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Rocket Cos., Inc. (RKT)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by, and welcome to the Rocket Companies' Fourth Quarter and Full-Year 2025 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I'd now like to turn the call over to Sharon Ng, Head of Investor Relations. You may begin.

Sharon Ng

Head-Investor Relations, Rocket Cos., Inc.

Good afternoon, everyone, and thank you for joining us for Rocket Companies' earnings call covering the fourth quarter and full-year 2025. With us this afternoon are Rocket Companies CEO, Varun Krishna, and our newly appointed President and CFO, Brian Brown.

Earlier today, we issued our fourth quarter and full-year earnings release, which is available on our website at rocketcompanies.com under Investor Info. Also available on our website is an investor presentation.

Before I turn things over to Varun, let me quickly go over our disclaimers. On today's call, we provide you with information regarding our fourth quarter and full-year performance as well as our financial outlook. This conference call includes forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially from the expectations and assumptions we mention today.

We encourage you to consider the risk factors contained in our SEC filings for a detailed discussion of these risks and uncertainties. We undertake no obligation to update these statements as a result of new information or

This call is being broadcast online and is accessible on our Investor Relations website. A recording of the call will be posted later today. Our commentary today will also include non-GAAP financial measures. Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our earnings release issued earlier today, as well as in our filings with the SEC.

And with that, I'll turn things over to Varun Krishna to get us started. Varun.

Varun Krishna

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

Good afternoon, everyone, and thank you for joining our fourth quarter and full-year 2025 earnings call. By now, you've seen the news of our partnership with Compass, which is exciting. Everything that we have done in the past is now leading us to what's happening next. Every move is deliberate and focused on a new vision for homeownership in this country.

Before we get into that, I'll cover several topics today. First, I'll walk through the numbers and results as well as our progress on the two major acquisitions that were completed this past year. Then I'll dive a little deeper into how our differentiated ecosystem drove those results in a dynamic environment and how that was enabled by our unique technology platform. And finally, I'll return to Compass and why this partnership represents the future of search and homeownership. So let's get into it.

2025 was where Rocket demonstrated who we are. We acquired Redfin. We acquired Mr. Cooper. We executed and delivered against our goals in every quarter. Speaking of quarters, Q4 was our first quarter fully consolidating both Redfin and Mr. Cooper's financial results. We reported \$2.4 billion in adjusted revenue, beating the high end of our guidance by \$140 million. Excluding correspondent, we reported \$36 billion in net rate lock volume and gain-on-sale margin of 320 basis points. That was the highest net rate lock volume and gain-on-sale margin for the fourth quarter since 2021.

Adjusted diluted EPS was \$0.11 per share. Adjusted EBITDA increased from \$349 million in Q3 to \$592 million in Q4, with margins expanding from 20% to 24%. For the full-year, we generated \$6.9 billion of adjusted revenue. Adjusted EBITDA margin increased to 19%, up from 18% the previous year. Adjusted diluted EPS was \$0.28 compared to \$0.23 in 2024.

We have been steadfast in our pursuit of purchase. We formed our strategy three years ago, and we are executing on it now. We grew market share to 5.5% in Q4, up from 3.8% the year prior. This is no coincidence. It is the result of strategy and disciplined execution. Let me now quickly share an update on our integration progress.

We closed the Redfin and Mr. Cooper acquisitions in the back-half of last year, and every single work stream is ahead of schedule. We're hitting every key milestone. We fully realized our Redfin expense synergies six months ahead of plan. And we're on track to fully realize Mr. Cooper synergies well ahead of the original target of 2027. Brian will provide more detail on that in just a moment.

What makes Rocket unique is two simple words, ecosystem and platform. Rocket's ecosystem stands apart. We connect serious buyers with agents, loan officers and brokers. We make homeownership easier. We move the needle on affordability and access, and our platform technology delivers the best client experience, period. We are the only player that spans home search, mortgage origination, servicing, title, and closing. We have the

largest origination and servicing business in the industry. They are connected by a refinance recapture rate that is three times higher than the industry average. That is relationship. That is trust. That is scale working as it should.

