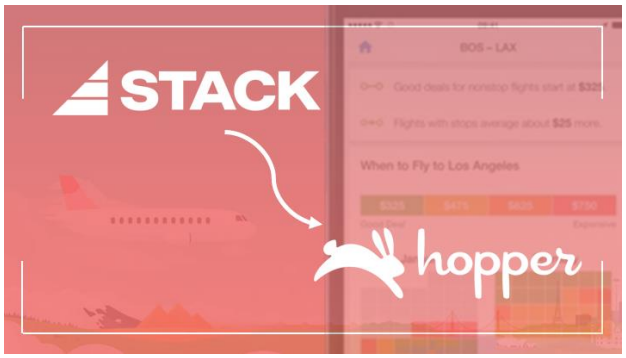
PANDEMIC → ENDEMIC – HOPPING ON THE TRAVEL AND LEISURE REBOUND



Stack Capital has invested $6 million USD into Hopper Inc. (the "Company"), one of the world's fastest-growing AI-powered travel tech platforms. Hopper initially became known as an app to book flights through an AI enabled predictive price solution but has since evolved into multiple business lines that have strengthened the Company's revenue and scalability. Hopper has now surpassed $2 billion USD in travel bookings and travel related financial services annually. The Company raised $175 million USD in August 2021 as part of its Series G funding, reaching a $3.5 billion USD valuation.

BUSINESS OVERVIEW

Over the years, Hopper has continuously proven its ability to innovate and grow. It first expanded its product offering by adding hotels and car rentals to its core flights business, allowing for increased cross-selling opportunities on its platform. In January 2022, Hopper took another step forward, launching Hopper Homes, a new short-term home rental service within the app that allows its users to reserve any of two million professionally managed apartments and houses, across two hundred countries and more than 90,000 cities. According to AirDNA (leading market research company), the short-term rental industry pulled in an estimated $113 billion USD in annual revenues globally during 2021, up 5.3% since 2019.

One of the most successful new initiatives for Hopper has been the introduction of attractive fintech offerings such as "Cancel for any Reason", "Price Prediction", "Price Drop Guarantee", "Price Freeze", amongst other travel insurance options. These offerings have become increasingly important given the uncertainty surrounding travel during the pandemic, with more consumers now demanding increased flexibility when planning trips.

The Company has also launched its loyalty program, designed to increase engagement through rewards for each booking in the form of "Carrot Cash", which can net travelers between 1%-5% cash back on every booking, and can instantly be applied to any future flight, hotel, home rental and car rental. An important distinction between Hopper and its peers involves how new customers are won; while many of its competitors allocate a significant portion of revenues as a capital spend with Google to bring in new users, Hopper avoids this expense due to the high user engagement and organic growth associated with its app.

This competitive advantage allows Hopper to deliver lower prices, with its "Carrot Cash" program expected to continue driving customer loyalty.

Another attractive area of growth for the Company involves 'Hopper Cloud', its B2B initiative that extends its fintech offerings to any travel provider including airlines, online travel agencies, and meta-search companies. The ability for any travel provider to integrate and seamlessly distribute Hopper's fintech solutions, which have been shown to increase average order value, improve margins, and drive customer satisfaction, represents a significant growth opportunity for the business. Estimated projections indicate that if all travel distribution channels offered travel fintech solutions, it could potentially increase the total consumer spend within the sector by $200 billion annually. Its B2B solution also includes access to Hopper's travel affiliate program and the ability to create a travel rewards program. Hopper's cornerstone partner with this initiative is Capital One (also an investor in the Company) – with both companies collaborating to create Capital One Travel, a new customer booking experience built specifically for Capital One cardholders. This program is being launched with Capital One's Venture X premium credit card, which is looking to compete with the Amex Platinum card and the Chase Sapphire Reserve card. In the end, Hopper's ability to successfully execute on its strategic partnerships with Capital One, Kayak, Marriott, Trip.com, and travel booking behemoth Amadeus has the potential to drive significant growth for years to come.

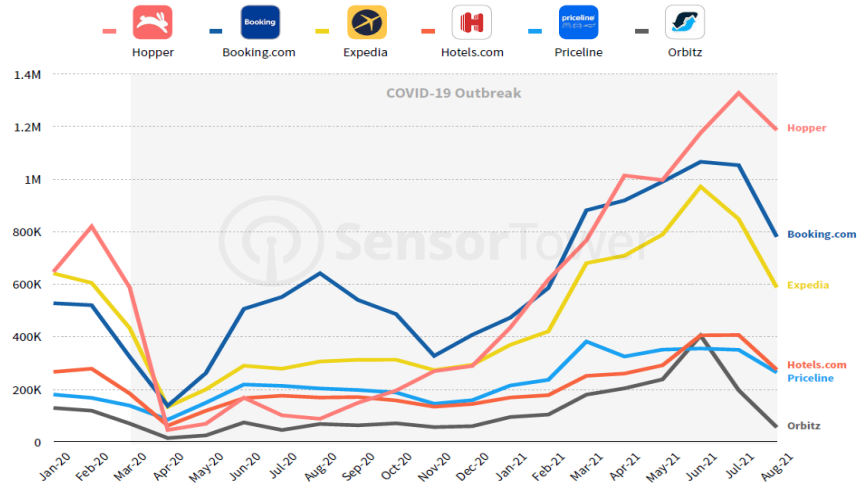
The combination of its award-winning app, attractive fintech product offerings, B2B cloud solution, and rewards program gives Hopper the ability to become a 'super-app' and a one-stop destination for all aspects of travel. As the Company broadens its user base, the value of added product offerings is expected to grow, especially since Hopper typically engages with customers during the initial stages of the travel planning journey.

