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Rocket Cos., Inc. (RKT)

Morgan Stanley Technology, Media & Telecom Conference

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CORPORATE PARTICIPANTS

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

OTHER PARTICIPANTS

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

All right. Good afternoon, everybody. Let me get started here. Before we get started, just there will be some quick disclosures. For important disclosures, please see the Morgan Stanley Research Disclosure website, www.morganstanley.com/researchdisclosures. The taking of photographs and use of recording devices is not allowed. If you have any questions, please reach out to your Morgan Stanley sales representative.

All right. With that, good afternoon. It's my pleasure to welcome CEO of Rocket Companies, Varun Krishna, welcome. I think this is your official first...

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

Yes.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

...Rocket...

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

Yes.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

...attendance in tech conference but...

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Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

It's good to be here.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

...maybe not your first as a...

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

Yes.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

...an attender.

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

Yeah. I'll say the hype is real. So thanks for having me.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Yeah, no problem.

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QUESTION AND ANSWER SECTION

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

Maybe we can get started with your – the first year-and-a-half you've been at Rocket. Can you talk a little bit about the key successes you've had in laying the foundation for future growth of Rocket?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah, absolutely. 18 months goes by pretty quickly, but I would say that, just to start, the company is everything that I expected and more. And when I think about just dissecting the time we spent together over the past 18 months, there's sort of really three vectors that I look at. The first thing I look at is just execution. You step into a new role. It's very easy to lose sight of just lights-out execution. And as you've seen over the past several quarters, I mean, consistently hitting or beating the high end of our guidance range, focusing on expenses top line and bottom line. Our execution has been solid. New products being launched, stepping up on innovation. That's something that I feel really good about.

The second vector I look at is just pure strategy, which is a fancy way of just saying, are we just not just executing, but are we thinking about the next chapter of growth for the company? Are we putting the building blocks in place? Do we have the right investment thesis? And I feel very good about our strategy. Meaning, our Rocket Superstack, which we can talk about more, how we're combining the different aspects of the company to get to maximum benefit, how we're being sort of clever about our investment strategy around technology and AI, in particular. And so, I feel very good about the strategic focus.

And then the third thing I look at is just the team. When you build a world-class team, the great thing is that you have a team of thinkers and doers but then hire more thinkers and doers and you create a system that is self-sustaining. And I think we have the best leadership team in the industry. It's a combination of just industry veterans who know the ins and outs of the mortgage industry, the homeownership industry, as well as absolute experts in product, in technology, in marketing who are a very strong cultural fit for each other. And so, to me, my report card over the past 18 months is really execution, strategy and team. And I feel really good about where we are.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

And as we think about Rocket's identity, do you view yourself primarily as a mortgage company or a technology company?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

I love this question, because, if I may, I want to challenge the premise of the question a little bit, because I think it confuses your purpose and cause and your method. And when you think about like a company – a company's purpose is the problem that it solves in the world. And we're in the business of homeownership. We're in the business of helping everyone home. That's our mission statement. How do we make homeownership safer, more sustainable and more longevity enabling?

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That's our purpose. So, yes, we are a mortgage company and I would expand that to say we're a homeownership company. But our how is always technology and has always been technology. I mean we were the first to bring mortgages to the internet. We were the first to put mortgages on a mobile phone. And we will be the first to embrace the AI revolution. And so, I would say that mortgage and homeownership is our what and technology is our how. And we are and we have always been a technology company.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

And as we think about the outlook for this year and your strategic priorities, you gave us a taste of what you're thinking for the year last week on earnings. You talked about the green shoots in housing. Maybe just dive into your outlook for the year, what your top strategic priorities are? Where are you focusing your time and energy?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. I would say, in general, our outlook for the year is optimistic and there are a number of things we look at, everything from sort of macroeconomic factors to some of the green shoots that we've seen in the housing industry and then our own execution. So, in general, we expect the housing market to be bigger in 2025 than 2024, about 10% to 15% bigger. And in 2024, we proved that we could grow share. So, amidst the backdrop of a larger market, we feel really optimistic.

In terms of our core focus areas, I would highlight probably three. I think the first one is really around purchase. We have declared a very explicit focus on purchase and in particular, growing purchase market share. And so, that's a place where we've dedicated resources, teams, budget, leadership to really go after that more aggressively and in a more, I would say, stable, durable way.

