

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

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 10022  
New York, New York

(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

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  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 during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition 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 revisited financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of Travelzoo common stock outstanding as of May 7, 2024 was 13,097,998.

TRAVELZOO

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**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

	March 31, 2024	December 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,190	\$ 15,713
Accounts receivable, less allowance for doubtful accounts of \$1,490 and \$1,484 as of March 31, 2024 and December 31, 2023, respectively	13,151	12,965
Prepaid income taxes	566	629
Prepaid expenses and other	1,681	1,460
Assets from discontinued operations	—	1
Total current assets	31,588	30,768
Deposits and other	225	1,115
Deferred tax assets	3,107	3,196
Restricted cash	675	675
Operating lease right-of-use assets	5,892	6,015
Property and equipment, net	532	578
Intangible assets, net	1,773	2,091
Goodwill	10,944	10,944
Total assets	<u>\$ 54,736</u>	<u>\$ 55,382</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 5,514	\$ 4,546
Merchant payables	17,827	20,622
Accrued expenses and other	3,634	3,658
Deferred revenue	3,247	2,044
Income tax payable	805	766
Operating lease liabilities	2,463	2,530
Liabilities from discontinued operations	24	24
Total current liabilities	33,514	34,190
Long-term tax liabilities	5,596	4,681
Long-term operating lease liabilities	6,458	6,717
Other long-term liabilities	376	911
Total liabilities	<u>45,944</u>	<u>46,499</u>
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock, \$0.01 par value (20,000 shares authorized; 13,202 shares issued and outstanding as of March 31, 2024, 13,575 shares issued and outstanding as of December 31, 2023)	132	136
Additional paid in capital	—	439
Tax indemnification	(9,537)	(9,537)
Note receivable from shareholder	(1,753)	(1,753)
Retained earnings	20,125	19,508
Accumulated other comprehensive loss	(4,861)	(4,607)
Total Travelzoo stockholders' equity	4,106	4,186
Non-controlling interest	4,686	4,697
Total stockholders' equity	<u>8,792</u>	<u>8,883</u>
Total liabilities and stockholders' equity	<u>\$ 54,736</u>	<u>\$ 55,382</u>

See accompanying notes to unaudited condensed financial statements.

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

	Three Months Ended	
	March 31,	
	2024	2023
Revenues	\$ 21,985	\$ 21,601
Cost of revenues	2,640	2,691
Gross profit	19,345	18,910
Operating expenses:		
Sales and marketing	8,598	9,296
Product development	566	490
General and administrative	4,590	4,413
Total operating expenses	13,754	14,199
Operating income	5,591	4,711
Other income, net	139	350
Income from continuing operations before income taxes	5,730	5,061
Income tax expense	1,505	1,378
Income from continuing operations	4,225	3,683
Loss from discontinued operations, net of taxes	—	(2)
Net income	4,225	3,681
Net income (loss) attributable to non-controlling interest	(11)	8
Net income attributable to Travelzoo	<u>\$ 4,236</u>	<u>\$ 3,673</u>
Net income attributable to Travelzoo—continuing operations	\$ 4,236	\$ 3,675
Net loss attributable to Travelzoo—discontinued operations	\$ —	\$ (2)
Income per share—basic		
Continuing operations	\$ 0.31	\$ 0.23
Discontinued operations	\$ —	\$ —
Net income per share —basic	\$ 0.31	\$ 0.23
Income per share—diluted		
Continuing operations	\$ 0.31	\$ 0.23
Discontinued operations	\$ —	\$ —
Income per share—diluted	\$ 0.31	\$ 0.23
Shares used in per share calculation from continuing operations—basic	13,489	15,697
Shares used in per share calculation from discontinued operations—basic	13,489	15,697
Shares used in per share calculation from continuing operations—diluted	13,625	15,779
Shares used in per share calculation from discontinued operations—diluted	13,625	15,779

See accompanying notes to unaudited condensed consolidated financial statements.

**TRAVELZOO**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**  
**(In thousands)**

	Three Months Ended	
	March 31,	
	2024	2023
Net income	\$ 4,225	\$ 3,681
Other comprehensive income (loss):		
Foreign currency translation adjustment	(254)	80
Total comprehensive income	<u><u>\$ 3,971</u></u>	<u><u>\$ 3,761</u></u>

See accompanying notes to unaudited condensed financial statements.

**TRAVELZOO**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(In thousands)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 4,225	\$ 3,681
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	383	478
Stock-based compensation	95	396
Deferred income tax	(15)	(68)
Net foreign currency effect	3	3
Net recoveries of accounts receivable and refund reserves	(33)	(712)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(235)	372
Prepaid income taxes	63	407
Prepaid expenses and other	582	160
Accounts payable	1,008	(1,321)
Merchant payables	(2,678)	(4,591)
Accrued expenses and other	(239)	13
Deferred revenue	1,211	898
Income tax payable	54	—
Other liabilities, net	197	819
Net cash provided by operating activities	<u>4,621</u>	<u>535</u>
<b>Cash flows from investing activities:</b>		
Proceeds from repayment of note receivable	—	39
Purchases of property and equipment	(35)	(111)
Net cash used in investing activities	<u>(35)</u>	<u>(72)</u>
<b>Cash flows from financing activities:</b>		
Repurchase of common stock	(3,872)	(186)
Net cash used in financing activities	(3,872)	(186)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(238)	171
Net increase in cash, cash equivalents and restricted cash	476	448
Cash, cash equivalents and restricted cash at beginning of period	16,389	19,378
Cash, cash equivalents and restricted cash at end of period	<u>\$ 16,865</u>	<u>\$ 19,826</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for income taxes, net	\$ 548	\$ 74
Right-of-use assets obtained in exchange for lease obligations—operating leases	\$ 235	\$ —
Cash paid for amounts included in the measurement of lease liabilities	\$ 857	\$ 860
<b>Non-cash investing and financing activities:</b>		
Accrued excise tax for share repurchases	\$ 36	\$ —
Accrued tax withholding related to option exercise	\$ 249	\$ —

See accompanying notes to unaudited condensed consolidated financial statements.

**TRAVELZOO**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(In thousands)**

	Common Stock		Additional			Note Receivable	Accumulated		Total		
	Treasury Shares	Stock Amount	Treasury Stock	Paid-In Capital	Tax Indemnification		Retained Earnings	Other Comprehensive Loss	Travelzoo Stockholders' Equity	Non- controlling interest	Total Stockholders' Equity
Balances, December 31, 2023	13,575	\$ 136	\$ —	\$ 439	\$ (9,537)	\$ (1,753)	\$ 19,508	\$ (4,607)	\$ 4,186	\$ 4,697	\$ 8,883
Stock-based compensation expense	—	—	—	95	—	—	—	—	95	—	95
Repurchase of common stock (1)	—	—	(3,908)	—	—	—	—	—	(3,908)	—	(3,908)
Retirement of treasury stock	(400)	(4)	3,908	(285)	—	—	(3,619)	—	—	—	—
Exercise of stock options and taxes paid for net share settlement	27	—	—	(249)	—	—	—	—	(249)	—	(249)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(254)	(254)	—	(254)
Net income	—	—	—	—	—	—	4,236	—	4,236	(11)	4,225
Balances, March 31, 2024	13,202	\$ 132	\$ —	\$ —	\$ (9,537)	\$ (1,753)	\$ 20,125	\$ (4,861)	\$ 4,106	\$ 4,686	\$ 8,792

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

	Common Stock		Additional			Note Receivable	Accumulated		Total		
	Treasury Shares	Stock Amount	Treasury Stock	Paid-In Capital	Tax Indemnification		Retained Earnings	Other Comprehensive Loss	Travelzoo Stockholders' Equity	Non- controlling interest	Total Stockholders' Equity
Balances, December 31, 2022	16,505	\$ 165	\$ (7,130)	\$ 23,274	\$ (9,537)	\$ (4,753)	\$ 7,142	\$ (4,905)	\$ 4,256	\$ 4,595	\$ 8,851
Stock-based compensation expense	—	—	—	396	—	—	—	—	396	—	396
Repurchase of common stock	—	—	(186)	—	—	—	—	—	(186)	—	(186)
Foreign currency translation adjustment	—	—	—	—	—	—	80	80	—	—	80
Net income	—	—	—	—	—	—	3,673	—	3,673	8	3,681
Balances, March 31, 2023	16,505	\$ 165	\$ (7,316)	\$ 23,670	\$ (9,537)	\$ (4,753)	\$ 10,815	\$ (4,825)	\$ 8,219	\$ 4,603	\$ 12,822

See accompanying notes to unaudited condensed consolidated financial statements.