And we don't take that for granted. We earn it every day, inch by inch by inch. Exceptional experiences in servicing and origination, low rates and fees, continuous focus on improvement, lifetime commitment to clients. So when they are ready for their next purchase or a refinance, they come back to Rocket, not because they have to, but because they want to, time and time again.

This past quarter is a clinical example. We activated in full during the fourth quarter and into the new year. As rates dropped towards 6%, hitting the lowest level in three years, millions of homeowners with loans above 6.5% saw an opportunity to save. Homebuyers on the sidelines saw new possibilities, and we met that moment head-on.

This stands in stark contrast to other mortgage lenders. Some have large servicing books but lack recapture and scaled origination, so when rates fall, loans repay and clients leave. That is a missed opportunity for others as their business cannot scale with demand. Some make AI and technology claims and create hype, but we see no other mortgage company at scale with a proprietary loan origination and proprietary servicing system, period. These past few months are where our deliberate decades-long investment in technology shows how Rocket distances itself from the pack and shows why it's built differently.

When rates are elevated, our servicing business benefits from slower prepayment speeds and generates \$5 billion in annualized recurring cash flow. We retain the majority of the clients that we originate. The portfolio grows, and with it, so does the pipeline for future recapture. Our integrated homeownership ecosystem puts Rocket in a category of one. Our scale is unmatched.

We reach 62 million monthly active users across Rocket and Redfin. We served 460,000 homebuyers and homeowners through origination in 2025. We support 9.5 million clients in our servicing portfolio. This distribution creates its own economy in which many people thrive; 3,000 loan officers, thousands of mortgage broker partners, and now hundreds of thousands of real estate agents who succeed in our ecosystem every single day. Any one of these would be hard to replicate. We have all of them.

Layered on top of all of this is proprietary technology. Mortgage is deterministic. It's heavily manual. It requires precision and repetition at scale. Artificial intelligence is tailor-made for these challenges, allowing us to lift conversion across our massive lead funnel and unlock infinite capacity. The proof of this lies in our Q4 results. We just delivered nearly \$50 billion in loan volume. That is an annualized run rate of \$200 billion, effectively double our full-year 2024 volume.

To put this scale in further perspective, the last time we originated this level of volume was the first quarter of 2022. But here is the critical difference. Today, we delivered that same volume with half the head count. We didn't just work harder. We structurally doubled the capacity of every production team member through technology. This is the definition of AI-driven operating leverage. Traditionally, mortgage companies would hire more loan officers to drive volume and add underwriters to close more loans. Rocket flips that script. Let me share with you some specific examples of our technology at work.

Today, our loan officers aren't calling clients to find out if they qualify; AI does that. They don't follow up manually; AI does that. They don't review documents; AI does that. And the result, our loan officers spend their time writing loans and helping clients.

Let's take purchase pre-approval letters. Historically, this process relied on a loan officer's availability. Calls, document exchanges, waiting for someone to manually generate a letter. Even at its best, it was limited by business hours and human capacity. But in a competitive market, every second counts. And now, Rocket purchase pre-approvals are fully digital. In minutes, anytime, anywhere, clients receive a credit-qualified pre-approval letter. No loan officer help needed. Clients can complete it from home while touring a property with their agent or on the spot as an offer is being made. We're available 24/7, 365, and our clients know it and appreciate it. That's flexibility buyers and agents can feel. It's seamless, on-demand, and we're delivering it at national scale.

It is also driving results. By automating qualification and pre-approvals, loan officers spend time with clients ready to transact where their expertise matters. Conversion rates are 2.5 times higher compared to leads going directly to a banker before qualification. We are right on the heels of purchase season, and this will help us focus loan officer capacity on clients who have a higher propensity to transact.

Automating communication is another example. Every month, we automatically handle 800,000 chats, send more than 1.8 million text messages, place 2 million outbound calls, and process over 5 million documents. These tools are delivering higher conversion rates and fueling incremental refinance and purchase volume. As a result, we're capturing more than \$1 billion in incremental volume per month that may have otherwise gone untouched.