The second is AI. We've invested $500 million over the past five years on building out a data infrastructure, building machine learning infrastructure, building models. And we're now training our technology on the vast amount of data that's across the Rocket ecosystem. But I think the sky is the limit there and there's significant room to grow.

And I think the third thing is around building more of a top-of-funnel reach with consumers. The Rocket brand today has – it's the juggernaut in the mortgage and homeownership space, but it is still small when you think about the potential to grow our aided and unaided awareness. We want to be a household brand in homeownership. We want to be very top of mind when it comes to home search, when it comes to financing, when it comes to servicing and when it comes to home equity.

And so, we're investing very deeply in a brand restage and performance marketing to allow us to basically increase the reach of our brand and then build a more higher converting funnel. So, purchase, AI, top of funnel via marketing are the big focus areas for us.

And I also say just the big theme across the board, I think, is scale and distribution. We have built, I think, an incredible engine for mortgage. I think, this year, you will see us really focus on how we can more efficiently distribute that to expand the reach and impact that it has on the consumer base.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

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You mentioned the purchase focus. Can you maybe dive in a little bit more, we get that question a lot, how Rocket is going to be able to do that at this time? Maybe what's different this time? How are you going to be able to achieve the growth that you need there in retail and wholesale channels?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. I think there's a few building blocks that really reflect the waterfall of our purchase strategy. And so, maybe I'll just unpack a few of them and then I'll talk about some execution-specific things.

So, I think there's essentially four building blocks for purchase for us. I think the first is how do we expand the top-of-funnel reach. That means playing a bigger role in home search. We've done that with the launch of Rocket.com, with our brand restage and you will see us increase our focus on ecosystem players like realtors, which is a place where we think we can make significant gains. So, fixing that top of funnel, making it more higher performant, that's a big area of focus.

The second area I'd highlight is what we call purchase recapture, which is really harvesting more purchase origination from our servicing book. The Rocket servicing book is a huge strategic asset for us. We have recapture rates that are three times higher than the industry. And the reason for that is because we deliver top-tier service, but we're also collecting these relationships with clients. And so, as we've added well over 300,000 clients to our servicing book this past year, those reflect new sources of purchase origination. So, that's a big area of focus.

The third thing I would highlight is the broker business. The beauty of what Rocket is enabling is that we have built a horizontal technology platform. We use the same technology platform to power our retail channel, our partnership channel as well as our broker channel. And so, capabilities like notifications, data automation, mobile experiences, things that just enable brokers to have technology at their fingertips and extending that capability is where we're also focused.

And then, the last thing I would highlight is just the team. One thing that we've done this year is we've made a significant long-term investment in our purchase strategy. Our COO is leading the biggest strategic bet at the company level. We have a dedicated team of resources that are focused on it. We've brought in leaders like Dan i in case we need to double down on our broker channel.

So across the board, this is a big area of focus for us. It's a durable area of focus and we're in it for the long term.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

And as we think about how that relates to your market share goals, you've laid out some pretty bold market share targets for 2027, doubling purchase from 4% to 8%, refi from 12% to 20%. What's your plan to actually achieve those targets? Will the growth be linear? Maybe help us understand how much of that is going to come from the organic growth strategy you're talking about versus the inorganic growth.

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. I think, first of all, I would just highlight that we're on track in terms of our plan. And part of the reason we expressed that plan to the Street is we want to be very aggressive about share growth. This year, we grew purchase about 8%, and that happened very much through organic efforts, right?

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Really, there's sort of two things. I think we've widened the top of funnel and then we've also optimized the funnel. I would say, we're in no means done with that. And I think we have the resourcing and the effort to get to our plan purely in an organic way. And those are the building blocks that I just laid out, focus on broker, focus on the top of funnel, streamline the funnel, invest in technology, AI.

And I'll give you another example there. Lead nurturing is an area that we're investing in significantly. Typically, when you look at a purchase lifecycle, it's multiple months. Whereas if you look at a refinance, a cash-out, [ph] I'll close in a second (00:19:50), any of the other sort of equity-based products, the consumers in more of a high-intent phase and the transaction happens much faster.