**TRAVELZOO**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1: Summary of Significant Accounting Policies**

**(a) The Company and Basis of Presentation**

Travelzoo (including its subsidiaries and affiliates, the "Company" or "we") is a global Internet media company. It operates Travelzoo®, the club for travel enthusiasts, and Jack's Flight Club®, a subscription service that provides information about exceptional airfares. Travelzoo has more than 30 million members.

Through its websites, e-mails newsletters, iOS and Android apps, and social media channels, Travelzoo provides members information and access to exclusive discounted travel, entertainment, and local offers and experiences. Offers are researched, negotiated, and personally selected by Travelzoo's deal experts around the globe. Offers are sourced from more than 5,000 top travel and entertainment partners.

The Company generates revenues from advertising, membership fees, and other.

In March 2022, the Company began the development of Travelzoo META, a subscription service that is intended to provide Metaverse travel experiences.

**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.

Travelzoo currently has license agreements covering Australia, Japan, New Zealand, Singapore, and South Korea. The license agreements the licensees exclusive rights to use Travelzoo products, services and intellectual property quarterly royalty payments based upon net revenue over a 5 year term, with an option to renew.

**Ownership**

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 Capital Inc. is the Company's largest shareholder, and as of March 31, 2024, holds approximately 39.6% of the Company's outstanding shares. Holger Bartel, the Company's Global CEO, is Ralph Bartel's brother and separately holds 3.9% of the Company's outstanding shares as of March 31, 2024.

**Financial Statements**

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial position of the Company and its results of operations and cash flows. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes as of and for the year ended December 31, 2023, included in the Company's Form 10-K filed with the SEC on March 22, 2024.

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The financial results of Jack's Flight Club have been included in our condensed consolidated financial statements from the date of acquisition. Investments in entities where the Company does not have control, but does have significant influence, are accounted for as equity method investments. We have reclassified prior period financial statements to conform to the current period presentation.

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 accounting principles generally accepted in the U.S. 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 and related impairment assessment, relating to the projections and assumptions used. Actual results could differ materially from those estimates. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or any other future period, and the Company makes no representations related thereto.

**(b) Recent Accounting Pronouncements**

In November 2023, the Financial Standards Accounting Board (FASB) issued Accounting Standards Update (ASU) 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the potential effect that the updated standard will have on our financial 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.

**(c) Significant Accounting Policies**

Below is a summary of the Company's significant accounting policies. For a comprehensive description of our accounting policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2023.

**Revenue Recognition**

The Company follows Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (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 consist of (1) advertising revenues and commissions, derived from and generated in connection with purchases made by Travelzoo members, (2) membership fees and (3) other.

**Advertising Revenues**

Advertising revenues are generated from the publishing of travel and entertainment deals on the *Travelzoo* website, in *Top 20* email newsletters, in *Standalone* email newsletters and through the *Travelzoo Network*. The Company also generates transaction-based commission revenues from the sale of vouchers (our *Local Deals* and *Getaways* offerings), operation of our hotel booking platform and limited offerings of vacation packages.

Specifically, for fixed-fee website advertising, the Company recognizes revenues ratably over the contracted placement period. For *Top 20* email newsletters and other email products, the Company recognizes revenues when the emails are delivered to its members. For cost-per-click advertising, whereby an advertiser pays the Company when a user clicks on an ad (typically served on Travelzoo properties or *Travelzoo Network* partner properties), the Company recognizes revenues each time a user clicks on the ad.

The Company also offers clients other advertising models whereby an advertiser pays the Company based on the number of times their advertisement is displayed (whether on Travelzoo properties, email advertisements, *Travelzoo Network* properties, social platforms or other media properties). For these instances, the Company recognizes revenues each time an ad is displayed.

For transaction-based advertising revenues, including from products such as *Local Deals* and *Getaways* prepaid voucher sales, hotel platform bookings and vacation package sales, the Company evaluates whether it is acting as principal (thereby reporting revenue on a gross basis) versus agent (thereby reporting revenue on a net basis). Accordingly, the Company reports transaction-based advertising revenues on a net basis, as third-party suppliers are primarily responsible for fulfilling the underlying good or service, which the Company does not control prior to its transfer to the customer.

For *Local Deals* and *Getaways* prepaid voucher sales, the Company earns a fee for acting as an agent on the sale, while vouchers can subsequently be redeemed for goods or services with third-party merchants. Commission revenues are, accordingly, presented net of amounts due to third-party merchants for fulfilling the underlying goods and services, and net of estimated future refunds to consumers, as the terms of the 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.

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

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

#### **Membership Fee Revenues**

Membership fee revenues are generated from subscription fees paid by Travelzoo, Jack's Flight Club and Travelzoo META members. We recognize subscription revenues ratably over the subscription periods.

Travelzoo membership has historically been free, however, on January 1, 2024, Travelzoo introduced an annual membership fee of \$ 40 (or local equivalent) for new members in the United States, Canada, United Kingdom and Germany, with the 2024 annual fee waived for existing members as of December 31, 2023.

#### **Other Revenues**

Other revenues include licensing fees, fees generated from the existing retail business acquired by the Company when it acquired MTE.

#### **Deferred Revenues**

Deferred revenue primarily consists of deferred membership fees, customer prepayments and undelivered Company performance obligations related to contracts comprising multiple performance obligations. As of December 31, 2023, \$1.5 million was recorded as deferred revenue for Jack's Flight Club, of which \$769,000 was recognized in the three months ended March 31, 2024 , \$569,000 was recorded as deferred revenue for Travelzoo North America and Travelzoo Europe, of which \$441,000 was recognized as revenue in the three months ended March 31, 2024 . As of March 31, 2024, the deferred revenue balance was \$3.2 million, of which \$2.2 million was for Jack's Flight Club and the remaining \$ 998,000 was for Travelzoo North America and Travelzoo Europe.

#### **Reserve for Refunds to Members**

The Company estimates and records a reserve for future refunds on member purchases of *Local Deals* and *Getaways* vouchers, at the time revenue is recorded. We consider various factors such as historical refund timeframes from dates of sale, reasons for refunds, time periods remaining until expiration, changes in refund procedures and estimates of redemptions and breakage. 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 members. Specifically, if the financial condition of our 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 revenues as the liability is recorded against revenue.

The Company's refund policy is a 14-day refund period from date of purchase, with an option to extend refund eligibility until voucher redemption or expiration, for a surcharge. As of March 31, 2024, the expiration dates of unexpired vouchers ranged from April 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 March 31, 2024, the Company had approximately \$ 4.5 million of unredeemed vouchers that had been sold, representing the Company's commission earned. The Company estimated and recorded a refund reserve of \$212,000 for these unredeemed vouchers as of March 31, 2024, which is recorded as a reduction of revenues on the condensed consolidated statements of operations and accrued expenses and other on the condensed consolidated balance sheet. As of December 31, 2023, the Company had approximately \$5.2 million of unredeemed vouchers that had been sold representing the Company's commission earned from the sale and estimated a refund reserve of \$268,000 for these unredeemed vouchers as of December 31, 2023, as a reduction of revenues on the condensed consolidated statements of operations and accrued expenses and other on the condensed consolidated balance sheet.

If our judgments regarding estimated member refunds are inaccurate, reported results of operations could differ from amounts previously accrued. Merchant payables of \$17.8 million as of March 31, 2024 is recorded on the consolidated balance sheet, representing amounts payable to merchants by the Company for vouchers sold but not redeemed.

#### ***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.

#### ***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 its carrying value 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 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 testing as of October 31, 2023 and no impairment charge was identified in connection with the annual impairment test. The Company did not identify any indicators of impairment during the three months ended March 31, 2024.

