwards of $64.7 $48.4 million as a result of the transaction with acquisition of MTE discussed in See Note 3 to the accompanying consolidated financial statements for further information. above. If not utilized, $7.4 million of the remaining NOL may be carried forward indefinitely, and $57.3 $41.0 million will expire at various times between 2028 2030 and 2037. As of December 31, 2022 December 31, 2023, the Company has had state and local NOL carryforwards of $34.5 $121.7 million, which will expire at various times between 2035 and 2042. The Company has not recorded these net operating losses because an uncertain tax position has been recorded relating to them.

As of December 31, 2022 December 31, 2023, the Company is permanently reinvested in certain Non-U.S. non-U.S. subsidiaries and does not have a deferred tax liability related to its undistributed foreign earnings. The estimated amount of the unrecognized deferred tax liability attributed attributable to future withholding taxes on dividend distributions of undistributed earnings for certain non-U.S. subsidiaries, which the Company intends to reinvest the related earnings indefinitely in its operations outside the U.S., is approximately $688,000 $775,000 at December 31, 2022 December 31, 2023.

The total amount of gross unrecognized tax benefits was $16.9 million $23.9 million as of December 31, 2022 December 31, 2023, of which up to $6.9 million $16.6 million would affect the Company's effective tax rate if realized. A reconciliation of the beginning and ending amount amounts of gross unrecognized tax benefits in 2021 2022 and 2022 2023 is as follows (in thousands):

Gross unrecognized tax benefits balance at January 1, 2021	$	774
Increase related to current year tax positions		270
Settlements		—
Gross unrecognized tax benefits balance at December 31, 2021	$	1,044
Increase related to current year tax positions		15,833
Settlements		—
Gross unrecognized tax benefits balance at December 31, 2022		16,877
Increase related to prior year tax positions		7,018
Settlements		—
Gross unrecognized tax benefits balance at December 31, 2023	$	16,877 23,895

The Company's policy is to include interest and penalties related to unrecognized tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction in the overall income tax provision in the period that such determination is made. At December 31, 2022 December 31, 2023, the Company had approximately $704,000 $803,000 in accrued interest and penalties.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is subject to U.S. federal and certain state tax examinations for certain years after 2018 2019, and is subject to California tax examinations for years after 2017. 2018. The IRS and taxing authorities can also audit the NOL carryforwards acquired through the MTE acquisition, which were generated starting in 2008.

Although the timing of any initiation, resolution and/or closure of any audits is highly uncertain, it is reasonably possible that the balance of the gross unrecognized tax benefits related to the method of computing income taxes in certain jurisdictions and losses reported on certain income tax returns could significantly change in the next 12 months. These changes may occur through settlement with the taxing authorities or the expiration of the statute of limitations on the returns filed. The Company is unable to estimate the a range of possible adjustments to the balance of the gross unrecognized tax benefits.

Note 8: Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated balances of other comprehensive loss (in thousands):

		Year Ended December 31,					
Year Ended December 31,						Year Ended December 31,	
			2022		2021	2023	2022
Beginning balance	Beginning balance	$	(3,793)	$	(4,059)		
Other comprehensive income (loss) due to foreign currency translation, net of tax			(1,112)		266		
Other comprehensive income (loss) due to foreign currency translation							
Ending balance	Ending balance	$	(4,905)	$	(3,793)		

There were no amounts reclassified from accumulated other comprehensive income (loss) for the years ended December 31, 2022 December 31, 2023 and 2021. 2022. Accumulated other comprehensive income (loss) consists of foreign currency translation gain or loss. (loss).

Note 9: Employee Benefit Plan

The Company maintains a 401(k) Profit Sharing Plan & Trust (the "401(k) Plan") for its employees in the United States. The 401(k) Plan allows employees of the Company to contribute up to 80% of their eligible compensation, subject to certain limitations. Since 2006, the Company has matched employee contributions up to $1,500 per year. Employee contributions are fully vested upon contribution, whereas the Company's matching contributions are fully vested vest after the first year of service. The Company also has various defined contribution plans for its international employees. The Company's contributions to these benefit plans were approximately $689,000$673,000 and $766,000 $689,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Note 10: Stock-Based Compensation and Stock Options

The Company accounts for its employee stock options under the fair value method, which requires stock-based compensation to be estimated using the fair value on the date of grant, using employing an option-pricing model. The value of the portion of the award that is awards expected to vest is recognized on a straight-line basis as expense over the related employees' requisite service periods in the Company's consolidated statements of operations.

REFINITIV

In September 2015, pursuant to an executed Option Agreement, the Company granted its Global Chief Executive Officer, Holger Bartel, options to purchase 400,000 shares of common stock of the Company, with an exercise price of $8.07 and quarterly vesting beginning on March 31, 2016 (the "2015 Option Agreement"). The 2015 Option Agreement expires in September 2025. The options are now fully vested and the stock-based compensation related to these options was fully expensed. In October 2017, pursuant to an executed Option Agreement, the Company granted Mr. Bartel options to purchase 400,000 shares of common stock, with an exercise price of $6.95 and quarterly vesting beginning on March 31, 2018 (the "2017 Option Agreement"). The 2017 Option Agreement expires in 2027. During 2019, 250,000 options granted pursuant to the 2017 Option Agreement were exercised by Mr. Bartel. The remaining 150,000 options are fully vested and the stock-based compensation related to these options was fully expensed. In September 2019, the Company granted Mr. Bartel options to purchase 400,000 shares of common stock subject to shareholder approval, with an exercise price of $10.79 and quarterly vesting beginning on March 31, 2020 and ending on December 31, 2021 (the "2019 Option Agreement" and together with the 2015 Option Agreement and the 2017 Option Agreements, the "Bartel Option Agreements"). The 2019 Option Agreement expires in 2024.

On May 29, 2020, the shareholders of the Company approved certain amendments to the Bartel Option Agreements, which increased and repriced all outstanding, unexercised options granted to Mr. Holger Bartel (the "Option Agreement Amendments"). Pursuant to the Option Agreement Amendments and subject to shareholder approval, the exercise price for the options was repriced to the official NASDAQ closing share price on March 30, 2020 (the date of execution of the Option Agreement Amendments, which immediately followed the date of approval of the grants from the Board of Directors of the Company), which was $3.49. Additionally, the Option Agreement Amendments made the following increases: (a) 400,000 additional options to purchase the Company's common stock pursuant to the 2015 Option Agreement, (b) 150,000 additional options to purchase the Company's common stock pursuant to the 2017 Option Agreement, and (c) 400,000 additional options to purchase the Company's common stock pursuant to the 2019 Option Agreement, which resulted in a total of 1,900,000 options granted to Mr. Bartel pursuant to the Option Agreement Amendments. Mr. Bartel's amended options pursuant to the 2015 Option Agreement and the 2017 Option Agreement were fully vested upon the execution of the applicable Option Agreement Amendment. Therefore, stock-based compensation related to these options was fully expensed in the second quarter of 2020. In 2021, 800,000 options granted pursuant to the 2015 Option Agreement, 300,000 options granted pursuant to the 2017 Option Agreement and 260,000 options granted pursuant to the 2019 Option Agreement were exercised by Mr. Bartel, 681,902 shares of common stock were issued as the result of a cashless exercise or net settlement with respect to the option exercise price or taxes which were approved by Travelzoo's Board of Directors. As of December 31, 2022 December 31, 2021, stock-based compensation related to the 2019 Option Agreement and applicable Option Agreement Amendment was fully expensed. Mr. Bartel exercised the remaining 540,000 options granted pursuant to the 2019 Option Agreement in 2022. The Company received aggregate cash proceeds of $1.9 million.