In purchase, you may be looking for a home for three months, six months. And so, the ability to nurture leads over a longer period is a big technology investment for us. And that's one of the things that we're talking about when it comes to the funnel. So, we feel pretty confident given our trajectory that we will get there organically, but we're always looking for ways to get there inorganically as well, if it would accelerate our strategy.

In particular, the MSR space is an area that's really interesting to us because it not only creates a sort of a long-term business and annuity, but it allows you to build a much larger base of customers that you can then originate new loans for us. That's an area where inorganic is interesting to us. And then things on the top of funnel space as well, as we think about ways that we can take our mortgage engine and effectively distribute it more effectively, playing a bigger role in home search, partnering with maybe some bigger players that are out there where we have complementary value that we can create for our clients. Those are the places that we look at for inorganic accelerant.

So, we think we'll get there organically, but we have a significant amount of liquidity at our disposal, and we have the ability to have different levers, and we're going to be very opportunistic about how those enable us to go faster.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

And you've talked about sort of – not sort of, you've talked about actually transforming homeownership, not just being a mortgage lender. Lots of other players out there that aren't mortgage lenders have also talked about something similar, like the Zillows of the world. What gives you the conviction that Rocket can be the one to lead that transformation? How can Rocket be a leader in doing that?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. I think about this question a lot, but maybe from a different angle, because I, to be honest with you, I don't fixate a lot on competitors because I think when you're a market leader, it's sort of you have a responsibility to set the pace and to set the tone and to declare where the industry is going. That's the reason I came to Rocket and not any of these other companies is because I think Rocket is a pace setter and always has been.

The way I think about the industry is pretty simple. Like, I think everyone probably wants to get to the same place. They want to create this sort of end-to-end destination for homeownership. But they all have different starting points. And I feel very strongly that your starting point is going to dictate your end point.

And the reason I came to Rocket is because I think Rocket's starting point is the strongest, namely, we stand for mortgage. I mean, if you kind of think about the different pieces of the puzzle, there's sort of the home search,

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which is one building block. There's the origination, which is another building block and there might be servicing, which is another building block. And our view is pretty simple. We just want to be number one in all three.

Right now, we're number one in mortgage origination, and that's one of the hardest ones. You have to be licensed in 50 states. You have to build out a capital markets infrastructure. You have to have a trading desk. You have to be light – you have to build out a data infrastructure. You have to have relationships with the GSEs. You have to able to sell and build and price multiple products.

And it's like Rocket is 40 years – this year, we're going to be 40 years old, Jeff. Like, you don't create a company like that overnight. I come from Silicon Valley. I mean, I used to live in this neighborhood. And you talk a lot of – companies think a lot about activation energies. Like, is it possible to build like a mortgage shop in a garage and be able to scale it? And part of the reason that I came to Rocket is that I think that is a very difficult value proposition with AI or otherwise. It is just – the amount of scale, the complexity, the compliance requirements, the legalities, the data infrastructure, the trust, the ability to handle your clients' most sensitive data for their biggest transaction, that is a hard thing to do.

So, we are evolving our strategy to evolve upwards and downwards. We're doing that in servicing. We're starting to get more serious about top of funnel with Rocket.com, strategic acquisition. And our strategy is going to be different. We don't care about the vanity metrics of big broad traffic. We want high-intent buyers. We want them to come to a site that's alive. We want them to get prequalified, preapproved. We want them to have 24/7 support. We want to connect to the home search experience to financing. We want the experience to be uncluttered, ad free, simple and streamlined. And we want to do basically the home ownership platform the Rocket way. And that's what the Rocket way means to us. That's our approach. And we like our chances given our starting point.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

And you've talked about this and a part of your answer here. But it's difficult to start a mortgage company in the garage. Homeownership industry has been a little bit slow to modernize. Why do you think consolidation hasn't happened earlier in this space? What are the biggest limitations to that? And how is Rocket, you addressed some of this, but how is Rocket actually looking to break through some of the barriers there?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. I will start by saying that this is a hard problem and we do think there is consolidation. But the challenge we have is, today, the market is just incredibly fragmented and incredibly hyper-localized. And the challenge of that is that it's not that consolidation happens with one, two, three sort of big moves, because there's really no big players. There's a bunch of really sort of small players who operate in local environments. And I think that's one of the challenges of consolidation.