#### ***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 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 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 unaudited condensed consolidated balance sheets.

The Company's leases are reflected in operating lease ROU assets, operating lease liabilities and long-term operating lease liabilities on our unaudited condensed consolidated balance sheets. The lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

#### ***Certain Risks and Uncertainties***

The Company's business is subject to risks associated with its ability to attract and retain advertisers and offer goods or services on compelling terms to our members.

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 management believes are of high credit quality. Accounts receivables are derived from revenue earned from customers located in the U.S. and internationally. As of March 31, 2024 and December 31, 2023, the Company did not have any customers that accounted for 10% or more of accounts receivable.

As of March 31, 2024, the Company had merchant payables of \$ 17.8 million related to the sale of vouchers. In the Company's financial statements presented in this 10-Q report, following GAAP accounting principles, we classified all merchant payables as current. As such, the consolidated balance sheet reflects negative net working capital (defined as current assets minus current liabilities) of \$1.9 million at March 31, 2024. Payables to merchants are generally due upon redemption of vouchers by members who purchased them from the Company. As of March 31, 2024, unredeemed vouchers have maturities ranging from April 2024 through December 2025; however, expiration dates may be extended on a case-by-case basis and final payment to merchants upon expiration may not be due for up to a year after. Based on current projections of future redemption activity, management expects that cash on hand as of March 31, 2024 will be sufficient to provide for working capital needs for at least the next twelve months.

***Cash, Cash Equivalents and Restricted Cash***

Cash equivalents consist of highly liquid investments with maturities of three months or less on 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 for leases.

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

	March 31, 2023	December 31, 2023
Cash and cash equivalents	\$ 16,190	\$ 15,713
Restricted cash	675	675
Cash, cash equivalents and restricted cash—discontinued operations	—	1
Total cash, cash equivalents and restricted cash in the condensed consolidated statements of cash flows	<u><u>\$ 16,865</u></u>	<u><u>\$ 16,389</u></u>

The Company's restricted cash was included in noncurrent assets as of March 31, 2024 and December 31, 2023.

**Note 2: Net Income 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):

	Three Months Ended	
	March 31,	
	2024	2023
<b>Numerator:</b>		
Net income attributable to Travelzoo—continuing operations	\$ 4,236	\$ 3,675
Net loss attributable to Travelzoo—discontinued operations	\$ —	\$ (2)
<b>Denominator:</b>		
Weighted average common shares—basic	13,489	15,697
Effect of dilutive securities: stock options	136	82
Weighted average common shares—diluted	<u>13,625</u>	<u>15,779</u>
<b>Income per share—basic</b>		
Continuing operations	\$ 0.31	\$ 0.23
Discontinued operations	—	—
Net income per share —basic	\$ 0.31	\$ 0.23
<b>Income per share—diluted</b>		
Continuing operations	\$ 0.31	\$ 0.23
Discontinued operations	—	—
Net income per share—diluted	\$ 0.31	\$ 0.23

For the three months ended March 31, 2024 and 2023, options to purchase 925,000 and 950,000 shares of common stock were not included in the computation of diluted net income per share because the effect would have been anti-dilutive.

### **Note 3: Acquisitions**

#### ***Jack's Flight Club***

In January 2020, the Company 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.

#### ***Stock Purchase Agreement ("SPA") between Travelzoo and Azzurro***

In connection with the acquisition of MTE, formerly a wholly-owned subsidiary of Azzurro, the Company completed a private placement of newly issued 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 at the time of the MTE acquisition and, as of December 31, 2022, Azzurro and Ralph Bartel, in his individual capacity, owned approximately 50.3% of 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 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; and (c) the transfer to the Company of all outstanding capital stock of MTE, which was effected pursuant to a merger of MTE with a wholly-owned subsidiary of the Company on the Closing Date. The Company records the \$4.8 million promissory note as Note receivable from shareholder in the stockholders' equity section. 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. The remaining principal amount of \$1.8 million promissory note is collateralized by the Shares and is expected to be paid in 2024. Azzurro paid the interest of \$ 70,000 and \$0 in the three months ended March 31, 2024 and 2023, respectively.

### **Intangible Assets**

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

	Fair Value	Estimated Life (Years)
Customer relationships (Jack's Flight Club)	\$ 3,500	5.0
Trade name (Jack's Flight Club)	2,460	indefinite
Non-compete agreements (Jack's Flight Club)	660	4.0
Intangible assets (Secret Escapes Spain member database)	445	3.0
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 which are unobservable inputs based on management assumptions used to measure assets at fair value.

The goodwill assessment was performed by comparing the fair value of the reporting units to 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 performed using the relief-from-royalty method, which includes unobservable inputs, classified as Level 3, including projected revenues and approximately 5% royalty rate.

The Company performed an annual impairment test in October 2023 and did not identify any indicators of impairment for the year ended December 31, 2023.

### **Amortization of Acquired Intangible Assets**

The following table represents the activities of intangible assets for the three months ended March 31, 2024 and 2023 (in thousands):

	Jack's Flight Club	Secret Escape Spain	Secret Escape U.S.
Intangible assets—December 31, 2022	\$ 2,351	\$ 327	\$ 973
Amortization of intangible assets with definite lives	(168)	(39)	(195)
Intangible assets—March 31, 2023	2,183	288	778
Amortization of intangible assets with definite lives	(158)	(36)	(194)
Intangible assets—June 30, 2023	2,025	252	584
Amortization of intangible assets with definite lives	(157)	\$ (29)	\$ (195)
Intangible assets—September 30, 2023	1,868	223	389
Amortization of intangible assets with definite lives	(158)	(37)	(194)
Intangible assets—December 31, 2023	1,710	186	195
Amortization of intangible assets with definite lives	(75)	(48)	(195)
Intangible assets—March 31, 2024	<u>\$ 1,635</u>	<u>\$ 138</u>	<u>\$ —</u>

Amortization expense for acquired intangibles was \$318,000 and \$402,000 for the three months ended March 31, 2024 and 2023, respectively.

Expected future amortization expense of acquired intangible assets as of March 31, 2024 is as follows (in thousands):

Years ending December 31,	
2024 (excluding the three months ended March 31, 2024)	277
2025	47
	<u><u>\$ 324</u></u>

The Company performed its annual impairment testing of Trade name as of October 31, 2023 using a relief from royalty method. No impairment was identified in 2023. As of March 31, 2024, the carrying value of the Trade name was \$1.5 million. The Company did not identify any indicators of impairment during the three months ended March 31, 2024.

#### **Note 4: 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 can estimate the potential liability and believes it is probable that the matter will be ruled on adversely. Accruals for legal contingencies were not material as of March 31, 2024 and December 31, 2023. 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 leases office space in Canada, France, Germany, Spain, the U.K., and the U.S. under operating leases. Our leases have remaining terms ranging from less than one year to up to six years. The Company maintained standby letters of credit ("LOC") serve as collateral issued to the landlords. The LOCs are collateralized with cash which is included in the line item "Restricted cash" in the condensed consolidated balance sheets.

The Company has purchase commitments aggregating approximately \$ 384,000 as of March 31, 2024, which represent the minimum obligations the Company has under agreements with certain suppliers. 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.

In January 2022, July 2022 and May 2023, the Company's German branch of Travelzoo (Europe) Limited, a wholly-owned subsidiary of the Company ("Travelzoo Germany"), received notification and payments of \$1.2 million, \$494,000 and \$205,000 from the German Federal Government under its Bridging Aid III plan, Bridging Aid III+ and Bridging Aid IV programs, respectively. These programs were for companies that suffered in the pandemic a 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, July of 2022, and May 2023. The Company is required to submit a final declaration in connection with the grants received by September 30, 2024. The Company believes it was eligible to participate in the programs and is entitled to the funding received and does not expect significant changes to the amounts already received to arise from the final submission. The Company recorded \$1.2 million, \$494,000 and \$205,000 gains in Other income, net in the first and third quarters of 2022 and second quarter of 2023, respectively.