PERFORMANCE DURING THE PANDEMIC

Hopper has emerged from the pandemic as the top travel booking app in the United States, measured by monthly downloads, moving past Booking.com which had the top spot in 2020. The Company has generated incredible growth, with over 66 million app downloads to date, along with achieving the highest market share in the US during the first half of 2021, with 27% of all travel booking app downloads. For perspective, during the first half of 2021, Hopper's market share grew by 8%; meanwhile, the market share of its four largest competitors (Booking.com, Expedia, Priceline, and Hotels.com) dropped by 11% collectively.

Hopper Surpassed Booking.com as the Top Booking App in H1-2021

US monthly downloads of top Travel Booking apps

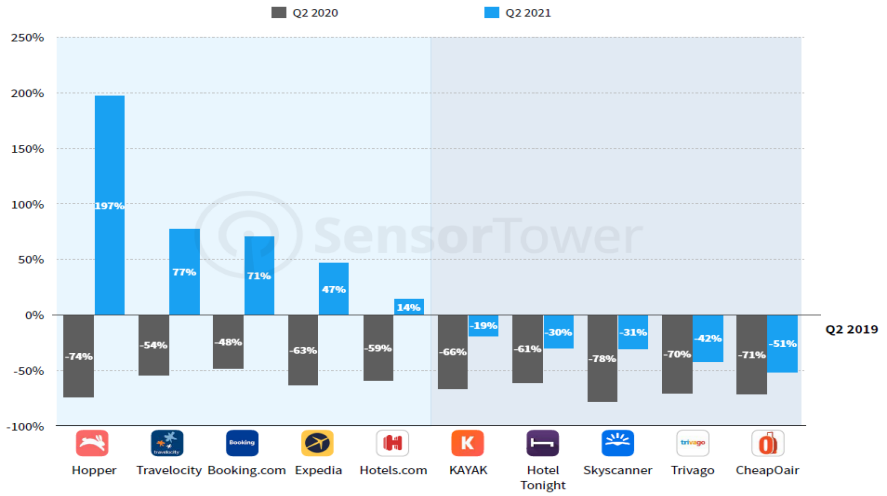


Source: "The State of Travel Apps 2021 – An Analysis of Travel App Market Trends and Top Apps in the U.S.", SensorTower Report (September 2021), page 13

Without question, the past couple of years have been difficult for the travel industry due to uncertainty surrounding the COVID-19 pandemic. The following chart illustrates that all the largest online travel agencies experienced record declines in downloads during Q2 2020 when compared to Q2-2019; however, when travel began to reopen in 2021, Hopper was well-positioned and experienced +197% growth from its Q2 2020 levels. Most impressive, however, is that while some of its largest competitors experienced a bounce back in revenue in Q2-2021, Hopper was the only company that delivered triple-digit revenue growth, due in large part to the adoption of its proprietary fintech offerings. Through innovation and hard work, Hopper was able to push through one of the most challenging operating environments in travel history and emerge from it as a growing leader in the industry.

Top Travel Booking Apps Were Fast to Recover in Q2-2021

Top Travel Booking app download growth vs Q2-2019 in the U.S.



Source: "The State of Travel Apps 2021 – An Analysis of Travel App Market Trends and Top Apps in the U.S.", SensorTower Report (September 2021), page 15

CONCLUSION

As an early investment target of Stack Capital, which was initially discussed during the Stack IPO in June 2021, Hopper represents a terrific addition to the portfolio – characterized by significant growth, established product market fit, and the use of technology to innovative and disrupt. As travel fears and restrictions begin to ease, pent-up demand is expected to result in increased travel, which bodes well for Hopper. As a leading provider of travel solutions that deliver flexibility, innovation and value, the Company is poised to continue growing its own platform, along with that of its enterprise partners. Stack Capital believes that Hopper is on a path to increasing market share and solidifying itself as an industry leader.

With some of the lowest prices in the industry and many flexible benefits – we highly recommend downloading the Hopper app and trying it when planning your next travel adventure!

INVESTMENT OVERVIEW

Leading travel booking app

- #1 travel app in the US during H1-2021, measured by market share of downloads
- One of the most innovative and consumer friendly travel companies in the industry
- Recognized as one of the world's most innovative companies by Fast Company

Revenue diversification

- Has successfully evolved into a leading flight, hotel, car rental, and home rental platform
- Expanded margin profile through the strong adoption of its fintech offerings on its own platform, as well as its B2B partnerships with Capital One, Trip.com, and Amadeus
- Serial innovator – paving the way to future growth and diversification

Successful leadership

- Experienced management team with a diverse background in both travel and technology provides a distinct edge over the competition
- Key members of its management team draw on valuable work experience from large recognized and successful companies, with profitable exits in the past

Attractive long-term growth potential

- Major secular tailwinds in the travel industry, with post-pandemic demand expected to spike as restrictions ease
- A strong history of fintech development, coupled with being so well-capitalized, will enable Hopper to continue to be at the forefront of innovation
- Proven success in user retention and engagement, through:
  - Carrot Cash – its loyalty program
  - AI powered price prediction
  - Price freeze and price drop guarantees
  - Reliable customer service