I think the good news is, we are at the precipice of what I believe is an industrial revolution in technology where artificial intelligence, namely knowledge engineering, machine learning, natural language processing will become more of an equalizer. But the ability to take something like AI and use it to consolidate an industry, I think, requires an activation energy from a player that has a serious amount of scale.

If you are licensed in 50 states, if you understand data requirements and compliance at scale, if you have brand reputation, if you have origination and servicing, if you sort of have these different assets, you are more likely to win with AI, because technology will become more and more commoditized, but data will become something that I think will become more of a precious commodity.

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And so, said differently, an approach to defragmentation is to have the most data, to have the most relationships with the most clients and to be able to bet big on technology. And I think if we get those things right, I think we will not just watch the industry sort of consolidate, but we will be a catalyst in making that happen.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

And where does your Superstack fit in there? Maybe just remind investors what exactly that is and how it creates value for you.

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. The Superstack is a way for us to describe what Rocket does that is durable, differentiated and advantaged. And it's how we think about our growth strategy in homeownership. And so, there's basically four layers and it sort of builds up like a cake. The first layer is what we call the ecosystem layer and that's where we connect different parts of the company. In particular, the best example I would give you is origination and servicing, where each of these different businesses are healthy, they're growing, but they strengthen and reinforce each other, as we talked about.

But I'd give you another example of the ecosystem which is the connection between our Rocket Money business, our personal finance business, and our servicing book, where we actually offer Rocket Money to our servicing clients and allow them to take advantage of things like credit repair, budgeting, financing, managing their savings so that they can actually sustain the homeownership experience that they have with Rocket.

And we have close to 400,000 of those clients that are using Rocket Money. And so, the synergistic advantages of our products and businesses working together is the ecosystem layer. The next layer is what we call our experience layer. And what that effectively means is we deliver the full spectrum of experiences and meet our clients where they are.

There are clients that want to work with us directly through our retail channel. There are other clients that want the comfort of a broker. There are other clients that will work with a partner, a bank or another financial institution. And so, the reason that we think about our experiences as across channels is we want to be able to serve any client in any situation with any product. So, right client, right product and right time and that's why we've invested holistically in creating this multichannel experience layer.

The third layer is technology. And it's difficult to manage multiple businesses unless you bet big on technology. And that's why we've invested in data infrastructure, knowledge engineering infrastructure, technology platform, partnering, obviously, with some of the best players in the space as well to create a common technology layer that powers all that, to clear a common data layer that powers all of that, to create models that are translating data and insights from one business into another business.

And this isn't – I mean, this is serious scale. We have 65 million call logs. We generate 300,000 transcripts a week. We have petabytes and petabytes of data. We've classified upwards of 25 million documents, right? And so, the amount of scale that you get from operating at that level is something that allows you, I think, to be a long-term winner in AI.

And then the last thing I would highlight is just our brand. We have an iconic brand today, but we have such an opportunity to grow the household nature of that brand to become more ever present, to be a part of the

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conversation. And you saw an example of that at Super Bowl where we effectively made a declaration about a new way of Rocket appearing to the consumer, a brand that will connect more deeply with specific strategic segments, a brand strategy that is linked to a performance strategy that's connected to the funnel, a segmentation strategy where we understand clients and segments at a deeper level, where we have more hyper-local approaches to marketing and a marketing strategy that is holistic. That's not just direct to consumer, but it includes the broker, it includes the realtor. So each of the four layers, brand, technology, experience and ecosystem, connected together, heavy investment across all, that's what we call the Rocket Superstack.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

And you've – as part of that, you've invested a lot in AI, obviously. So, maybe just touch on where your biggest AI wins have been to date. Where have you found that to have the most meaningful impact on your business and how has that influenced your confidence in AI's role moving forward from here?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. I would say that, not to draw comparisons to the competitors or to just other industries, but the most important thing for me is to keep providing use cases. As you listen to the Rocket earnings calls that Brian and I are on every quarter, the one thing that you'll hear from us consistently is evidence, right, evidence of tangible benefits that AI is delivering for us every day.

And I can just give you a couple of examples. We have introduced an AI-based intelligent chat experience that allows our mortgage bankers to connect with clients using an asynchronous chat-based experience. And it turns out that this experience has three times the conversion of a traditional communication experience.