In September 2019, pursuant to executed Option Agreements, the Company granted six employees stock options to purchase 50,000 shares of common stock each (300,000 in the aggregate) with an exercise price of $10.79, of which 75,000 options vest and become exercisable annually starting on September 5, 2020 and ending on December 31, 2023. The options expire in September 2024. On May 29, 2020, the shareholders of the Company approved the grants, as well as certain amendments to the Option Agreements, which increased and repriced all outstanding, unexercised options granted to such employees. Pursuant to the applicable amendments, the exercise price for the options was repriced to the official NASDAQ closing share price on March 30, 2020 (the date of execution of the amendments to the Option Agreements, which immediately followed the date of approval of the grants from the Board of Directors of the Company), which was $3.49, the option grants were each increased to 100,000 each, resulting in 300,000 additional options in the aggregate. In 2020, 100,000 unvested options were forfeited upon an employee's departure, 75,000 options were exercised and 54,258 shares of common stock were issued as the result of a cashless exercise which were approved by Travelzoo's Board of Directors. In 2021, 125,000 unvested options were forfeited upon employees' departure, 150,000 options were exercised and 88,917 shares of common stock were issued as the result of the cashless exercises or net settlement with respect to the option exercise price which were approved by Travelzoo's Board of Directors. No option was exercised in 2022. In 2023, 50,000 options were exercised and 18,098 shares of common stock were issued as the result of the cashless exercises or net settlement with respect to the option exercise price which were approved by Travelzoo's Board of Directors. As of December 31, 2022 December 31, 2023, there was approximately $193,000 of unrecognized stock-based compensation expense relating related to these options. This amount is expected to be recognized over the next 0.7 years.Option Agreements and applicable Option Agreement Amendments were fully expensed.

On May 29, 2020, pursuant to an executed Option Agreement, the shareholders of the Company approved the grant of stock options to purchase 800,000 shares of common stock to Mr. Ralph Bartel, Chairman of the Board of Directors of the Company at the time, with an exercise price of $3.49 and quarterly vesting beginning June 30, 2020 and ending on March 31,

2022. March 31, 2022. The options expire in March 2025. This grant was approved at the 2020 Annual Meeting of the shareholders. In 2021, 600,000 options were exercised and 390,809 shares of common stock were issued as the result of the cashless exercises which were approved by Travelzoo's Board of Directors. In 2023, 200,000 options were exercised and 121,307 shares of common stock were issued as the result of the cashless exercises which were approved by Travelzoo's Board of Directors. As of December 31, 2022, stock-based compensation related to this grant was fully expensed.

On May 29, 2020, pu pursuant to rsuant to an executed Option Agreement, the shareholders of the Company approved the grant of stock options to purchase 200,000 shares of common stock to two key employees, with an exercise price of $3.49 with annual vesting starting March 30, 2021 and ending on March 31, 2024. The options expire in March 2025. In 2021, 50,000 options were exercised and 24,474 shares of common stock were issued as the result of the cashless exercises which were approved by Travelzoo's Board of Directors. In 2022, 50,000 unvested options were forfeited upon one employee's departure, 25,000 options were exercised and 4,676 shares of common stock were issued as the result of the cashless exercises exercise or net settlement with respect to the option exercise price which were approved by Travelzoo's Board of Directors. In 2023, 50,000 options were exercised and 16,619 shares of common stock were issued as the result of the cashless exercise which were approved by Travelzoo's Board of Directors. As of December 31, 2022 December 31, 2023, there was approximately $123,000 $25,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over the next 1.20.3 years.

On June 1, 2021, pursuant to an an executed Option Agreement, the shareholders of the Company approved the grant of stock options to purchase 50,000 shares of common stock to one employee, with an exercise price of $9.44, with annual vesting starting January 1, 2022 and ending on January 1, 2025. The options expire in January 2026. As of December 31, 2022 December 31, 2023, there was approximately $288,000 $144,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over the next 2.0 years. 1.0 year.

In March 2022, pursuant to an executed Option Agreement, the Company granted its Global Chief Executive Officer, Holger Bartel, options to purchase 600,000 shares of common stock of the Company, with an exercise price of $8.14 and vesting 25% every six months over two years beginning on June 30, 2022 and ending on December 31, 2023. The options expire in March 2027. This grant was approved at the 2022 Annual Meeting of the shareholders. As of December 31, 2022 December 31, 2023, there was approximately $865,000 of unrecognized stock-based compensation expense relating related to these options. This amount is expected to be recognized over the next 1.0 year. this grant was fully expensed.

In June 2022, the Company granted an employee options to purchase 100,000 shares of common stock with an exercise price of $6.78 and quarterly vesting beginning on September 30, 2022 and ending on June 30, 2025 with vesting based on both time-based service condition and also performance conditions. However, if the performance targets are not met as of the first date on which the time condition is met, the time condition may be extended by one quarter up to three times. The options expire in June 2027. The Company did not recognize stock-based compensation expense for this grant as the performance targets were not achieved and thus no shares were vested in 2022. As of December 31, 2022 December 31, 2023, there was approximately $368,000 $239,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over 2.5 1.5 years.

In March 2023, the Company granted its General Counsel and Head of Global Functions, Christina Sindoni Ciocca, options to purchase 200,000 shares of common stock of the Company, with an exercise price of $4.96 and vesting 12.5% every six months over four years beginning on June 30, 2023 and ending on December 31, 2026. This grant was approved at the Annual Meeting of Stockholders held in June 2023. The options expire in March 2025. As of December 31, 2023, there was approximately $417,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over 3.0 years.

The Company recorded $1.8 1.6 million and $3.7 million $1.8 million of stock-based compensation in general and administrative expenses for fiscal the years 2022 ended December 31, 2023 and 2021, 2022, respectively.

The Company utilized utilizes the Black-Scholes option pricing model to value the stock options. The Company used options, with an expected life as defined under the simplified method, which is using an average of the contractual term and vesting period of the stock options. The options, and risk-free interest rate used for the award is rates based on the U.S. Treasury yield curve in effect at the time of grant. The Company accounted for forfeitures as they occur. The historicalHistorical volatility was is calculated based upon implied volatility of the Company's historical stock prices. The Company accounts for forfeitures as they occur.

The fair value of 2022 stock options granted in 2023 and modification and 2021 stock options 2022 was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2022	2021	2023	2022
Weighted-average fair value of options granted per share	$ 3.00	$ 11.47		
Historical volatility	77 %	78 %	75 %	77 %
Risk-free interest rate	2.85 %	0.25 %	4.40 %	2.85 %
Dividend yield	—	—		
Expected life in years	3.2	3.8	3.6	3.2

As of December 31, 2022 December 31, 2023, there was approximately $1.8 million$824,000 of unrecognized stock-based compensation expense related to outstanding stock options, expected to be recognized over 1.2 years.

0.8 years.