Now, I could share endless stats with you. What it all comes back to is a few key things, infinite capacity; lowering rates, fees and friction; and delivering for every client in the country. This is how Rocket's proprietary data and technology create separation. Our models anticipate intent and predict behavior, machine learning guides every step, knowledge engineering informs decisions, and natural language processing powers interaction. Automation at scale, personalization at scale, real AI applied to real problems, this is what differentiates Rocket.

I joined this great company to transform homeownership. We are systematically solving the barriers to real change in the industry one by one. We've already bridged the gap between search, origination, and servicing. The next step in our journey is focused on fixing the next part of the problem, home affordability.

Home affordability is a multifaceted, existential challenge. There is no quick fix. This is a two-sided market, buyer demand and seller inventory, and meaningful progress requires improvement on both fronts.

On the supply side, not enough inventory is coming to market because too few sellers are moving. On the demand side, Americans want to buy, but affordability barriers keep too many on the sidelines. That's the reason for today's exciting partnership news. We're tackling the challenge directly, partnering with the biggest and best brokerage in the business.

Rocket and Compass have formed a historic strategic alliance designed to strengthen both sides of the market, built around a lead funnel, unique inventory, distribution, and mortgage expertise. Redfin brings 50 million monthly active, high-intent buyers in the most comprehensive home listings platform in the industry. Compass offers a network of 340,000 real estate agents and unique inventory. Rocket Mortgage drives affordability through our preferred integrated pricing bundle.

Our goal is simple and unifying: expand inventory and create a more streamlined, affordable home buying and selling experience for American families. Our alliance with Compass is proof that we're far from done. We believe homebuyers and homeowners deserve more. This is bigger than affordability or inventory. It's about sparking more sellers, enabling more buyers, and creating a new standard for the homeownership experience.

That concludes my comments on the quarter and the full-year. And with that, I'll turn things over to Brian.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

Thank you, Varun. Good afternoon, everyone. Today, I'll walk through Rocket's strong fourth quarter and full-year results, underscoring the strength of our business model. I'll also provide an update on our integration synergies and walk through our outlook for the first quarter.

2025 was a pivotal year in executing the AI-driven homeownership strategy we set in motion three years ago. We acquired Redfin and Mr. Cooper. We made bold moves in AI and automation. We continued to invest in our brand and technology platform. All of this fuels our strategy and sets us apart. The result is a homeownership platform with unrivaled scale across search, origination, and servicing, powered by leading technology and primed to disrupt a \$5 trillion market. Rocket is one of one.

In 2025, we matched that strategic ambition with operational discipline and focus. For the full-year, we generated \$6.9 billion in adjusted revenue and \$132 billion in total net rate lock volume. Full year gain-on-sale margin landed at 283 basis points. Our adjusted EBITDA margin for the year was 19%, with adjusted diluted EPS at \$0.28.

And in the fourth quarter, our first fully combined period with Rocket, Redfin, and Mr. Cooper, the power of this platform was on full display. In the fourth quarter, adjusted revenue hit \$2.44 billion, beating the top end of our guidance range by \$140 million. We delivered \$42 billion in net rate lock volume. Excluding the correspondent channel, net rate lock volume was \$36 billion, with a robust gain-on-sale margin of 320 basis points. Adjusted net income for the quarter was \$316 million, translating to \$0.11 of adjusted diluted EPS.

Now, I'd like to highlight a few of the key drivers of outperformance this quarter. The first was a meticulous rollout of an integration plan that was six months in the making. Upon the closing of the Mr. Cooper transaction early in October, we unified Mr. Cooper clients under the Rocket brand. We transitioned Mr. Cooper loan officers to Rocket's proprietary origination system and suite of AI tools. We overlaid our propensity models against Mr. Cooper's portfolio to identify immediate opportunities, routing those clients into Rocket's personalized digital experience. The impact was near instant. We saw a meaningful uptick in conversion rates, driving higher recapture on the Mr. Cooper portfolio compared to pre-closing levels.