The new generation, Generation Alpha, Generation Z, they love that modality. It's more tuned with how they communicate. It allows our mortgage bankers to connect with more than one client at a time, and it allows for infinite levels of personalization like language personalization, tone, sentiment. So, it's a huge win.

We leverage AI in optimizing and creating a more efficient sales process and homeownership process. This year, we're on track to save our team members 1 million hours. I mean, just think about that, 1 million hours of time. That is a ridiculous amount of time that you now free up for your team members to be able to serve more clients.

So we're using it in everything from just the frontend experiences that our clients experience when they come to Rocket.com, the way that they automate – that we can automate their ability to provide documents and data, the way we extract and apply them to mortgage loan applications, the way we simplify our team member experience so they don't have to capture notes and action items when they're on a call, that the call can automatically understand that. There will be coach and train our bankers to optimize the sales experience where we understand objections, sentiment by analyzing those hundreds of thousands of transcripts, all the way down to title underwriting, appraisal and servicing.

So the technology stretches all the way through the entirety of Rocket from start to finish. And it's, frankly, one of the biggest reasons I wanted to come to Rocket is because I felt like this is a company that was a perfect fit for this technology paradigm that we are now, I would say, at the precipice of experiencing.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

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And as you think about – you've laid out your plans to scale volumes to $300 billion by 2027. And where does AI fit into that part of the equation? And how else are you going to achieve that? Traditionally, when mortgage volumes surge, we've seen that via head count additions...

Varun Krishna
Chief Executive Officer & Director, Rocket Companies, Inc.
A

Yeah.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC
Q

...and vice versa. So, what are you doing differently and when should we expect the scale to be reflected in your operating leverage and profitability?

Varun Krishna
Chief Executive Officer & Director, Rocket Companies, Inc.
A

Yeah. Yeah, I think you're already starting to see that. I mean, some of the proof points are just, I think Brian has shared this already, but we expect to do almost double the capacity that we did this last year, so around $150 billion of capacity while keeping our fixed cost structures roughly the same. And I just – I highlight that proof point because I think it's a great example of our ability to scale up. Now, the way that we think about our top and bottom line revenue is that we play in a big market and we're playing to win, right?

And so, there is an element of just the ability to scale that we think is very opportunistic in the sense that we want to do that much capacity, we want to do even more capacity than that. And so, our general sort of strategic objective is continue to get more efficient and reinvest those dollars to be able to grow your business.

And we think that's the way you create a healthy growing sustained business. And we specifically want to avoid like the yo-yo effect of continuously adjusting your head count. I mean, that – you want to be efficient and you want to get to a stable representation of capacity and you just want to scale like crazy. And that's sort of the simple philosophical approach that we take to that.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC
Q

And as you think about normalized profitability for the business, you've talked a lot about how market share is kind of your North Star metric, but how do you think about normalized profitability and what conditions need to be in place to really achieve true operating leverage here?

Varun Krishna
Chief Executive Officer & Director, Rocket Companies, Inc.
A

Yeah. I think – I mean, the simple answer for me is that I think we're heading into that zone right now. And if I look at 2025 as an example, you have a bigger mortgage market. I think that helps with normalized profitability. You have a company that is focused on purchase that creates a steady, less rate-sensitive dynamic for a growth business.

And then, you think about efficiency, right? You have a company that is thinking very deeply about technology and how technology can become an enabler of efficiency and allow that efficiency to be reinvested in growing the business. And so, I would say that those vectors to me are strong indicators of our path to normalized profitability. That's what it looks like to me.

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Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

And what about capital allocation? Any specific areas of M&A that interest you the most? You acquired Truebill several years ago.

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

I don't think we've seen a lot since. So maybe just expand on what you're looking at.

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. I think you've seen a lot since on an inorganic front. Yeah. I think, I'd highlight three things. I think the first is we reinvest our dollars into the business. That's, I think, a super important thing. When you're betting big on technology and you're building a growth business, one of our most fundamental capital allocation principles is to reinvest our dollars in the business.

The second thing I would say is inorganic is certainly a place that we look out for growth. And the areas that we're specifically interested in are ways that we can increase our top of funnel. So, can we build more relationships with more consumers and bring them into our mortgage engine and increase that distribution?