Option activities during the years ended December 31, 2021 and 2022 2023 were as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
				(In thousands)
Outstanding at January 1, 2021	3,325,000	$ 3.49	4.39 years	
Outstanding at December 31, 2021				
Options Granted				
Options Granted				
Options Granted	50,000	9.44		

Exercised options	Exercised options	(2,160,000)		3.49			
Exercised options							
Exercised options							
Options forfeited and canceled	Options forfeited and canceled	(125,000)		3.49			
Outstanding at December 31, 2021		1,090,000	$	3.76	2.92 years		
Options forfeited and canceled							
Options forfeited and canceled							
Outstanding at December 31, 2022							
Outstanding at December 31, 2022							
Outstanding at December 31, 2022							
Options Granted							
Options Granted							
Options Granted	Options Granted	700,000	$	7.95			
Exercised options	Exercised options	(565,000)	$	3.49			
Options forfeited and canceled		(50,000)	$	3.49			
Outstanding at December 31, 2022		1,175,000	$	6.40	3.38 years	$	408
Exercisable and fully vested at December 31, 2022		612,500	$	5.89	3.14 years	$	288
Outstanding at December 31, 2022 and expected to vest thereafter		562,500	$	6.95	3.64 years	$	120
Exercised options							
Exercised options							
Outstanding at December 31, 2023							
Outstanding at December 31, 2023							
Outstanding at December 31, 2023							
Exercisable and fully vested at December 31, 2023							
Outstanding at December 31, 2023 and expected to vest thereafter							

The aggregate intrinsic value values in the table above represents represent the total pre-tax intrinsic value values (the difference between the Company's closing stock price on the last trading day of the year ended December 31, 2022 December 31, 2023 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders, had all option holders exercised their options on December 31, 2022 December 31, 2023. This amount changes These amounts change based on the fair value of the Company's stock. The Company's policy is to issue shares from the authorized shares to fulfill stock option exercises.

Outstanding options at December 31, 2022 December 31, 2023 were as follows:

Exercise Price	Exercise Price	Options Outstanding	Options Outstanding Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options Outstanding and Exercisable	Options Exercisable Weighted-Average Remaining Contractual Life	Exercise Price		Options Outstanding		Options Outstanding Weighted-Average Remaining Contractual Life		Weighted-Average Exercise Price			Options Outstanding and Exercisable	
$	3.49	425,000	2.05 years	$ 3.49	300,000	2.11 years	3.49	100,000	100,000	0.82 years		0.82 years		$3.49	75,000		7
$	6.78	100,000	4.42 years	$ 6.78	—	—	4.96	200,000	200,000	4.19 years		4.19 years		$4.96	50,000		5
$	8.14	600,000	4.17 years	$ 8.14	300,000	4.17 years	6.78	100,000	100,000	3.42 years		3.42 years		$6.78	33,332		3
$	9.44	50,000	3.01 years	$ 9.44	12,500	3.01 years	8.14	600,000	600,000	3.17 years		3.17 years		$8.14	600,000		60
$							9.44		50,000		2.01 years		$ 9.44			25,000	

Note 11: Stock Repurchase Program

The Company's stock repurchase programs assist in offsetting the impact of dilution from employee equity compensation and assist with capital allocation. Management is allowed discretion in the execution of the repurchase program programs, based upon market conditions and consideration of capital allocation.

In May 2019, the Company announced a stock repurchase program authorizing the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. The Company repurchased and retired 436,369 shares and 168,602 shares of common stock in 2019 and 2020, respectively. In 2021, the Company repurchased 395,029 shares of common stock for an aggregate purchase price of $3.9 million, which were recorded as part of treasury stock as of December 31, 2021. This stock repurchase program was completed in 2021. This stock repurchase program was completed in 2021.

In March 2021, the Company entered into a Stock Repurchase Agreement with Mr. Holger Bartel to privately repurchase an aggregate of 100,000 shares of the Company's common stock for an aggregate purchase price of $1.6 million, which were recorded as part of treasury stock as of December 31, 2021. This transaction was approved by the Compensation Committee of the Board of Directors.

In June 2022, the Company announced that its Board of Directors approved a stock repurchase program authorizing the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. In 2022, the Company repurchased 306,375 shares of common stock for an aggregate purchase price of $1.6 million, which were was recorded as part of treasury stock as of December 31, 2022. The Company repurchased 34,687 shares of common stock in the first quarter of 2023 for $186,000 and repurchased 658,938 shares of common stock in the second quarter of 2023 for $4.7 million. The shares repurchased were retired and recorded as a reduction of additional paid-in capital. This stock repurchase program was completed in 2023.

On July 26, 2023, the Company announced that its Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. The Company subsequently repurchased 1,000,000 shares of common stock for an aggregate purchase price of $6.9 million, with such shares retired and recorded as a reduction of additional paid-in capital. This stock repurchase program was completed in 2023.

On October 24, 2023, the Company announced that its board of directors authorized the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. The Company repurchased 600,000 shares of common stock for an aggregate purchase price of $5.0 million, excluding excise tax due under the Inflation Reduction Act of 2022, with such shares retired and recorded as a reduction of additional paid-in capital. As of December 31, 2022 December 31, 2023, there were 693,625 400,000 shares remaining to be repurchased under this program.

Note 12: Segment Reporting and Significant Customer Information

The Company determines its reportable segments based upon the Company's chief operating decision maker managing the performance maker's management of the business. Historically, During 2023, the Company managed its business geographically and operated in three reportable segments including Asia Pacific, Europe and North America. During the year ended December 31, 2022, the Company classified the results of its Asia Pacific segment as discontinued operations in its consolidated financial statements for current and prior years presented. On January 13, 2020, Travelzoo agreed to the SPA with the Sellers of Jack's Flight Club to purchase 60% of the Shares. Upon acquisition, the Company's chief operating decision maker reviewed and evaluated Jack's Flight Club as a separate segment. The Company currently has three had four reportable operating segments: Travelzoo North America, Travelzoo Europe, and Jack's Flight Club. Club and New Initiatives. Travelzoo North America consists of the Company's operations in Canada the U.S. and the U.S. Canada. Travelzoo Europe consists of the Company's operations in France, Germany, Spain and the U.K. Jack's Flight Club consists of subscription revenue revenues from premium members to access and receive newsletter with flight deals from Jack's Flight Club via email or via Android or Apple mobile applications. New Initiatives consists of Travelzoo's licensing activities in certain Asia Pacific territories, the Travelzoo META subscription service and MTE.

In 2022, the Company managed its business and operated in three reportable segments, including Travelzoo North America, Travelzoo Europe and Jack's Flight Club. Following the acquisition of MTE in December 2022 and the development and announcement of Travelzoo META, the Company's chief operating decision maker evaluated New Initiatives as an additional reportable segment beginning in 2023. Accordingly, segment operating results reported below for the year ended December 31, 2022 have been restated in accordance with GAAP under the FASB's Segment Reporting (Topic 280). Specifically, the 2022 Travelzoo North America segment financial information was adjusted to exclude results related to the 2022 New Initiatives segment, which is now presented separately.

For the year ended December 31, 2023, Travelzoo North America operations comprised 66% of revenues, Travelzoo Europe operations comprised 29% of revenues and Jack's Flight Club comprised 5% of revenues.