#### **Note 5: Income Taxes**

In determining the quarterly provisions for income taxes, the Company uses an estimated annual effective tax rate, which is generally based on our expected annual income and statutory tax rates in the U.S., Canada, and the U.K. The Company's effective tax rate from continuing operations was 26% and 27%, respectively, for the three months ended March 31, 2024 and 2023. The Company's effective tax rate for the three months ended March 31, 2024 changed from the three months ended March 31, 2023 primarily due to a decrease in certain non-deductible expenses in the three months ended March 31, 2024.

As of March 31, 2024, the Company is permanently reinvested in certain of its 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 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 \$792,000.

The Company maintains liabilities for uncertain tax positions. As of March 31, 2024, the Company had approximately \$ 23.9 million in total unrecognized tax benefits, of which up to \$16.6 million would favorably affect the Company's effective income tax rate if realized.

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. As of March 31, 2024 and December 31, 2023, the Company had approximately \$825,000 and \$803,000 in accrued interest and penalties, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. states and foreign jurisdictions. The Company is subject to U.S. federal and certain state tax examinations for certain years after 2019 and forward and is subject to California tax examinations for years after 2018.

#### **Note 6: Accumulated Other Comprehensive Loss**

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

	Three Months Ended	
	March 31,	
	2024	2023
Beginning balance	\$ (4,607)	\$ (4,905)
Other comprehensive income (loss) due to foreign currency translation, net of tax	(254)	80
Ending balance	\$ (4,861)	\$ (4,825)

There were no amounts reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023. Accumulated other comprehensive income (loss) consists of foreign currency translation gain or loss.

#### **Note 7: 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, employing an option-pricing model. The value of the portion of 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.

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, 2023, stock-based compensation related to these Option Agreements and applicable Option Agreement Amendments were fully expensed. During the three months ended March 31, 2024, 75,000 options were exercised and 27,546 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 March 31, 2024, all options granted under these Option Agreements have been exercised or forfeited.

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. 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. Stock-based compensation related to this grant was fully expensed in 2022. In 2023, the remaining 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.

On May 29, 2020, pursuant 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 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 exercises which were approved by Travelzoo's Board of Directors. As of March 31, 2024, 25,000 options were vested and outstanding. Total stock-based compensation related to this option grant of \$ 25,000 was recorded in general and administrative expenses for each of the three months ended March 31, 2024 and 2023, respectively. Stock-based compensation related to this grant was fully expensed during the three months ended March 31, 2024.

On June 1, 2021, pursuant to 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 March 31, 2024, 50,000 options were outstanding and 37,500 of these options were vested. Total stock-based compensation related to this option grant of \$36,000 was recorded in general and administrative expenses for each of the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, there was approximately \$ 107,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over the next 0.8 years.

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 March 31, 2024, 600,000 options were vested and outstanding. During the three months ended March 31, 2023, \$216,000 was recorded in general and administrative expenses. Stock-based compensation related to this grant was fully expensed in 2023.

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 March 31, 2024, 100,000 options were outstanding and 33,333 of these options were vested. Total stock-based compensation related to this option grant of \$0 and \$30,000 was recorded in sales and marketing expenses for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, there was approximately \$ 239,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over 1.3 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 March 31, 2024, 200,000 options were outstanding and 50,000 of these options were vested. Total stock-based compensation related to this option grant of \$35,000 and \$17,000 was recorded in general and administrative expenses for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, there was approximately \$ 382,000 of unrecognized stock-based compensation expense relating to these options. This amount is expected to be recognized over 2.8 years.

In March 2024, the Compensation Committee of the Board of Directors granted Holger Bartel 600,000 stock options that vest through December 31, 2025. On April 26, 2024, pursuant to an executed Option Agreement, the shareholders of the Company approved to grant Holger Bartel, options to purchase 600,000 shares of common stock of the Company, with an exercise price of \$ 8.58 and vesting 25% every six months over two years beginning on June 30, 2024 and ending on December 31, 2025. The options expire in March 2029.

#### **Note 8: Stock Repurchase Program**

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

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 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 repurchases were retired and recorded as a reduction of additional paid-in capital. This stock repurchase program was completed in 2023.

On July 26, 2023, Travelzoo announced that its board of directors has authorized the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. The Company repurchased 1,000,000 shares of common stock for an aggregate purchase price of \$ 6.9 million which were 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, 2023, there were 400,000 shares remaining to be repurchased under this program.

During the three months ended March 31, 2024, the Company repurchased 400,000 shares of common stock for an aggregate purchase price of \$3.9 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 until extinguished with the remaining amount reflected as a reduction of retained earnings.

#### **Note 9: Segment Reporting and Significant Customer Information**

The Company determines its reportable segments based upon the chief operating decision maker's management of the business. The Company currently has four reportable operating segments: Travelzoo North America, Travelzoo Europe, Jack's Flight Club and New Initiatives. Travelzoo North America consists of the Company's operations in the U.S. and Canada. Travelzoo Europe consists of the Company's operations in France, Germany, Spain and the 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 activities in certain Asia Pacific territories, the Travelzoo META subscription service and MTE.

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 for evaluating the operational performance of the Company's segments.

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

Three Months Ended March 31, 2024	Travelzoo North					Consolidated
	America	Travelzoo Europe	Jack's Flight Club	New Initiatives		
Revenues from unaffiliated customers	\$ 14,273	\$ 6,580	\$ 1,100	\$ 32	\$ 21,985	
Intersegment revenues	(45)	82	(37)	—	—	—
Total net revenues	14,228	6,662	1,063	32	21,985	
Operating profit (loss)	\$ 4,438	\$ 1,382	\$ (99)	\$ (130)	\$ 5,591	

Three Months Ended March 31, 2023	Travelzoo North					Consolidated
	America	Travelzoo Europe	Jack's Flight Club	New Initiatives		
Revenues from unaffiliated customers	\$ 14,567	\$ 6,078	\$ 948	\$ 8	\$ 21,601	
Intersegment revenues	191	(191)	—	—	—	—
Total net revenues	14,758	5,887	948	8	21,601	
Operating profit (loss)	\$ 4,516	\$ 457	\$ (45)	\$ (217)	\$ 4,711	

Property and equipment are attributed to the geographic region in which the assets are located. Revenues from unaffiliated customers excludes intersegment revenues and represents revenue with parties unaffiliated with the Company and its wholly owned subsidiaries.

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

As of March 31, 2024	Travelzoo North		Travelzoo		Jack's Flight		Consolidated
	America	Europe	Europe	Club	New Initiatives	Elimination	
Long-lived assets	\$ 129	\$ 113	\$ —	\$ 290	\$ —	\$ —	\$ 532
Total assets excluding discontinued operations	\$ 96,599	\$ 22,201	\$ 19,474	\$ 3,520	\$ (87,058)	\$ —	\$ 54,736
As of December 31, 2023	Travelzoo North		Travelzoo		Jack's Flight		Consolidated
	America	Europe	Europe	Club	New Initiatives	Elimination	
Long-lived assets	\$ 152	\$ 106	\$ —	\$ 320	\$ —	\$ —	\$ 578
Total assets excluding discontinued operations	\$ 96,865	\$ 22,655	\$ 19,472	\$ 3,570	\$ (87,181)	\$ —	\$ 55,381

For the three months ended March 31, 2024 and 2023, the Company did not have any customers that accounted for 10% or more of revenue. As of March 31, 2024 and December 31, 2023, 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: Advertising, Membership Fees, and Other. Advertising includes travel publications (*Top 20*, *Travelzoo* website, *Standalone* email newsletters, *Travelzoo Network*), *Getaways* vouchers, hotel platform, vacation packages, *Local Deals* vouchers and entertainment offers (vouchers and direct bookings). Membership Fees includes subscription fees paid by *Travelzoo*, *Jack's Flight Club* and *Travelzoo META* members. Other includes licensing fees from license agreements and the existing retail business acquired by the Company in the MTE transaction.