And the second one is through MSRs. If we can dramatically increase our pool of MSRs, that powers our origination servicing flywheel. And examples of that are our Annaly partnership for subservicing which we announced just recently.

And then, the third thing for capital allocation is simply creating shareholder value, so the more we can leverage our capital to create value for shareholders. Those are kind of the three big principles for us from a waterfall perspective.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And as we think about the float issue with the company, I think 7% of the shares are out there. What are the plans to increase it? I know we learned a little bit from Dan at the Investor Day on his long-term thinking there. He's not in any rush, but doesn't need to own 93% of the company. So, what's the latest thinking on that at this point?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. I think it's something, certainly, we hear often and it's something that we do care about. And I think that we just want to be very opportunistic and strategic about it. I think we want to find ways for us to create more shareholder value for the company. I think Dan, as you know, has certainly said that he doesn't need to own the percentage of the company that he does.

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But the devil's in the details and we want to be very strategic about it. We want to think about how we create shareholder value. We want to make sure that we create value in a way that's aligned with our growth strategy. But it is an area that I think reflects an opportunity for us to expand and to grow.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

Is there any preferred way you would look to do that or are you open to capital?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

I think we have certain things that we're looking at. But there really – I would say that they're in service to the long term and they're in service to our strategy. So, our strategy is to grow market share, to expand our distribution and to bet big on AI. And if there's ways in which we can create more shareholder value in service to that and do it preferably with that in mind, those are the big areas that we're most interested in.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And just wanted to pause and see if there are any questions in the room from anybody. Over there.

Q

Hey, Varun. You talked about how AI helps you now. In two to three years, what's it going to look – what's your company going to look like?

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. Different, that would be my starting point. I love this question, because I think we're in an era where the pace of change is accelerating. And I don't think that we have fully comprehended the full implications of that.

Our view of the world is very simple, which is the companies that will win at scale are likely the ones that have accumulated the most data and the most distribution. And when you look at homeownership for us, I mean, I roughly break that down into top of funnel sort of mid-funnel origination and servicing. And so our recipe is very simple. We're just going to grow across those three vectors.

But in two to three years from now, I think that there are profound leaps of faith that are likely to happen. I think that there's a high likelihood that we get close to an AGI type of experience, wherein AI is capable of compute and reasoning that are far beyond human expectations. I think agentic AI will become a very real thing. I think you'll end up in a situation where many humans will have an AI assistant that will be handling tasks and activities.

How will that happen? Will it be one – do you have one AI and it handles things between us or do you have job-specific things? It's hard to tell, but the pace of change is dramatic. And I think certain industries are more likely to be bigger beneficiaries of it. Like, in particular, homeownership is my semi-biased opinion. But I think there are other industries that may completely cease to exist just because so much automation, so much predictive analytics and just so much workflow can be done.

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And I don't think that's anything to be afraid of because it's kind of like the Internet revolution. When that came along, there were a lot of folks that just said, hey, this is going to lead to job elimination and all these sort of – I would say, sort of world crashing sort of dynamics. But I think it's just – my view is simple. What a time to be alive. I think we're going to see new technology. We're going to see new opportunities. We're going to see an evolution of the workforce. But I view it as very healthy and positive.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

You want to go again?

Q

Yes, I just have one more. You talked about getting a normalized profitability in 2025. But why not accelerate that top of funnel investment? Why does it have to be this year? As you gain that scale and then in two to three – as we were – just talking about in two to three years, you're even stronger.

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. We are looking at ways that we can accelerate the top of funnel investment. I think an example of that is the launch of Rocket.com. I think acquiring a super-premium URL, leveraging and learning from Rocket Homes, building a more integrated experience is one example of that. At the same time, we're also looking at distribution opportunities. We're having conversations with the banks, we're having conversations with other players that play in the top of funnel space. We're just looking at places where there's mutual benefit, where we can attach some of the amazing things that we do with our engine, to some of the amazing things that others maybe have accelerated as their starting point. So we absolutely are looking at that acceleration and stay tuned for more, yes.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

All right. I think we're out of time here. So thank you so much, Varun, for coming this year.

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

My pleasure, yes.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Appreciate it.

Varun Krishna
Chief Executive Officer & Director, Rocket Cos., Inc.

Thanks, Jeff. Appreciate it.

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