Management relies on an internal management reporting process that provides revenue and segment operating profit (loss) for making financial decisions and allocating resources. Management believes that segment revenues and operating profit (loss) are appropriate measures of evaluating the operational performance of the Company's segments. As noted above, the reported financial information for 2022 has been reclassified to conform to the current segment presentation.

The following is a summary of operating results and assets by business segment (in thousands):

Year Ended December 31, 2023	Year Ended December 31, 2022	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated	Year Ended December 31, 2023	Travelzoo North America	Travelzoo Europe	Flig
Revenues from unaffiliated customers	Revenues from unaffiliated customers	$ 47,054	$ 20,068	$ 3,477	$ —	$ 70,599				
Intersegment revenues	Intersegment revenues	613	(613)	—	—	—				
Total net revenues	Total net revenues	$ 47,667	$ 19,455	$ 3,477	$ —	$ 70,599				
Operating income (loss)	Operating income (loss)	$ 9,360	$ (1,803)	$ —	$ —	$ 7,557				

Year Ended December 31, 2022	Year Ended December 31, 2021	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated	Year Ended December 31, 2022	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	New Initiatives	Consolidated
Revenues from unaffiliated customers	Revenues from unaffiliated customers	$41,683	$17,683	$3,346	$ —	$ 62,712						
Intersegment revenues	Intersegment revenues	363	(363)	—	—	—						
Total net revenues	Total net revenues	$42,046	$17,320	$3,346	$ —	$ 62,712						
Operating income (loss)	Operating income (loss)	$ 550	$ (1,997)	$ 134	$ —	$ (1,313)						

As of December 31, 2023	As of December 31, 2022	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated	As of December 31, 2023	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	New Initiatives	Elimination	Consolidated
Long-lived assets	Long-lived assets	$ 571	$ 86	$ —	$ —	$ 657							
Total assets	Total assets	$97,960	$19,253	$18,737	$(68,687)	$ 67,263							

As of December 31, 2022	As of December 31, 2021	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	Elimination	Consolidated	As of December 31, 2022	Travelzoo North America	Travelzoo Europe	Jack's Flight Club	New Initiatives	Elimination	Consolidated

Long-lived assets	Long-lived assets	$ 573	$ 86	$ —	$ —	$ 659
Total assets	Total assets	$116,700	$28,167	$18,436	$(63,647)	$ 99,656

Revenue Revenues for each segment is are recognized based on the customer location locations within a designated geographic region. Property and equipment are attributed to the geographic region in which the assets are located.

For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, the Company did not have any customers that accounted for 10% or more of revenue. As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company did not have any customers that accounted for 10% or more of accounts receivable.

The following table sets forth the breakdown of revenues (in thousands) by category and segment. Travel revenue includes travel publications (such as *Top 20* newsletter, *Standalone* newsletters, *Travelzoo* website*, Travelzoo Network*), *Getaways* vouchers, hotel platform and vacation packages. Local revenue includes *Local Deals* vouchers and entertainment offers.

		Year Ended December 31,			
	Year Ended December 31,			Year Ended December 31,	
		2022	**2021**	**2023**	**2022**
Travelzoo North America	Travelzoo North America				
Travel					
Travel					
Travel	Travel	$44,471	$38,834		
Local	Local	3,196	3,212		
Total Travelzoo North America revenues	Total Travelzoo North America revenues	47,667	42,046		
Travelzoo Europe	Travelzoo Europe				
Travel	Travel	18,053	15,178		
Travel					
Travel					
Local	Local	1,402	2,142		
Total Travelzoo Europe revenues	Total Travelzoo Europe revenues	19,455	17,320		
Jack's Flight Club	Jack's Flight Club	3,477	3,346		
New Initiatives					
Consolidated					
Travel					
Travel					
Travel	Travel	62,524	54,012		
Local	Local	4,598	5,354		
Jack's Flight Club	Jack's Flight Club	3,477	3,346		

New Initiatives			
Total revenues	Total revenues	$70,599	$62,712

Revenue by geography is based on the billing address of the advertiser. Long-lived assets attributed to the U.S. and international geographies are based upon the country in which the asset is located or owned.

The following table sets forth revenue revenues for individual countries that were comprised 10% or more of total revenue (in thousands):

		Year Ended December 31,			
		Year Ended December 31,		Year Ended December 31,	
		2022	2021	2023	2022
Revenue	Revenue				
United States					
United States					
United States	United States	$ 43,151	$ 38,489		
United Kingdom	United Kingdom	15,795	13,473		
Rest of the world	Rest of the world	11,653	10,750		
Total revenues	Total revenues	$ 70,599	$ 62,712		

The following table sets forth long lived long-lived assets by geographic area (in thousands):

		December 31,		December 31,	
		2022	2021	2023	2022
United States	United States	$274	$409		
Rest of the world	Rest of the world	383	250		
Total long lived assets		$657	$659		
Total long-lived assets					

Note 13: Related Party Transactions

Ralph Bartel, who founded Travelzoo, and who is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro Capital Inc. ("Azzurro"). As of December 31, 2022, Azzurro. Azzurro is the Company's Company’s largest stockholder, shareholder, and together with Ralph Bartel, in his individual capacity (together, the "Azzurro Parties")as of December 31, 2023, hold holds approximately 50.3%40.2% of the Company's outstanding shares. Holger Bartel, the Company's Global Chief Executive Officer, CEO, is Ralph Bartel's brother and separately holds approximately 3.3% 3.8% of the Company's outstanding shares. shares as of December 31, 2023.

Stock Purchase Agreement between Travelzoo and Azzurro Capital Inc.

In connection with the development of Travelzoo META, on December 28, 2022, the Company acquired MTE, a wholly owned subsidiary of Azzurro, and also completed a private placement of newly issued shares. As of December 31, 2022, Azzurro and Ralph Bartel who founded the Company, is the sole beneficiary of the Ralph Bartel 2005 Trust, which is the controlling shareholder of Azzurro. Azzurro was the Company’s largest shareholder as of the time of this transaction and as of December 31, 2022 owned approximately 50.3% of the Company's Company’s outstanding shares. On December 28, 2022, the stockholders of Travelzoo approved the issuance and sale of 3.4 million shares of common stock (the “Shares”) of Travelzoo to Azzurro, in exchange for certain consideration, and on December 30, 2022 (the “Closing Date”), the transaction was consummated. The closing price of Travelzoo’s common stock on December 30, 2022 was $4.45 per share, resulting in an aggregate fair value $15.2 million. The Purchase Price was paid as follows: (a) $1.0 million in cash paid on the Closing Date; (b) $4.8 million paid See Note 3–*Acquisitions* in the form of a promissory note issued on the Closing Date and payable by June 30, 2023 with accrued interest of 12%; and (c) the transfer to the Company of all outstanding capital stock of Metaverse Travel Experiences, Inc. (“MTE”), which transfer was effected pursuant to a merger of MTE with a wholly-owned subsidiary of the Company on the Closing Date. The Company recorded the $4.8 million promissory note as Note receivable from shareholder in the stockholders' equity section on the consolidated balance sheet as of December 31, 2022. financial statements for further information.

Service Agreement with Metaverse Travel Experiences, Inc.