	Three Months Ended	
	March 31,	
	2024	2023
Advertising	\$ 20,850	\$ 20,645
Membership Fees	1,104	948
Other	31	8
Total revenues	\$ 21,985	\$ 21,601

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 for countries that exceed 10% of total revenue (in thousands):

	Three Months Ended	
	March 31,	
	2024	2023
Revenue		
United States	\$ 12,771	\$ 13,473
United Kingdom	5,515	4,962
Germany	1,871	1,495
Rest of the world	1,828	1,671
Total revenues	<u><u>\$ 21,985</u></u>	<u><u>\$ 21,601</u></u>

The following table sets forth property and equipment by geographic area (in thousands):

	March 31,		December 31,	
	2024		2023	
	2024	2023	2024	2023
United States	\$ 106	\$ 115		
China (Hong Kong)	279	308		
Rest of the world	147	155		
Total long-lived assets	<u><u>\$ 532</u></u>	<u><u>\$ 578</u></u>		

#### Note 10: Leases

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

The following table summarizes the components of lease expense for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended	
	March 31,	
	2024	2023
Operating lease cost	\$ 532	\$ 674
Short-term lease cost	137	20
Variable lease cost	120	150
Sublease income	—	(90)
Total lease cost	<u><u>\$ 789</u></u>	<u><u>\$ 754</u></u>

Cash payments against the operating lease liabilities total ed \$857,000 and \$860,000 for the three months ended March 31, 2024 and 2023, respectively. ROU assets obtained in exchange for lease obligations was \$235,000 for the three months ended March 31, 2024. There wa s no ROU asset obtained in exchange for lease obligations for three months ended March 31, 2023.

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

	March 31, 2024	December 31, 2023
<b>Assets:</b>		
Operating lease right-of-use assets	\$ 5,892	\$ 6,015
<b>Liabilities:</b>		
Operating lease liabilities	\$ 2,463	\$ 2,530
Long-term operating lease liabilities	6,458	6,717
Total operating lease liabilities	\$ 8,921	\$ 9,247
Weighted average remaining lease term (years)	5.04	5.26
Weighted average discount rate	4.3 %	4.3 %
Maturities of lease liabilities were as follows (in thousands):		
Years ending December 31,		
2024 (excluding the three months ended March 31, 2024)	\$ 2,044	
2025	2,263	
2026	1,457	
2027	1,350	
2028	1,350	
Thereafter	1,575	
Total lease payments	10,039	
Less interest	(1,118)	
Present value of operating lease liabilities	\$ 8,921	

#### Note 11: Non-Controlling Interest

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

The non-controlling interest for the three months ended March 31, 2024 and 2023 was as follows (in thousands):

Non-controlling interest—December 31, 2022	\$ 4,595
Net income attributable to non-controlling interest	8
Non-controlling interest—March 31, 2023	4,603
Net income attributable to non-controlling interest	37
Non-controlling interest—June 30, 2023	4,640
Net income attributable to non-controlling interest	52
Non-controlling interest—September 30, 2023	4,692
Net income attributable to non-controlling interest	5
Non-controlling interest—December 31, 2023	4,697
Net income attributable to non-controlling interest	(11)
Non-controlling interest—March 31, 2024	\$ 4,686

**Note 12: Related Party Transactions*****Stock Purchase Agreement between Travelzoo and Azzurro***

In connection with the development of Travelzoo META, on December 28, 2022, the Company acquired MTE, a wholly owned subsidiary of Azzurro Capital Inc., and also completed a private placement of newly issued shares. As of December 31, 2022, Azzurro Capital Inc. and Ralph Bartel owned approximately 50.3% of the Company's outstanding shares. See Note 3: Acquisitions in the condensed consolidated financial statements for further information.

***Sale and Purchase of Travelzoo Common Stock within Six Month Period***

On May 23, 2023, Travelzoo was named as a nominal defendant in 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 Mark Rubenstein, against Ralph Bartel, the Ralph Bartel 2005 Trust and Azzurro Capital Inc.

**Note 13: Subsequent Event**

On April 29, 2024, Travelzoo announced that its board of directors has authorized the repurchase of up to 1,000,000 shares of the Company's outstanding common stock. Purchases may be made, from time to time, in the open market and will be funded from available cash. The number of shares to be purchased and the timing of purchases will be based on the level of Travelzoo's cash balances, general business and market conditions, and other factors, including alternative investment opportunities.

## **Item 2. 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**

Travelzoo (including its subsidiaries and affiliates, the "Company" or "we") is a global Internet media company. It operates Travelzoo®, the club for travel enthusiasts, and Jack's Flight Club®, a subscription service that provides information about exceptional airfares. Travelzoo has more than 30 million members.

Through its websites, e-mails newsletters, iOS and Android apps, and social media channels, Travelzoo provides members information and access to exclusive discounted travel, entertainment, and local offers and experiences. Offers are researched, negotiated, and personally selected by Travelzoo's deal experts around the globe. Offers are sourced from more than 5,000 top travel and entertainment partners.

The Company generates revenues from advertising, membership fees, and other.

In March 2022, the Company began the development of Travelzoo META, a subscription service that is intended to provide Metaverse travel experiences.

We also license *Travelzoo* products, services and intellectual property to licenses in (a) Australia, New Zealand, and Singapore and (b) Japan and 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 \$17,000 and \$8,000 in royalties in the three months ended March 31, 2024 and 2023, respectively. Under the licensing agreements, Travelzoo's existing member list in the applicable territories continue to be owned by the Company.

In May 2023 we launched Travelzoo META, to extend the range of experiences we offer consumers in 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. In December 2022, we acquired Metaverse Travel Experiences, Inc., now Metaverse Travel Experiences, LLC ("MTE"), to support Travelzoo META in sourcing prospective metaverser travel experiences. MTE also continues to operate its legacy business in retail and fashion, which is included in but not material to the Company's consolidated results. See Note 3—Acquisitions to the accompanying condensed consolidated financial statements included in this report for further information regarding the acquisition of MTE.

### **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.

Travelzoo currently has license agreements covering Australia, New Zealand and 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 \$10,000 and \$8,000 from the licensee for the three months ended March 31, 2024 and 2023, respectively.

The license agreement for Japan and South Korea provides the licensee exclusive rights to use Travelzoo products, services, and intellectual property in exchange for quarterly royalty payments based on net revenue over a 5 year term, with an option to renew. An interest free loan was provided to the licensee for JPY 46 million (approximately \$430,000), of which \$133,000 was repaid in 2021 and the remaining amount repaid in 2023. The Company recognized royalties of \$7,000 and \$0 from the licensee for the three months ended March 31, 2024 and 2023, respectively.

#### **Reportable Segments**

The Company determines its reportable segments based upon the Company's chief operating decision maker managing the performance of the business. The Company currently has four reportable operating segments: Travelzoo North America, Travelzoo Europe, Jack's Flight Club and New Initiatives. Travelzoo North America consists of the Company's operations in the U.S. and Canada. Travelzoo Europe consists of the Company's operations in France, Germany, Spain and the 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. Financial information with respect to our business segments and certain financial information about geographic areas appears in Note 9—Segment Reporting and Significant Customer Information to the accompanying condensed consolidated financial statements included in this report.

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 three categories: Advertising, Membership Fees, and Other.

The "Advertising" category consists primarily of (a) advertising fees paid by travel companies for the publishing of their offers on Travelzoo's media properties, (b) commission generated from the sale of *Getaways* vouchers and bookings on our hotel platform, and (c) publishing fees from high-quality local businesses, sale of *Local Deals* vouchers and entertainment offers. Advertising fees may be based on audience reach, placement in email newsletters or on media properties, number of listings, number of clicks, and/or actual sales. We typically recognize advertising revenues upon delivery of emails or clicks, as tracked by our internal platform or third-party platforms, in the period of the applicable insertion orders, 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 vouchers upon sale as commission, net of an allowance for future refunds. Merchant agreements for *Getaways* advertisers are typically for periods between twelve and twenty-four months and are not automatically renewed. Revenues generated from local business offers 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 vouchers, upon notification of the amount of direct bookings or upon delivery of emails. For *Local Deals* vouchers, we recognize a percentage of the face value of vouchers upon the sale of the vouchers, net of an allowance for refunds. Insertion orders and merchant agreements for *Local Deals* are typically for periods between one and twelve 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 voucher refund policy to fully refundable until the voucher expires or is redeemed by the customer. 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. The expiration dates of vouchers range between April 2024 through December 2025; provided, that these expiration dates may sometimes be extended on a case-by-case basis and final payment to merchants upon expiration may not be due for up to a year later.