This momentum accelerated throughout the quarter, resulting in our largest fourth quarter for refinance since 2021. Our output in the fourth quarter highlights a critical milestone. In Q4, closed loan volume from our service portfolio hit an all-time high. More than half of our refinance closings came from service clients.

For context, in the fourth quarter of 2020, this number was 30%. This is the flywheel effect. These clients come with near zero client acquisition costs. And retaining them for life generates client lifetime value that is worth multiples beyond the book value of an MSR asset. Our closed-end second product continues to resonate. Volume nearly doubled year-over-year. In fact, the month of December was our largest month ever for the product, surpassing \$1 billion of origination volume.

On the purchase side, our Redfin preferred pricing bundle is gaining traction. Volume increased by 40% quarter-over-quarter. This was the leading driver in the double-digit growth we saw in the direct-to-consumer purchase closings year-on-year.

In the fourth quarter, jumbo loans grew nearly 70% year-over-year as we expanded the jumbo products available to our loan officers and mortgage broker partners to address more specialized needs. This performance came against a market where mortgage rates tested the bottom of their three-year range and unlocked pent-up

demand. Homeowners who took rates in the high sixes or sevens in recent years moved quickly to refinance and lower their monthly payments, and we were ready for them.

The market's momentum has continued into the first quarter. In January, the population of homeowners benefiting from a rate-and-term refinance surged to 4.8 million, or over \$1 trillion in unpaid principal balance. That's a four-year high. We have reached a tipping point. For the first time in this cycle, the cohort of mortgages with rates at or above 6% now exceeds those below 3%.

Our unique business model is engineered to perform across every phase of the rate cycle. When rates are elevated, our servicing portfolio serves as our foundation, generating recurring cash flow. When rates drop suddenly, like they did in the fourth quarter, the same portfolio ignites our recapture engine. We ended 2025 with a portfolio of \$2.1 trillion in unpaid principal balance. Our portfolio does two things.

First, it generates approximately \$5 billion in recurring annual cash revenue. Second, it provides a massive captive audience for new originations. Today, over \$300 billion of our own portfolio carries a note rate above 6%. These in-the-money clients stand to lower their monthly payment through a rate-and-term refinance.

Paired with a recapture rate that is over three times the industry average, we operate the industry's largest recapture engine. What others view as prepayment risk, we view as a massive origination opportunity. This means we define our own trajectory regardless of macroeconomic conditions. While the performance of legacy originators and servicers is tied closely to rates, Rocket has built a business model that is durable and can grow across market conditions.

With our robust capital position, we will continue to invest for growth. We ended the year with \$2.8 billion in available cash and total liquidity of \$10.1 billion, including available cash and undrawn lines of credit.

Let me shift gears to the historic partnership with Compass we announced today. Rocket and Compass stand together to help solve home affordability, an issue that has kept so many Americans from owning the dream. The partnership rests on three strategic pillars. First, Redfin is now the exclusive home search portal for Compass's Private and Coming Soon listings, inventory that exists nowhere else. This gives our platform a distinct data advantage that drives consumer traffic.

Second, Compass becomes Redfin's largest brokerage partner. This immediately expands our distribution footprint, complementing Redfin's W-2 agent network with Compass's 340,000 agents.

Third, Rocket Mortgage becomes Compass's digital mortgage partner. We have already demonstrated our ability to integrate and deliver value to homebuyers through our preferred pricing bundle with Redfin. Now we're scaling that playbook with deeper integrations with Compass. Ultimately, this is about the consumer and tackling affordability. It's about bringing more inventory to market and better mortgage pricing for consumers at scale.

Turning to integration, Redfin and Mr. Cooper are progressing ahead of schedule and are on track with all major milestones. We've already captured \$140 million in Redfin expense synergies in under six months, and we're on pace to exceed our initial goal. In roughly five months after closing, Mr. Cooper synergies are on track and ahead of plan. We expect expense synergies to be fully realized ahead of the original time of the end of 2027.

Furthermore, Rocket and Mr. Cooper service clients are now united under the Rocket digital experience and brand, marking a key integration milestone. We recently migrated an impressive 600,000 loans in a single day to a united servicing platform, the transfer went off without a hitch. Revenue synergies are pacing well. Redfin

mortgage attach rates are on track to surpass 50%. And in the first quarter after the deal closed, our recapture engine is already lifting recapture rates on the Mr. Cooper portfolio.

