

TRAVELZOO INC
Form 10-Q
November 09, 2015

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 September 30, 2015

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 INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

36-4415727
(I.R.S. employer identification no.)

590 Madison Avenue, 37th Floor
New York, New York
(Address of principal executive offices)

10022
(Zip code)

Registrant's telephone number, including area code: (212) 484-4900

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 and posted on its corporate website, if any, 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 November 9, 2015 was 14,730,454 shares.

TRAVELZOO INC.
Table of Contents

	Page
PART I—FINANCIAL INFORMATION	
<u>Item 1. Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2015 and 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2015 and 2014</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2015 and 2014</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>54</u>
<u>Item 4. Controls and Procedures</u>	<u>55</u>
PART II—OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	<u>56</u>
<u>Item 1A. Risk Factors</u>	<u>56</u>
<u>Item 6. Exhibits</u>	<u>57</u>
<u>Signature</u>	<u>58</u>

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

TRAVELZOO INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except par value)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$34,570	\$55,417
Accounts receivable, less allowance for doubtful accounts of \$374 and \$444 as of September 30, 2015 and December 31, 2014, respectively	17,822	16,124
Income tax receivable	1,745	3,756
Deposits	717	86
Deferred tax assets	1,214	1,311
Prepaid expenses and other	2,639	2,802
Total current assets	58,707	79,496
Deposits	607	1,436
Deferred tax assets	1,935	1,432
Restricted cash	1,346	1,393
Property and equipment, net	8,361	9,498
Intangible assets, net	15	178
Total assets	\$70,971	\$93,433
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$23,031	\$26,984
Accrued expenses and other	11,654	11,814
Deferred revenue	1,268	1,472
Income tax payable	857	574
Reserve for unexchanged promotional shares	—	1,393
Total current liabilities	36,810	42,237
Note payable to related party	5,658	1,000
Long-term tax liabilities	3,087	10,936
Long-term deferred rent and other	3,030	3,433
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share (5,000 shares authorized; none issued)	—	—
Common stock, \$0.01 par value (40,000 shares authorized; 15,801 shares issued, 14,730 shares outstanding as of September 30, 2015 and December 31, 2014)	163	163
Treasury stock (at cost, 1,071 shares at September 30, 2015 and December 31, 2014)	(21,517) (21,517
Additional paid-in capital	30,732	30,586
Retained earnings	16,892	29,197
Accumulated other comprehensive loss	(3,884) (2,602
Total stockholders' equity	22,386	35,827

Total liabilities and stockholders' equity	\$70,971	\$93,433
--	----------	----------

See accompanying notes to unaudited condensed consolidated financial statements.

3

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenues	\$33,728	\$36,307	\$109,665	\$118,949
Cost of revenues	4,742	4,813	14,496	14,534
Gross profit	28,986	31,494	95,169	104,415
Operating expenses:				
Sales and marketing	19,089	21,570	61,881	62,782
Product development	2,917	3,108	9,212	8,370
General and administrative	6,120	7,220	17,906	21,399
Unexchanged promotional shares	—	(2,250)) —	(5,750)
Total operating expenses	28,126	29,648	88,999	86,801
Income from operations	860	1,846	6,170	17,614
Other income (loss)	(202)) 95	(866)) 439
Income before income taxes	658	1,941	5,304	18,053
Income taxes	(8,199)) 158	(5,125)) 4,905
Net income	\$8,857	\$1,783	\$10,429	\$13,148
Basic net income per share	\$0.60	\$0.12	\$0.71	\$0.89