As of March 31, 2024 and December 31, 2023, the Company had approximately \$4.5 million and \$5.2 million of unredeemed vouchers that had been sold, respectively, representing the Company's commission. The Company estimates a refund reserve using historical and current refund rates by product and by merchant location to calculate estimated future refunds. The Company estimated and recorded a refund reserve of \$212,000 and \$268,000 as of March 31, 2024 and December 31, 2023, respectively, for these unredeemed vouchers which is recorded as a reduction of revenues on the consolidated statements of operations, and accrued expense and other on the consolidated balance sheet.

Merchant payables of \$17.8 million as of March 31, 2024 related to unredeemed 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 "Membership Fees" category consists of subscription fees paid by Travelzoo, Jack's Flight Club, and Travelzoo META members. Travelzoo® membership has historically been free, however, on January 1, 2024, Travelzoo introduced an annual membership fee of \$40 (or local equivalent) for new members in the United States, Canada, United Kingdom and Germany, with the 2024 annual fee waived for existing members as of December 31, 2023. Jack's Flight Club subscription options are quarterly, semi-annually, and annually. We recognize subscription revenues ratably over the respective subscription periods. For Travelzoo META, a founding membership was launched in 2022 following a test-and-learn strategy.

The "Other" category consists of licensing fees from license agreements, as well as the retail business originally operated by MTE and acquired and maintained by the Company following the acquisition of MTE.

### **Trends in Our Business**

Our ability to generate revenues in the future depends on numerous factors, 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 enhance our audience reach and advertising rates, spending controls by travel intermediaries to focus on improving profitability, 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 members.

Factors relating to competitors include the willingness of certain competitors to grow their business unprofitably. Factors relating to the travel industry include lingering effects of the global pandemic, geopolitical tensions affecting consumer travel to certain regions, and 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 service members without interruption, our ability to develop and launch new products members will utilize and advertisers will adopt, and hiring and relying on key employees for the continued maintenance and growth of our business.

External factors include the introduction of new methods of advertising, the relative condition of the economy, cybersecurity risks due to increased dependence on digital 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.

Revenues from local business 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 commission rate earned by us from the merchants for vouchers sold. However, during the global pandemic, we saw an increase in demand by consumers for fully refundable travel options, which led to a slight reversal of this trend and an increase in the sale of *Getaways* hotel vouchers (although demand for restaurants and spas continued to be low). With the ending of the pandemic, the importance of fully refundable travel options has decreased (and we also shifted to offering a surcharge for full refundability), and the trend is therefore returning to pre-pandemic patterns.

Our ability to continue generating revenues through advertising, commissions and subscriptions depends heavily upon our ability to maintain and grow an attractive audience for our publications. We monitor our 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 and social media 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. With the introduction of membership fees in 2024 we have been adjusting our user acquisition strategies whose timeframes to become effective are uncertain. While we are initially reducing our expenditures on acquiring traffic as we test new strategies for efficacy, in time we plan to increase these expenditures to maintain or grow our membership, audience and the reach of our publications. We continue to see a shift in users accessing our services through mobile devices and social media and, therefore, anticipate continuing to address this growing channel through additional investments in mobile app development.

We believe that an important factor for our advertising rates is the reach of our publications, 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, 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, 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 change in relation to volume and terms with third-party partners of the Travelzoo network, the incurrence of merchant processing fees from the sale of vouchers for *Local Deals* and *Getaways* and payment of membership fees, changes in refund request trends and provisioning of customer 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 what our sales and marketing expenses as a percentage of revenue will be in future periods. Changes in the average cost per acquisition of new members impacts our advertising expenses and sales and marketing expenses as a percentage of 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. 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. We hope efficiencies we have gained through our testing will scale as well. In addition, there may be a significant number of members that cancel or we may cancel their memberships 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 the average cost per acquisition depends mainly on the advertising rates we pay for media buys, the quality of the members we acquire, our ability to manage our member acquisition efforts successfully, the regions we target to acquire new members and the relative costs for that region, and the degree of competition in our industry. All else equal, increased competition may require us to increase advertising for our brand and advertisers' deals.

Beside member acquisition costs, we may see a unique opportunity for a brand marketing campaign, 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 in sales and marketing expenses. 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 expenses to spur continued growth in revenue in future periods; however, we cannot be assured of this due to the many factors that impact our 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. We expect to increase investment in our products in connection with building out and refining the value proposition of the Travelzoo membership. 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 receptivity of our offerings to our member audience and advertiser clients. We expect our efforts in developing products and services will continue to be a focus in the future, which may lead to increased product development expenses. Increases in expense may result from costs related to third-party technology service providers and software licenses, headcount and the 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 book purposes. We expect fluctuations in our income taxes from year to year and from quarter to quarter, which may be significant and have a material impact on our results of operations.

Due to the adverse effects of the global pandemic, the Company reduced expenditures in many areas, 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 operations significantly. The Company also renegotiated many of its outstanding contractual obligations with vendors and closed some ancillary office locations. We do not currently anticipate that additional cost-cutting measures will be necessary. In the foreseeable future, we anticipate relatively slow growth in fixed costs for our existing business, while investing in new initiatives where we see opportunities to expand our business, in aggregate, in-line with the trend of our revenues.

The key elements of our growth strategy include building our trusted travel, entertainment and local brands, refining and building out the value proposition of our membership and consequently increasing the value and engagement of our members, sourcing more exclusive and compelling offers from travel and entertainment partners, and innovating with new experiences and 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 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.

	Three Months Ended	
	March 31,	
	2024	2023
Revenues	100.0 %	100.0 %
Cost of revenues	12.0	12.5
Gross profit	88.0	87.5
Operating expenses:		
Sales and marketing	39.1	43.0
Product development	2.6	2.3
General and administrative	20.9	20.4
Total operating expenses	62.6	65.7
Operating income	25.4	21.8
Other income, net	0.6	1.6
Income from continuing operations before income taxes	26.0	23.4
Income tax expense	6.8	6.4
Income from continuing operations	19.2	17.0
Loss from discontinued operations, net of taxes	—	—
Net income	19.2	17.0
Net income attributable to non-controlling interest	(0.1)	—
Net income attributable to Travelzoo	19.3 %	17.0 %

## Operating Metrics

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

	Three Months Ended	
	March 31,	2023
	2024	2023
<b>North America</b>		
Total members (1)	16,168,000	16,280,000
Average cost per acquisition of a new member	\$ 5.46	\$ 2.79
Revenue per member (2)	\$ 3.50	\$ 3.63
Revenue per employee (3)	\$ 463,000	\$ 465,000
Mobile application downloads	4,220,000	4,158,000
Social media followers	3,320,000	3,282,000
<b>Europe</b>		
Total members (1)	9,175,000	9,059,000
Average cost per acquisition of a new member	\$ 4.07	\$ 3.31
Revenue per member (2)	\$ 2.89	\$ 2.61
Revenue per employee (3)	\$ 284,000	\$ 232,000
Mobile application downloads	2,409,000	2,356,000
Social media followers	1,010,000	906,000
<b>Jack's Flight Club</b>		
Total members	2,404,000	1,980,000
<b>Other locations</b>		
Total members (1)	30,973,000	30,538,000
Average cost per acquisition of a new member	\$ 4.83	\$ 2.97
Revenue per member (2)	\$ 3.07	\$ 2.83
Revenue per employee (3)	\$ 386,000	\$ 361,000
Mobile application downloads	7,736,000	7,524,000
Social media followers	4,430,000	4,188,000

(1) Members represent individuals who receive one or more of our email publications.

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

(3) Annualized revenue divided by number of employees at the end of the quarter.

## Revenues

The following table sets forth the breakdown of revenues (in thousands) by category Advertising, Membership Fees, and Other. Advertising includes travel publications (*Top 20*, *Travelzoo* website, *Standalone* email newsletters, *Travelzoo Network*), *Getaways* vouchers, hotel platform, vacation packages, *Local Deals* vouchers and entertainment offers (vouchers and direct bookings). Membership Fees includes subscription fees paid by *Travelzoo*, *Jack's Flight Club* and *Travelzoo META* members. Other includes licensing fees from license agreements and the retail business acquired with MTE.