Before providing our forward outlook, I want to point out a change in our financial presentation due to the acquisition of Mr. Cooper. To standardize our reporting, starting in the first quarter, we will be reclassifying warehouse interest expense on loans held for sale. It will move from a contra revenue account to a direct expense. This has no impact on profitability. It's simply a reclassification on the face of the P&L.

Turning to our guide, in the first quarter, we expect adjusted revenue to be between \$2.6 billion and \$2.8 billion. This guidance range includes \$150 million related to reclassifying that warehouse interest expense. The midpoint of our guidance reflects our conviction in continued mortgage origination market share gains.

Turning to expenses in the first quarter, we anticipate approximately \$2.6 billion, assuming the midpoint of our revenue guidance range. This figure includes an estimated \$150 million reclassification of warehouse interest expense, \$110 million in amortization of intangible assets, \$85 million of stock compensation, and \$50 million in estimated one-time acquisition-related costs. Excluding these items, underlying expenses are expected to be roughly \$2.2 billion in the first quarter.

We also expect \$50 million of seasonal items in the first quarter that were not present in the fourth quarter. This includes the reset of payroll taxes and 401(k) matching and Rocket Money's January marketing campaign that drove record subscriber growth. As always, our forward-looking guidance reflects our current outlook and visibility in the quarter.

2025 set the stage for 2026, and we're just getting warmed up. Forecasters expect the mortgage origination market to grow meaningfully this year, but no matter where the market lands, we are built for growth.

Operator, we're ready to turn it over for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question today comes from the line of Ryan McKeveny from Zelman. Your line is open.

Ryan McKeveny
Analyst, Zelman & Associates

Q

Hey. Thank you, guys. Congrats on the results. Would love to dig in a bit more on the strategic alliance with Compass. So, a couple for me on that. First one, the release mentions the high-intent lead pipeline and giving Compass International Holdings agents more than 1 million buyer inquiries. Can you talk a bit more about the structure there? Should we think of that as similar to kind of the legacy Redfin partner business, but seemingly more exclusive to Compass? And maybe you can just talk through the mechanics and monetization opportunity there. Would it be structured as kind of a referral fee that comes back to you on those deals? So that's kind of question one.

And then question two, on the mortgage side, I know Anywhere is more nationally diversified, but standalone Compass, obviously, has \$1 million-plus ASP, and some of the Anywhere brands, whether it's Sotheby's or Corcoran, skew high end. So, on the mortgage side, any thoughts on the mix of jumbo, conventional, government? Like, seemingly, that business skews a bit more toward jumbo. So, maybe you can talk about whether the mortgage offerings from Rocket today need to expand at all, whether that's necessary, or do you guys have the product today to meet that customer? Thank you so much.

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

A

Hey, Ryan. Great to hear from you, and thank you for the question. I'm just going to start by just framing the context around the partnership, and then Brian's going to jump in to talk a little bit more about some of the economic structures. So, at the end of the day, I mean, we're doing this for one reason, and that's to tackle the biggest problem in housing, which is affordability.

And today, the way we view the world is that affordability is constrained on many fronts, but two of the big ones, one is supply. Like, we just don't have enough supply, and inventory is the key to doing that. And then, the second is on the other side, demand. The transaction process is too expensive and too fragmented. So, we believe that you cannot solve home affordability without at least addressing both of those things.

So, we see this every single day in our approval pipeline, that demand exists, but what buyers really lack is just access to quality inventory. And just to give you one factoid, about half of the homes that are for sale in this country have been on the market for 60 days or more. That's like 3 times higher than what it was five years ago. So, there is some supply, but it's not efficiently matched with demand, and it's not nearly as much as it should be.

So, there's three aspects to this partnership that I'll just highlight, and then Brian will jump in a little bit deeper. The first is inventory, right? Compass will bring Private Exclusives, Coming Soon listings into broader visibility, accessible by everyone, and expanding that access and unlocking more sellers.