On March 1, 2022, Travelzoo (Asia) Limited, a Hong Kong limited company and wholly-owned subsidiary of the Company ("Travelzoo Asia"), entered in a four year Service Agreement (the "Service Agreement") with a wholly-owned subsidiary of Azzurro Capital Inc., Metaverse Travel Experiences, Inc. ("MTE"), MTE, formerly Azzurro Brands Inc. Azzurro Capital Inc. is the Company's largest shareholder. The Service Agreement was reviewed and unanimously authorized and approved by the Audit Committee of the Board of Directors, which is comprised solely of independent and disinterested directors. Pursuant to the Service Agreement, MTE will source curated Metaverse experiences in exchange for $25,000 per month, payable in advance each quarter. $250,000 was paid to MTE from Travelzoo (Asia) Limited in 2022 for Metaverse experiences which was expensed as Sales and marketing expenses in 2022. MTE is also entitled to receive commission equal to 25% of any subscription revenue generated by the Company. The Service Agreement is for a term of four (4) years but may be terminated for convenience after two (2) years. No commission was paid to MTE in 2022. Upon consummation of the Stock Purchase Agreement between the Company and Azzurro Capital Inc. as described above, the Service Agreement was terminated.

License Agreement with Azzurro Brands Inc. and subsequent Asset Purchase Agreement

On March 12, 2021, the Company, with the approval of the Audit Committee of the Board of Directors, which consists solely of independent directors, entered into a License Agreement (the "License Agreement") with Azzurro Brands Inc., a New York corporation ("Azzurro Brands") and wholly-owned subsidiary of Azzurro, Capital Inc., the Company's largest shareholder ("Azzurro"). shareholder. Pursuant to the terms of the License Agreement, the Company was granted the exclusive right and license to use a database of 2.2 million non-duplicated subscribers that Azzurro Brands purchased from a competitor of Travelzoo. The License Agreement requires that the Company pay a license fee of $413,000 per quarter with an initial payment of $894,000 due upon execution, which covers the period from execution until September 30, 2021. The License Agreement has a term of one (1) year with an automatic renewal, terminable by either party with sixty (60) days' written notice before the end of the term. The License Agreement contains customary representations and warranties. The payment of $894,000 was made in the first quarter of 2021 and recorded in sales and marketing expenses in 2021. The second payment of $701,000 was made in the second quarter of 2021 which covers the period from October 2021 through March 2022 and recorded in sales and marketing expenses and prepaid expenses and other. Travelzoo renewed the License Agreement in January 2022 for a license fee of $413,000 per quarter and made the payment of $800,000 to cover the period from April 2022 to September 2022 in the fourth quarter of 2021 and was recorded in Prepaid expenses-Related party, which totaled $1.15 million as of December 31, 2021.

On March 17, 2022, the Company, as Buyer, entered into an Asset Purchase Agreement (the "APA") with Metaverse Travel Experiences, Inc. f/k/a Azzurro Brands Inc. to purchase the database previously utilized by Travelzoo in accordance with the License Agreement. The purchase price for the transaction was $1.75 million, with $600,000 paid in cash upon closing in March 2022 and the remaining $1.15 million payable in the form of a credit with Seller relating to prepaid license fees, under the License Agreement. The remaining commitment of the Company under the License Agreement for the then-current remaining term (equal to $825,000) was eliminated.

Stock Option Agreement

In March 2022, the Compensation Committee of the Board of Directors granted Holger Bartel 600,000 stock options that vest through December 31, 2023. This grant was approved by the stockholders of the Company at the 2022 Annual Meeting of Stockholders. Holger Bartel is the brother of Ralph Bartel and is our Global Chief Executive Officer. See Note 10 above for further information.

Profits from Sale and Purchase of Travelzoo Common Stock within Six Month Period

Holger Bartel completed sales and purchases of 25,000 shares of Travelzoo common stock within a six month period ended July 29, 2022. Per Section 16(b) of Securities and Exchange Act, he agreed to immediately remit to the Company $46,000 in profits gained from these transactions in 2022.

Stock Repurchase Agreement

On May 23, 2023, Travelzoo from time to time, engages was named as a nominal defendant in share repurchases, a complaint for recovery of short swing profits filed in the Southern District of New York under Section 16(b) of the Securities Exchange Act, by Dennis J. Donoghue and on March 27, 2021, the Company entered into a Stock Repurchase Agreement (the "SRA") with Holger Mark Rubenstein, against Ralph Bartel, the Company's Global Chief Executive Officer, to repurchase an aggregate Ralph Bartel 2005 Trust and Azzurro Capital Inc. This case is ongoing but as Travelzoo is a nominal defendant, it did not accrue any expense as of 100,000 shares of the Company's common stock at a price of $15.83 per share. The SRA provides that the purchase price is based on the 10-day volume weighted average price calculated using the VWAP function on Bloomberg, from the dates of March 15, 2021 through and including March 26, 2021, less a 5% discount. The aggregate purchase price of $1.6 million was paid on the first business day following the execution of the SRA and recorded as part of treasury stock as of December 31, 2021. Prior to the execution of the SRA and because Mr. Bartel is an executive officer of the Company, the Company's Board of Directors and Audit Committee of the Board of Directors delegated to its Compensation Committee, which consists of independent and disinterested directors, the exclusive power and authority to determine whether any potential transaction to acquire shares from Mr. Bartel was advisable, fair to and in the best interests of the Company and its stockholders, other than Mr. Bartel. In connection with its determination, the Compensation Committee engaged independent legal counsel and an independent financial advisor and unanimously approved the SRA. The SRA contains customary terms for transactions of this type, including, but not limited to, representations and warranties made by the Company and Mr. Bartel. December 31, 2023.

Note 14: Leases

The Company has operating leases for real estate and certain equipment. The Company leases office space in Canada, France, Germany, Spain, the U.K. and the U.S. under operating leases. Our leases have remaining lease terms ranging from less than one year to up to eight seven years. Certain leases include one or more options to renew. In addition, we sublease certain real estate to a third party. All of our leases qualify as operating leases.

The following table summarizes the components of lease expense for the year years ended December 31, 2022 December 31, 2023 and 2021 2022 (in thousands):

	Year Ended December 31,	
	2022	2021

		Year Ended December 31,		Year Ended December 31,	
		2023		2023	2022
Operating lease cost	Operating lease cost	$ 2,316	$ 3,270		
Short-term lease cost	Short-term lease cost	—	12		
Variable lease cost	Variable lease cost	683	992		
Sublease income	Sublease income	(353)	(359)		
Total lease cost	Total lease cost	$ 2,646	$ 3,915		

For the year ended December 31, 2022 and 2021, cash

Cash payments against the operating lease liabilities totaled $3.2 million for each of the years ended December 31, 2023 and $4.3 million, respectively. 2022. ROU assets obtained in exchange for lease obligations was $1.7 million $602,000 and $1.8 million $1.7 million for the year ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

The following table summarizes the presentation in our consolidated balance sheet sheets of our operating leases (in thousands):