	Three Months Ended		2023	
	March 31,			
	2024	2023		
Advertising	\$ 20,850	\$ 20,645		
Membership Fees	1,104	948		
Other	31	8		
Total revenues	<u><u>\$ 21,985</u></u>	<u><u>\$ 21,601</u></u>		

### Advertising

Advertising revenue increased \$205,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023. This increase was primarily due to \$746,000 increase in Hotel commission and \$302,000 increase in revenues from *Travelzoo Network*, offset partially by \$809,000 decrease in revenues from *Top 20* and *Standalone*.

### Membership Fees

Revenues from Membership fees increased \$156,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 due to the increase of subscription fees paid by *Travelzoo* and *Jack's Flight Club* members.

### Other

Revenues from Other increased \$23,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to \$14,000 revenue increase from retail and fashion business and \$9,000 increase in licensing 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 and license expenses, credit card fees, certain estimated refunds to members and customer service costs associated with vouchers we sell and hotel bookings, and salary and related expenses associated with network operations and customer service employees. Cost of revenues was \$2.6 million and \$2.7 million, respectively, for the three months ended March 31, 2024 and 2023.

Cost of revenues decreased \$51,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to the decrease of software and license expenses.

## Operating Expenses

### Sales and Marketing

Sales and marketing expenses consist primarily of advertising and promotional expenses, salary and related expenses associated with sales, marketing and production employees, expenses related to our participation in industry conferences, marketing professional service costs, public relations expenses and facilities costs. Sales and marketing expenses were \$8.6 million and \$9.3 million for the three months ended March 31, 2024 and 2023, respectively. Advertising expenses consist primarily of online advertising which we refer to as traffic acquisition cost and member acquisition costs. For the three months ended March 31, 2024 and 2023, advertising expenses accounted for 10% and 25%, respectively, of the total sales and marketing expenses. The goal of our advertising was 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.

Sales and marketing expenses decreased \$698,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023. The decrease was primarily due to \$1.5 million decrease in member acquisition costs as a result of management's strategic plan, offset partially by \$350,000 increase in salary and related expenses, \$161,000 increase in trade and brand marketing expenses and \$154,000 increase in marketing professional service costs.

#### *Product Development*

Product development expenses consist primarily of salary and related expenses associated with software development employees, fees for professional services, software maintenance, amortization, and facilities costs. Product development expenses were \$566,000 and \$490,000 for the three months ended March 31, 2024 and 2023, respectively.

Product development expenses increased \$76,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to the increase in salary and related expenses.

#### *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 and facilities costs. General and administrative expenses were \$4.6 million and \$4.4 million for the three months ended March 31, 2024 and 2023, respectively.

General and administrative expenses increased \$177,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to the increase in professional service expenses.

#### *Other Income, net*

Other income, net consisted primarily of foreign exchange transactions gains and losses, sublease income, 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, net was \$139,000 and \$350,000, respectively, for the three months ended March 31, 2024 and 2023.

Other income, net decreased \$211,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to \$90,000 decrease in sublease income as the result of the sublease term expiration in 2023 and \$72,000 decrease in interest income as the result of Azzurro's repayment of \$3.0 million principal of its Notes Receivable in 2023.

#### **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. Income tax expense was \$1.5 million and \$1.4 million, respectively, for the three months ended March 31, 2024 and 2023. Our effective tax rate from continuing operations was 26% and 27%, respectively, for the three months ended March 31, 2024 and 2023. The Company's effective tax rate for the three months ended March 31, 2024 changed from the three months ended March 31, 2023 primarily due to a decrease in certain non-deductible expenses in the three months ended March 31, 2024.

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—Income Taxes to the accompanying condensed consolidated financial statements for further information.

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, federal and state and foreign country tax law and regulations and changes thereto, the determination of whether valuation allowances for certain tax assets are required or not, audits of prior years' tax returns resulting in adjustments, resolution of uncertain tax positions and different treatment for certain items for tax versus books. We expect fluctuations in our income taxes 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.

#### **Travelzoo North America**

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Revenues	\$ 14,228	\$ 14,758
Operating profit	\$ 4,438	\$ 4,516
Operating profit as a % of revenue	31.2 %	30.6 %

North America revenues decreased by \$530,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023. This decrease was primarily due to \$1.3 million decrease in revenues from *Top 20* and *Standalone*, offset partially by \$437,000 increase in Hotel commission and \$302,000 increase in revenues from *Travelzoo Network*. North America expenses decrease by \$452,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023. The decrease was primarily due to \$910,000 decrease in member acquisition costs, offset partially by \$552,000 increase in professional service expenses.

#### **Travelzoo Europe**

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Revenues	\$ 6,662	\$ 5,887
Operating profit	\$ 1,382	\$ 457
Operating profit as a % of revenue	20.7 %	7.8 %

Europe revenues increased by \$775,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023. The increase was primarily due to \$548,000 increase in Advertising revenues and \$227,000 positive impact from foreign currency movements relative to the U.S. dollar. The increase in Advertising revenue of \$548,000 was primarily due to the increase in revenues from *Top 20* and *Standalone*. Europe expenses decreased by \$150,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to \$608,000 decrease in member acquisition costs, offset partially by \$365,000 increase in salary and headcount related expenses and \$82,000 increase in bad debt expense.

Foreign currency movements relative to the U.S. dollar positively impacted our local currency income from our operations in Europe by approximately \$63,000 for the three months ended March 31, 2024. Foreign currency movements relative to the U.S. dollar negatively impacted our local currency income from our operations in Europe by approximately \$92,000 for the three months ended March 31, 2023.

### Jack's Flight Club

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Revenues	\$ 1,063	\$ 948
Operating profit (loss)	\$ (99)	\$ (45)
Operating profit (loss) as a % of revenue	(9.3)%	(4.7)%

Jack's Flight Club revenues increased by \$115,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 due to the increase of premium members. Jack's Flight Club expenses increased by \$169,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to \$78,000 increase in software expenses and \$47,000 increase in advertising and marketing expenses.

### New Initiatives

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Revenues	\$ 32	\$ 8
Operating profit (loss)	\$ (130)	\$ (217)

New Initiatives segment primarily consists of Travelzoo licensing business, Travelzoo META subscription service, Metaverse experience scouting and development business and retail and fashion business acquired with MTE. New Initiatives revenues increased \$24,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to \$14,000 revenue increase from retail and fashion business and \$9,000 increase in licensing revenue. New Initiatives segment expenses decreased by \$63,000 for the three months ended March 31, 2024 from the three months ended March 31, 2023 primarily due to decrease in salary and related expenses.

### Liquidity and Capital Resources

As of March 31, 2024, we had \$16.2 million in cash and cash equivalents, of which \$11.0 million was held outside the U.S. in our foreign operations. If this cash is distributed to the U.S., we may be subject to additional U.S. taxes in certain circumstances. We also had \$675,000 in restricted cash held in the U.S. as of March 31, 2024.

Cash, cash equivalents and restricted cash increased \$476,000 from \$16.4 million as of December 31, 2023 to \$16.9 million as of March 31, 2024 primarily due to \$4.6 million cash provided by operating activities, offset partially by \$3.9 million cash used to repurchase common stock.

As of March 31, 2024, we had merchant payables of \$17.8 million related to unredeemed vouchers. In the Company's financial statements presented in this 10-Q report, following 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 \$1.9 million. Payables to merchants are generally due upon redemption of vouchers. The vouchers expire between April 2024 through December 2025; however these expiration dates may sometimes be extended on a case-by-case basis and final payment upon expiration may not be due for up to a year after expiration. Based on current projections of redemption activity, we expect that cash on hand as of March 31, 2024 will be sufficient to provide for working capital needs for at least the next twelve months.