The second one, as you mentioned, is lead flow, where Redfin generates high intent buyer demand, and combining that demand with differentiated inventory, we create more match efficiency across the ecosystem, which is very similar to the way that the Redfin Partner Network works today.

And then the third is the mortgage integration, where Rocket will embed its origination platform into the Compass experience, which will reduce friction and also deliver a better experience for clients in the form of preferred pricing, which includes up to 1% off the first year of the mortgage or up to \$6,000 off of closing costs. So, this is really about structurally improving how buyers and sellers connect. It's about improving inventory, creating a more efficient lead flow and business model, and then driving a more seamless mortgage integration.

And so, in terms of the economics, I'm just going to ask Brian to just jump in and just add a couple of more points of color.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Sure. Thanks, Varun. Ryan. Good to hear from you. Yeah, your first question on leads, that's right, it's going to be the traditional referral model. And just a couple things to point out there. We have 2,000 Redfin agents that are some of the most powerful agents and, of course, they work those leads. But we generate a lot of demand from the Redfin site with the 50 million MAUs, and one of the things we were pretty clear about when we acquired Redfin is we were going to increase that demand, and that's happening right now.

So, the 1 million leads is over the three-year period of the contract, but we strongly believe that we'll have ample demand to pass out to both the Redfin agents and the Compass agents. And it's not new for Redfin either. I should mention, Redfin's had a partner network and worked a referral program for some time now.

And then, you asked about mortgage products, which is a good question. If I look at just our jumbo production – and remember that Redfin's price point skewed higher than Rocket's originally, too, and we got that question. Now, we've seen a 70% increase in our jumbo production, so it's something we're very comfortable doing because, of course, the Compass price points are higher.

But you're exactly right on Anywhere. Anywhere matches Rocket's traditional price point much, much closer. So the biggest thing we're excited about is offering this preferred pricing to the Compass and Redfin agents, because we know that makes a material difference in this affordability equation. So we have all of this ready to go. It's actually launched today. You can go see it, and we're really excited about it.

Ryan McKeveny

Analyst, Zelman & Associates

Q

That's great to hear. Thank you so much.

Operator: Your next question comes from the line of Ryan Nash from Goldman Sachs. Your line is open.

Ryan M. Nash

Analyst, Goldman Sachs & Co. LLC

Q

Hey. Good afternoon, everyone. Maybe to start off, just wanted to talk a little bit more about your expectations for 2026. Clearly, the 1Q revenue guide is stronger than expected, but I just wanted to kind of flush out expectations. How are you thinking about the size of the market, share gains, operating leverage, or any sort of margin expectations on EBITDA that you're expecting in 2026? Thank you.

Varun Krishna

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

A

Ryan, great to hear from you. Thanks for the question. I'm going to just start by just zooming out and talking a little bit about the overall market outlook for 2026, and then I'll ask Brian again just to jump in and provide some more color on our guide.

So I mean, there's no question that we believe that 2026 is going to be stronger than 2025. I think when you look at the different forecasts on the high end of the range, up to 25% bigger mortgage market. And so I think the real question isn't the upward direction to the right, it's really just the magnitude. And I would say most industry forecasts are calling for double-digit growth in the mortgage sector, and we're seeing a lot of constructive signals in support of that.

Rates are at their lowest level in three years. We're starting to see rates have a 5 handle, which we think is huge. Inventory is starting to creep up a little bit. We obviously want to accelerate that, and our Compass partnership is a part of that. And then we're also seeing wage growth continue to support affordability. And so we expect refinance to expand, especially as rates start to stabilize near the current levels. And these are really important macro signals.

But the thing I would just highlight before I pass it over to Brian is it's more important to understand how Rocket is built in that context or really in any context, because we are really creating more of an integrated ecosystem. We generate demand not just from the market, but across our own search, our own origination, our own servicing, and for that reason, we obviously retain and recapture clients at a completely different level of scale because clients just they don't leave us because of what we do and how good we do it.