		December 31,			
		2022	2021		
		December 31,		December 31,	
		2023		2023	2022
Assets:	Assets:				
	Operating lease right-of-use assets	$ 7,440	$ 7,700		
	Operating lease right-of-use assets				
	Operating lease right-of-use assets				
	Operating lease right-of-use assets				
Liabilities:	Liabilities:				
Liabilities:					
Liabilities:					
	Operating lease liabilities				
	Operating lease liabilities				
	Operating lease liabilities				
	Long-term operating lease liabilities				
	Total operating lease liabilities				
	Operating lease liabilities	$ 2,972	$ 3,180		

Long-term operating lease liabilities		8,326	9,111		
Total operating lease liabilities		$ 11,298	$ 12,291		
Weighted average remaining lease term (years)					
Weighted average remaining lease term (years)					
Weighted average remaining lease term (years)	Weighted average remaining lease term (years)	5.87	6.68	5.26	5.87
Weighted average discount rate	Weighted average discount rate	4.3 %	3.4 %	Weighted average discount rate 4.3 %	4.3 %

Maturities of remaining lease liabilities at December 31, 2023 were as follows (in thousands):

Years ending December 31,	Years ending December 31,		
2023		$	3,028
2024			
2024			
2024	2024		2,130
2025	2025		1,350
2026	2026		1,350
2027	2027		1,350
2028			
Thereafter	Thereafter		2,925
Total lease payments	Total lease payments		12,133
Less interest	Less interest		(835)
Present value of operating lease liabilities	Present value of operating lease liabilities	$	11,298

Note 15: Discontinued Operations

On March 10, 2020, Travelzoo issued a press release announcing that it will exit its loss-making business in Asia Pacific. The decision supports the Company's strategy to focus on value creation for shareholders by focusing on growing the businesses in North America and Europe, where the Company continues to see strong interest from our members in travel deals. Europe.

The Asia Pacific business shut down and ceased operations as of March 31, 2020, except for the Company's Japan and Singapore units, which were held for sale. The Company considers this decision to be a strategic shift in its strategy which will have a major effect on its operations. The Company has classified Asia Pacific as discontinued operations at March 31, 2020. Prior periods have been reclassified to conform with the current presentation. The following table provides a summary of amounts included in discontinued operations for the year years ended December 31, 2022 December 31, 2023 and 2021 2022 (in thousands):

		Year Ended December 31,		Year Ended December 31,	
		2022	**2021**	**2023**	**2022**
Revenues	Revenues	$ —	$ —		
Cost of revenues	Cost of revenues	—	—		
Gross profit	Gross profit	—	—		
Operating expenses:	Operating expenses:				
Operating expenses:					
Operating expenses:					
Sales and marketing					

Sales and marketing			
Sales and marketing	Sales and marketing	—	—
Product development	Product development	—	—
General and administrative	General and administrative	—	8
Total operating expenses	Total operating expenses	—	8
Loss from operations	Loss from operations	—	(8)
Other income (loss), net	Other income (loss), net	(35)	(5)
Loss before income taxes		(35)	(13)
Income (loss) before income taxes			
Income tax expense	Income tax expense	24	—
Net loss from discontinued operations		$(59)	$(13)
Net income (loss) from discontinued operations			

On June 16, 2020, in connection with its Asia Pacific exit plan, the Company completed a sale of 100% of the outstanding capital stock of Travelzoo Japan to the Japan Buyer Mr. Hajime Suzuki (the "Japan Buyer") for consideration of 1 Japanese Yen. The Company recognized a pre-tax loss of $128,000. The parties also entered into a License Agreement, whereby the Travelzoo Japan obtained a license rights to use the intellectual property of Travelzoo exclusively in Japan in exchange for quarterly royalty payments based on revenue over a 5-year term, with an option to renew. An interest free loan was provided to the Japan Buyer licensee for JPY 46.0 million (approximately $430,000) to be , of which $133,000 was repaid over 3 years. The Japan Buyer repaid $133,000 in 2021 and the remaining will be paid off repaid in 2023. The Company did not receive any royalties from Travelzoo Japan for the year ended December 31, 2022. The Company records royalties for its licensing arrangements on a one-quarter lag basis. The Company recognized royalties of $9,000 $36,000 and $0 for its licensing arrangements from Travelzoo the licensee in Japan for the year years ended December 31, 2021. December 31, 2023 and 2022.

On August 24, 2020, the Company completed a sale of 100% of the outstanding capital stock of Travelzoo Singapore, to an unaffiliated entity, Finest Hotels Pty Ltd d/b/a Travelzoo ("AUS Buyer, Buyer"), which is fully owned by Mr. Julian Rembrandt, the Company's former General Manager of South East Southeast Asia and Australia of the Company for consideration of 1 Singapore Dollar. The parties also entered into a License Agreement, whereby the AUS Buyer obtained obtained a license to use the intellectual property of Travelzoo exclusively in Australia, New Zealand and Singapore and non-exclusively in China and Hong Kong for quarterly royalty payments based upon revenue over a 5-year term, with an option to renew. Travelzoo The non-exclusive license in China and Hong Kong was not able to estimate whether the AUS Buyer will generate revenues based on the current uncertainties, and no amount has been recorded for future royalties under this agreement. The Company records royalties for its licensing arrangements on a one-quarter lag basis. The Company records royalties for its licensing arrangements on a one-quarter lag basis. terminated by Travelzoo. The Company recognized royalties of $25,000 $35,000 and $3,000 $25,000 for its licensing arrangements from AUS Buyer for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

The following table presents information related to the major classes of assets and liabilities that were classified as assets and liabilities from discontinued operations in the Consolidated Balance Sheets (in thousands):

	December 31, 2023	December 31, 2023	December 31, 2022
ASSETS			
Cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash			

		December 31, 2022	December 31, 2021
ASSETS			

Cash, cash equivalents and restricted cash		$	10	$	32
Prepaid expenses and other					
Prepaid expenses and other					
Prepaid expenses and other	Prepaid expenses and other		1		39
Total assets from discontinued operations	Total assets from discontinued operations	$	11	$	71
Total assets from discontinued operations					
Total assets from discontinued operations					
LIABILITIES	**LIABILITIES**				
Accounts payable					
Accounts payable					
Accounts payable	Accounts payable	$	403	$	473
Accrued expenses and other	Accrued expenses and other		13		—
Income tax payable	Income tax payable		24		—
Deferred revenue	Deferred revenue		12		12
Total liabilities from discontinued operations	Total liabilities from discontinued operations	$	452	$	485

The net Net cash used in operating activities and investing activities for the discontinued operations for the for the year years ended December 31, 2022 December 31, 2023 and 2021, were 2022 are as follows (in thousands):

	Year Ended December 31,			
	2022		2021	
Net cash used in operating activities	$	(21)	$	(114)

	Year Ended December 31,			
	2023		2022	
Net cash used in operating activities	$	(9)	$	(21)

Note 16: Non-Controlling Interest

The Company's consolidated financial statements include Jack's Flight Club, where which the Company has operating control over but owns a 60% of the equity interest. interest in.

The non-controlling Non-controlling interest for the year years ended December 31, 2022 December 31, 2023 and 2021 2022 was as follow follows (in thousands):

Non-controlling interest—January 1, 2021 2022	$	4,609
Net loss attributable to non-controlling interest		(9)
Non-controlling interest—December 31, 2021		4,600
Net loss attributable to non-controlling interest		(5)
Non-controlling interest—December 31, 2022		4,595
Net loss attributable to non-controlling interest		102
Non-controlling interest—December 31, 2023	$	4,595 4,697

Note 17: Restatement of previously issued financial statements.