The following table provides a summary of our cash flows from operating, investing and financing activities:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Net cash provided by operating activities	\$ 4,621	\$ 535
Net cash used in investing activities	(35)	(72)
Net cash used in financing activities	(3,872)	(186)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(238)	171
Net increase in cash, cash equivalents and restricted cash	\$ 476	\$ 448

Net cash provided by operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities. Net cash provided by operating activities for the three months ended March 31, 2024 was \$4.6 million, which primarily consisted of net income of \$4.2 million and \$433,000 increase in non-cash items, offset partially by \$37,000 decrease in cash from changes in operating assets and liabilities. Adjustments for non-cash items primarily consisted of \$383,000 for depreciation and amortization and \$95,000 for stock-based compensation, offset partially by \$33,000 net recoveries of accounts receivable and refund reserves. The decrease in cash from changes in operating assets and liabilities was primarily due to \$2.7 million decrease in merchant payables and \$235,000 increase in accounts receivables, offset partially by \$1.2 million increase in deferred revenue, \$1.0 million increase in accounts payable and \$582,000 million decrease in prepaid expenses, deposits and other.

Net cash provided by operating activities for the three months ended March 31, 2023 was \$535,000, which primarily consisted of net income of \$3.7 million, offset partially by \$3.2 million decrease in cash from changes in operating assets and liabilities. The decrease in cash from changes in operating assets and liabilities was primarily due to \$4.6 million decrease in merchant payables, offset partially by \$911,000 increase in accrued expenses and other. Adjustments for non-cash items primarily consisted of \$478,000 for depreciation and amortization and \$396,000 for stock-based compensation, offset partially by \$712,000 reversal of reserves from accounts receivable and other.

Cash paid for income tax, net of refunds received, during the three months ended March 31, 2024 and 2023 was \$548,000 and \$74,000, respectively.

Net cash used in investing activities for the three months ended March 31, 2024 and 2023 was \$35,000 and \$72,000, respectively. The cash used in investing activities for the three months ended March 31, 2024 and 2023 was primarily consisted of purchases of property and equipment.

Net cash used for financing activities for the three months ended March 31, 2024 and 2023 was \$3.9 million and \$186,000, respectively. The cash used in financing activities was for the repurchase of common stocks.

Consistent with our growth, we have experienced fluctuations in our cost of revenues, sales and marketing expenses, product development expenses and general and administrative expenses, 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 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 advertising formats may require us to sell additional equity or debt securities or establish credit facilities to raise capital in order to meet our capital requirements.

If we sell additional equity or convertible debt securities, 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 outflows.

The information set forth under "Note 6—*Commitments and Contingencies*" and "Note 11—*Leases*" to the accompanying condensed consolidated financial statements included in this report. 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.

We also have contingencies related to net unrecognized tax benefits, including interest and penalties, of approximately \$24.7 million as of March 31, 2024. See "Note 5: Income Taxes" to the accompanying unaudited condensed financial statements for further information.

#### **Critical Accounting Policies and Estimates**

Critical accounting policies and estimates are those that we believe are important in the preparation of our consolidated financial statements because they require that we use judgment and estimates in applying those policies. Preparation of the consolidated financial statements and accompanying notes requires that we make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements as well as revenue and expenses during the periods reported. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions. Our critical accounting policies include income taxes. For additional information about our critical accounting policies and estimates, see the disclosure included in our Annual Report on Form 10-K for the year ended December 31, 2023 as well as updates in the current fiscal year provided in "Note 1 Summary of Significant Accounting Policies" in the notes to the condensed consolidated financial statements.

#### *Recent Accounting Pronouncements*

See "Note 1—The Company and Basis of Presentation" to the accompanying unaudited condensed financial statements included in this report, regarding the impact of certain recent accounting pronouncements on our unaudited condensed financial statements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not required for smaller reporting companies.

**Item 4. Controls and Procedures**

Based on management's evaluation (with the participation of the Company's Global Chief Executive Officer (CEO) and Principle Accounting Officer (PAO), as of March 31, 2024, our CEO and PAO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are not effective due to the material weakness in internal control over financial reporting noted below to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in U.S. SEC rules and forms, and that such information is accumulated and communicated to management, including our CEO and PAO, as appropriate, to allow timely decisions regarding required disclosure.

However, after giving full consideration to the material weakness, management, including our CEO and PAO, that our condensed consolidated financial statements present fairly, in all material respects, our financial position, results of our operations and our cash flows for the periods presented in this Quarterly Report, in conformity with U.S. generally accepted accounting principles.

**Material Weakness**

We 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**

We have made progress towards remediation and continue to implement our remediation plan for the material weakness in internal control over financial reporting described above. Specifically, we realigned certain of our personnel (including recruiting for additional headcount in Finance), improved reporting processes, and designed and implemented new controls in preparation for the next non-routine, non-recurring, unusual or complex transaction. 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. We are committed to maintaining a strong internal control environment and implementing measures designed to help ensure that control deficiencies contributing to the material weakness are remediated as soon as possible. We will consider the material weakness remediated after the applicable controls operate for a sufficient period of time.

**Changes in Internal Control over Financial Reporting**

As outlined above, we are in the process of taking steps to remediate the material weakness previously reported related to non-routine, non-recurring, unusual or complex transactions. During the quarter ended March 31, 2024, we made no other changes in 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, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

The information set forth under “Note 4—Commitments and Contingencies” to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 of this report is incorporated herein by reference.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, “Item 1A Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which are incorporated herein by reference. These risk factors could materially affect our business, financial position, or results of operations. These are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial position, or results of operations.

### Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

#### Repurchases of Equity Securities

We repurchased 400,000 shares of our common stock during the three months ended March 31, 2024.

Period	Total Number of Shares Purchased	Average Price paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Shares that May Yet be Purchased Under the Program
February 1, 2024—February 28, 2024	19,198	\$ 9.78	19,198	380,802
March 1, 2024—March 31, 2024	380,802	\$ 9.67	380,802	—
	<u>400,000</u>		<u>400,000</u>	

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 subsequently 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 in 2023. During the three months ended March 31, 2024, the Company repurchased 400,000 shares of common stock for an aggregate purchase price of \$3.9 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 until extinguished with the remaining amount reflected as a reduction of retained earnings.

On April 29, 2024, 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. Purchases may be made, from time to time, in the open market and will be funded from available cash. The number of shares to be purchased and the timing of purchases will be based on the level of Travelzoo's cash balances, general business and market conditions, and other factors, including alternative investment opportunities.

### Item 3: Defaults Upon Senior Securities

None.

### Item 4: Mine Safety Disclosures

None.

### Item 5: Other Information

None.

## Item 6. Exhibits

The following table sets forth a list of exhibits:

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">3.1</a>	— 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)
<a href="#">3.2</a>	— Certificate of Amendment of Certificate Incorporation of Travelzoo (File No. 000-50171), filed May 10, 2017)
<a href="#">3.3</a>	— Certificate of Amendment of Certificate of Incorporation to Authorize a Reduction of the Authorized Number of Shares of Our Common Stock from 40,000,000 to 20,000,000 Shares
<a href="#">3.4</a>	— 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).
<a href="#">10.1</a>	— 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)
<a href="#">31.1†</a>	— Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">31.2‡</a>	— Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">32.1†</a>	— Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<a href="#">32.2†</a>	— Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INST†	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

**SIGNATURE**

Pursuant to the requirements 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  
(Registrant)

By: \_\_\_\_\_ /s/ LIJUN QI  
Lijun Qi

*On behalf of the Registrant and as Principal Accounting Officer*

Date: May 15, 2024

**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 quarterly report on Form 10-Q 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 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: May 15, 2024

**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lijun Qi, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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/ LIJUN QI*

Lijun Qi

*Principal Accounting Officer*

Date: May 15, 2024

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

Pursuant to the requirements of the Securities Exchange Act of 1934, and in connection with the quarterly report of Travelzoo on Form 10-Q for the three months ended March 31, 2024, the undersigned hereby 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 fully 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: May 15, 2024

By: /s/ HOLGER BARTEL  
Holger Bartel  
*Global Chief Executive Officer*

**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirements of the Securities Exchange Act of 1934, and in connection with the quarterly report of Travelzoo on Form 10-Q for the three months ended March 31, 2024, the undersigned hereby 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 fully 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: May 15, 2024

By: /s/ LIJUN QI

Lijun Qi

*Principal Accounting Officer*