So we've rebuilt purchase into a more durable growth lever. We've expanded distribution across retail, mortgage broker partners, Redfin, Mr. Cooper, and now Compass. And that foundation is very intentional because we think it gives us operating leverage across any kind of cycle, no matter what happens in the market. So, the thing I would say again is we don't need perfect markets to grow, and when conditions improve, we simply accelerate, and we see that as a structural advantage that underpins our confidence going into 2026.

So with that, Brian, maybe you can just jump in on the guide and some more specifics.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yeah, sure. Thanks, Varun. Ryan, Good to hear from you. So I think it'd probably help if I start a little bit on Q4, that's how we get to the Q1 guide. So, as a reminder for the group, the fourth quarter is typically a seasonally low quarter in mortgage, but in this particular quarter, that was not the case at all. And we think that the fourth quarter was a good example of Rocket coming out in full force.

And there was a couple of things that drove the overperformance, one of which is probably the first one I'm most proud of is recapture rates on the Mr. Cooper book. We know this is the key driver of revenue synergies, and we're happy to report that we're ahead of plan. You can see that in the results because over 50% of our refinance volume in Q4 came from the servicing book.

The other good news to report is the direct-to-consumer purchase business is up double digits quarter-over-quarter in Q4. And we have a really strong pipeline going into March, which is, of course, when purchase season really kicks off. Close end Seconds actually had a record month in December. We continue to

break records in Close end Seconds. We closed \$1 billion of Close end Seconds in December.

And then finally, something that's getting a lot of attention, gain-on-sale margins were the highest they've been in four years when I look at fourth quarters. And it's not a surprise because rates have been cooperating, and traditionally that's a tailwind for margins.

So, kind of onto the first quarter, to Varun's point, we're pretty bullish. The first quarter's picking up right where the fourth quarter left off. Rates are cooperating, so that's good to see. From a production, if I just isolate strictly production from Q4, it's up in Q1, so that's really good news. Direct-to-consumer continues to perform well, and like I said, we're starting to see a really nice pickup in purchase, and that's continuing into Q1.

The other good news is Pro is doing really well. Now we know Pro skews heavier to purchase, so that's expected. But the reason I bring that up here in Q1 is because when we get to gain-on-sale margins, on an individual channel basis, I'm seeing gain-on-sale margins hold really nicely with Q4.

But on a blended basis, because Pro's picking up steam on purchase, I'm seeing it come down just a bit. But gain-on-sale margins are very healthy and I would say almost at historical levels. So all in all, I think Q4, right, is a good jumping-off point. It was the first quarter of consolidation with all three companies. It was a pretty outstanding quarter. And we expect the first quarter to be very similar, if not better.

Operator: Your next question comes from the line of Jeff Adelson from Morgan Stanley. Your line is open.

Jeffrey Adelson

Analyst, Morgan Stanley & Co. LLC

Q

Hey, guys. Good evening. Thanks for taking my question. I was hoping you could maybe just unpack the expense outlook a little bit in the next quarter. I think you said the \$2.2 billion to \$2.6 billion. Obviously, there's a reclassification of \$150 million in there. Maybe just help us understand a little bit like what's driving the numbers under the hood? And just in terms of like how you're thinking about the operating leverage going forward as you put on new mortgages, from the Mr. Cooper acquisition, et cetera? How you're thinking about that incremental operating leverage and variable expense costs? Thank you.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yeah. Thanks, Jeff. I'll take that one. Appreciate the question. I think when we talk about expenses, it's probably important to start with integration. And we continue to make really nice progress there. Integrating two public companies, really three public companies, is pretty monumental undertaking, and I'm really proud of the team for the planning and now execution phase.

So I just want to make sure it was clear what we said on the prepared remarks is that we're well ahead of plan for both Cooper and Redfin. Our original target was to recognize those expense synergies by the end of 2027. And I'm sitting here today, and I think we can do that by the end of 2026. So that is really good news.

For the first quarter, to your point, I expect expenses to shake out at roughly \$2.6 billion, but that's before the one-time cost and other items. Let me just break those down because obviously there's some moving parts with the acquisition. So I expect about \$50 million of that to be one-time acquisition expenses. And then keep in mind, we're also amortizing those acquisition intangibles. That's about \$110 million I expect to hit in the quarter.