The Company restated its previously issued Consolidated Financial Statements as of and for the year ended December 31, 2022. In connection with the preparation of our second quarter 2023 condensed consolidated financial statements, Travelzoo realized that the non-controlling interest (NCI) classification during the first quarter of 2022, the second quarter of 2022, the third quarter of 2022, the year ended December 31, 2022 and the first quarter of 2023 had not been correctly updated. When the put/call option in the Company's stock purchase agreement with JFC Travel Group Co. expired in January 2022, the Company did not reclassify the NCI from temporary equity to permanent equity. The reclassification of NCI from temporary equity to permanent equity reduced temporary equity and increased permanent equity by $4.6 million but did not have any impact on the Company's previously reported total assets, total liabilities and stockholders' equity (deficit), results of operations or cash flows.

The impacts from the restatement as of and for the year ended December 31, 2022 are as follows (in thousands):

Consolidated Balance Sheet:

	December 31, 2022		
	As Reported	Adjustments	As Restated
Non-controlling interest	$ 4,595	$ (4,595)	$ —
Stockholders' equity:			
Total Travelzoo stockholders' equity	4,256	—	4,256
Non-controlling interest	—	4,595	4,595
Total stockholders' equity	$ 4,256	$ 4,595	$ 8,851

Consolidated Statement of Stockholders' Equity:

	December 31, 2022		
	As Reported	Adjustments	As Restated
Total Travelzoo stockholders' equity	$ 4,256	$ —	$ 4,256
Non-controlling interest	—	4,595	4,595
Total stockholders' equity	$ 4,256	$ 4,595	$ 8,851

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to mean controls and other procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

At the end of the period covered by this Annual Report on Form 10-K an evaluation was carried out under the supervision of and with the participation of our management, including the Chief Executive Officer (CEO) and Chief Financial Principal Accounting Officer (CFO) (PAO), of the effectiveness of the design and operations of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on this evaluation, our CEO and CFO PAO concluded that certain of our disclosure controls and procedures were not effective as of December 31, 2022 December 31, 2023, related to financial reporting and disclosure of non-routine, non-recurring, unusual and complex transactions, as further described below.

However, after giving full consideration to the material weakness, management believes that our consolidated financial statements included in this Annual Report on Form 10-K have been prepared in accordance with US GAAP. Our CEO and CFO PAO have certified that, based on such officer's knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report.

Material Weakness

We have identified a material weakness in our internal control over financial reporting related to having sufficient resources for the accounting for certain non-routine, non-recurring, unusual or complex transactions within our financial statement closing and reporting process. Specifically, the Company did not have internal financial staff with sufficient specific expertise to ensure complete and timely financial reporting and disclosures related to technical and complex accounting transactions.

Remediation Plan

To remediate aWe have made progress towards remediation and continue to implement our remediation plan for the material weakness in our internal controls control over financial reporting described above. Specifically, we realigned certain of our personnel (including recruiting for additional headcount in case of any future Finance), improved reporting processes, and designed and implemented new controls in preparation for the next non-routine, non-recurring, unusual and or complex transactions, we have decided to take the following planned measures:

- transaction. Engage We will engage sufficient outside subject matter experts and specialists to ensure the complete and timely accounting and financial reporting for certain non-routine, unusual or complex transactions and technical matters, where appropriate. In some cases, multiple experts may be required.

- Maintain adequate We are committed to maintaining a strong internal qualified personnel control environment and implementing measures designed to properly supervise and review the information provided by outside subject matter experts and specialists.

We cannot assure you help ensure that these planned measures will be sufficient control deficiencies contributing to remediate the material weakness or to avoid potential future are remediated as soon as possible. We will consider the material weaknesses. We are unable to predict weakness remediated after the time when we will again have applicable controls operate for a non-routine, non-recurring, unusual and complex transaction.

The effectiveness sufficient period of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but there can be no assurance that such improvements will be sufficient.

time.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2022 December 31, 2023, there were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022 December 31, 2023, the end of our fiscal year. Management based its assessment on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management has concluded that our internal control over financial reporting was not effective as of December 31, 2022 December 31, 2023 for the reasons discussed above.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm on our internal control over financial reporting because we are a smaller reporting company and are not subject to auditor attestation requirements under applicable SEC rules.

/s/ HOLGER BARTEL
Holger Bartel
Global Chief Executive Officer

/s/ WAYNE LEE LIJUN QI
Wayne Lee Lijun Qi
Chief Financial Principal Accounting Officer

March 31, 2023 22, 2024

Item 9B. *Other Information*

Not applicable.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information required by this item is incorporated by reference to Travelzoo's definitive Proxy Statement for the 2023 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of Travelzoo's fiscal year ended December 31, 2022 December 31, 2023 and is incorporated herein by reference.

Item 11. ***Executive Compensation***

Information regarding executive compensation and compensation committee interlocks is incorporated by reference to the information in the definitive Proxy Statement relating to our 2023 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023, which is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information regarding security ownership of certain beneficial owners and management and related stockholder matters is incorporated by reference to the information in the definitive Proxy Statement relating to our 2023 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023, which is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information regarding certain relationships and related transactions, and director independence is incorporated by reference to the information set forth in the definitive Proxy Statement relating to our 2023 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023, which is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

Information regarding principal accountant fees and services is set forth in the definitive Proxy Statement relating to our 2023 2024 Annual Meeting of Stockholders, which is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

The following documents are filed as part of this report:

(1) Our Consolidated Financial Statements are included in Part II, Item 8:

(2) Supplementary Consolidated Financial Statement Schedules:

All schedules are omitted because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits:

See attached Exhibit Index

EXHIBIT INDEX

Exhibit Number		Description
3.1	—	Certificate of Incorporation of Travelzoo (Incorporated by reference to our Pre-Effective Amendment No. 6 to our Registration Statement on Form S-4 (File No. 333-55026), filed February 14, 2002).
3.2	—	Certificate of Amendment of Certificate Incorporation of Travelzoo (File No. 000-50171), filed May 10, 2017)
3.3	—	Certificate of Amendment of Certificate of Incorporation of Travelzoo (Incorporated by reference to our Schedule 14A (File No. 000-50171), filed April 1, 2019)
3.4	—	Amended and Restated By-laws of Travelzoo (Incorporated by reference to Exhibit 3.5 on Form 8-K (File No. 000-50171), filed April 5, 2022).
4.1*	—	Description of the Company's Common and Preferred Stock (Incorporated by reference to Exhibit 4.1 on Form 10-K (File No. 000-50171), filed March 31, 2021)
10.1	—	Form of Director and Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.1 on Form 10-Q (File No. 000-50171), filed November 9, 2007)
10.2	—	Stock Repurchase Agreement, dated March 27, 2021, between Travelzoo and Holger Bartel (Incorporated by reference to Exhibit 10.11 on Form 10-K (File No. 000-50171), filed March 31, 2021)
21.1‡	—	Subsidiaries of Travelzoo
23.1‡	—	Consent of KPMG LLP, Independent Registered Public Accounting Firm
23.2‡	—	Consent of RSM US LLP, Independent Registered Public Accounting Firm
24.1‡	—	Power of Attorney (included on signature page)
31.1‡	—	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2‡	—	Certification of Chief Financial Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	—	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	—	Certification of Chief Financial Principal Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

97†	—	Travelzoo Clawback Policy, dated October 10, 2022
101.INS‡	—	XBRL Instance Document
101.SCH‡	—	XBRL Taxonomy Extension Schema Document
101.CAL‡	—	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF‡	—	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB‡	—	XBRL Taxonomy Extension Label Linkbase Document
101.PRE‡	—	XBRL Taxonomy Extension Presentation Linkbase Document

* This exhibit is a management contract or a compensatory plan or arrangement.

‡ Filed herewith

† Furnished herewith

Item 16. *Form 10-K Summary*

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRAVELZOO

By:	/s/ WAYNE LEE LIJUN QI
	Wayne Lee Lijun Qi
	Chief Financial Principal Accounting Officer

Date: March 31, 2023 March 22, 2024

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Wayne Lee Lijun Qi as his or her attorney-in-fact, with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Form 10-K, with all exhibits and any and all documents required to be filed with respect thereto, with the Securities and Exchange Commission or any regulatory authority, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in order to effectuate the same as fully to all intents and purposes as he or she might or could do if personally present, hereby ratifying and confirming all that such attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title(s)	Date
/s/ CHRISTINA SINDONI CIOCCA Christina Sindoni Ciocca	Chair of the Board of Directors	March 31, 2023 22, 2024
/s/ HOLGER BARTEL Holger Bartel	Global Chief Executive Officer	March 31, 2023 22, 2024
/s/ WAYNE LEE LIJUN QI Wayne Lee Lijun Qi	Chief Financial Principal Accounting Officer	March 31, 2023 22, 2024
/s/ VOLODYMYR CHEREVKO Volodymyr Cherevko	Director	March 31, 2023 22, 2024
/s/ MICHAEL KARG Michael Karg	Director	March 31, 2023 22, 2024
/s/ CARRIE LIQUN LIU Carrie Liqun Liu	Director	March 31, 2023 22, 2024

89 85

EXHIBIT 21.1

SUBSIDIARIES OF TRAVELZOO

Subsidiaries	**Jurisdiction**
Beijing Travelzoo Travel Information Technology Limited	China
JFC Travel Group Co. (60%)	Delaware
Flights Explorer UK Ltd (100% owned by JFC Travel Group Co.)	United Kingdom
Travelzoo (Asia) Limited	Hong Kong
Travelzoo (Canada) Inc.	Canada
Travelzoo (China) Limited	Hong Kong
Travelzoo (Europe) Limited, with branches in France, Spain, and Germany	United Kingdom
Travelzoo (Shanghai) Media Co. Ltd.	China
Travelzoo (USA) Inc. (f/k/a Travelzoo Local Inc.)	Delaware
Metaverse Travel Experiences, LLC	Delaware
Travelzoo Meta LTD	United Kingdom

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements on Form S-3 (No. 333-269563) and on Form S-8 (Nos. 333-116093, No. 333-173175, No. 333-182934, No. 333-201332, No. 333-231651 and 333-248503) of our report dated March 22, 2024, with respect to the consolidated financial statements of Travelzoo.

/s/ KPMG LLP

New York, New York
March 22, 2024

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-121076, No. 333-119700, No. 333-107304 and No. 333-269563) and on Form S-8 (No. 333-116093, No. 333-173175, No. 333-182934, No. 333-201332, No. 333-231651 and No. 333-248503) of Travelzoo of our report dated March 31, 2023, except for the restatement described in Note 17 as to which the date is August 14, 2023, relating to the consolidated financial statements of Travelzoo, appearing in this Annual Report on Form 10-K of Travelzoo for the year ended December 31, 2022 December 31, 2023.

As discussed in Note 12 to the consolidated financial statements, the 2022 financial statements have been restated due to a change in reportable segments. We have not audited the adjustments to the 2022 financial statements to retrospectively present the change in reportable segments, as described in Note 12.

/s/ RSM US LLP

San Jose, California
March 31, 2023 22, 2024

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Holger Bartel, certify that:

1. I have reviewed this annual report on Form 10-K of Travelzoo;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ HOLGER BARTEL

Holger Bartel

Global Chief Executive Officer

Date: March 31, 2023 March 22, 2024

le="bottom:0;position:absolute;width:100%">

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wayne Lee, Lijun Qi, certify that:

1. I have reviewed this annual report on Form 10-K of Travelzoo;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ WAYNE LEE LIJUN QI

Wayne Lee Lijun Qi

Chief Financial Principal Accounting Officer

Date: March 31, 2023 March 22, 2024

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K (the “Report”) of Travelzoo for the period ended December 31, 2022 December 31, 2023, the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that (1) this Report complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date:	March 31, 2023 22, 2024	By:	/s/ HOLGER BARTEL
			Holger Bartel
			Global Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of this Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K (the "Report") of Travelzoo for the period ended December 31, 2022 December 31, 2023, the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that (1) this Report complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date:	March 31, 2023 22, 2024	By:	/s/ WAYNE LEE LIJUN QI
			Wayne Lee Lijun Qi
			Chief Financial Principal Accounting Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of this Report or as a separate disclosure document.

EXHIBIT 97

TRAVELZOO

CLAWBACK POLICY

If the Board of Directors (the "Board") determines that a Senior Executive (as defined below) has engaged in fraud or willful misconduct that caused or otherwise contributed to the need for a material restatement of the Company's financial results, the Board will review all performance-based compensation awarded to or earned by that Senior Executive on the basis of performance during fiscal periods materially affected by the restatement. This would include annual cash incentive/bonus awards and all forms of equity-based compensation. If, in the Board's view, the performance-based compensation would have been lower if it had been based on the restated results, the Board will, to the extent permitted by applicable law, seek recoupment from that Senior Executive of any portion of such performance-based compensation as it deems appropriate after a review of all relevant facts and circumstances.

Generally, this review would include consideration of:

- the Board's view of what performance-based compensation would have been awarded to or earned by the Senior Executive had the financial statements been properly reported;
- the nature of the events that led to the restatement;
- the conduct of the Senior Executive in connection with the events that led to the restatement;
- whether the assertion of a claim against the Senior Executive could prejudice Travelzoo's overall interests and whether other penalties or punishments are being imposed on the Senior Executive, including by third parties such as regulators or other authorities; and
- any other facts and circumstances that the Board deems relevant.

Any recoupment under this Policy may be in addition to any other remedies that may be available to the Company under applicable law, including disciplinary actions up to and including termination of employment.

For purposes of this Policy, “Senior Executives” means Travelzoo’s executive officers (as defined under the Securities and Exchange Act of 1934, as amended), Travelzoo’s other principal corporate officers (as elected by the Board) and other key employees who are designated from time to time by the Board. Nothing contained in this Policy will limit the Company’s ability to seek recoupment, in appropriate circumstances (including circumstances beyond the scope of this Policy) and as permitted by applicable law, of any amounts from any employee, whether or not the employee is a Senior Executive.

The Board may delegate one or more of the duties or powers described in this Policy to one or more Committees of the Board consisting solely of independent directors.

As adopted by the Board of Directors of the Company on October 10, 2022

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.