But here's two other things. One is just to be clear, the reclassification of the warehouse interest expense. That was a contra revenue. Cooper did it the other way. And we adopted the way they do it. So there's no net P&L impact, but that is just something to be mindful of.

And then lastly, one other call out I'd give you, Jeff, is just stock compensation expense. Q4 had elevated comp stock because of the acquisition, just acceleration of awards and such that happens with acquisitions. In Q1, I think that's going to be closer to \$80 million or \$90 million for the first quarter, and that's probably a better run rate.

But just to kind of conclude on your point around margins, keep in mind, while we're ahead on the synergy goals, these aren't fully realized yet. So I think there's room to go. We've talked a lot that even beyond expense synergies and fixed expenses, we're really starting to see some of the efficiency gains around the AI and technology investments we've made.

And if you look at the first quarter guide, we're growing the top line, and we're growing gain-on-sale margins. So that's why I kind of come back to, I think Q4 is a good jumping-off point. But if you just kind of do the math and remove these one-time items, you're looking at expanded profitability margins.

Jeffrey Adelson

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Great. That's helpful color. And maybe if I could just follow up, or as my follow-up, ask a question on the regulatory environment. I think we've had a lot of conversations with investors over banking regulators pushing to ease capital requirements for banks and mortgage. The regulators have been vocal about wanting banks to get back in the game here. Do you view this as a risk in the long term, or how do you think Rocket is positioned for potential re-entry by banks into the space here? Thanks.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yeah. Thanks for the question. Look, we obviously heard the comments, and we watch those things closely. But I think the reality is, and we spend a lot of time with our very important banking partners, is that there's a couple reasons banks haven't put their foot to the gas in mortgage. Maybe one is the capital requirements, and I don't know, maybe there's some relief for that.

But I would also say, they just haven't seen it as a productive channel, and they haven't invested in it. The unit economics generally haven't penciled out. And I think about where they stand, at least from our view, and where they need to go to be big in that space, and I think it'd be a long road. So, obviously, this is our bread and butter. This is what we invest in every single day, and it's not something that gives me a lot of pause or concern.

Jeffrey Adelson

Analyst, Morgan Stanley & Co. LLC



Awesome. Thank you, Brian.

Operator: Your next question comes from the line of Mihir Bhatia from Bank of America. Your line is open.

Mihir Bhatia

Analyst, BofA Securities, Inc.



Hi. Good afternoon. Thank you for taking my questions, and congratulations, Brian, on the expanded role. I wanted to ask – I wanted to go back to Ryan's question about – and just focus for a second on just market share in particular. Just any updated expectations on market share in purchase and refi for 2026 we should be thinking about?

And I guess I'll just ask my follow-up at the same time, just relatedly. You gave a lot of stats excluding correspondent, and I understand why. But I'm just wondering, is that an indicator that that's not a business you see Rocket playing in long term. I know Mr. Cooper is active in it, but just wondering if there's any clarification or any thoughts, updated thoughts around that correspondent business there? And then just on market share expectations here. Thank you.

Varun Krishna

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

A

Thanks, Mihir. Let me start by just talking about market share in general. And then, I'll ask Brian to click down into correspondent in specific. So, look, just stepping back for a second, we set ambitious goals around market share very deliberately with a clear time horizon through the end of 2027. This is really our guidepost for long-term leadership in this space. And we're excited because we feel like we're very much on track to achieve those goals. So we're reaffirming those goals.

I would just say, it's important to understand that progress in our industry is not linear, right? And I think when markets grow fast, we take share more rapidly. But when markets compress, what you end up seeing sometimes is competitors will pursue growth that's uneconomic, frankly, and we will not participate in that.

So, our focus is very simple. It's profitable market share expansion. So, we will not sacrifice returns just to chase volume. But what gives us confidence in our goals is the structural evolution of our platform. We've strengthened purchase, we've expanded servicing and recapture, we've broadened distribution across retail. Our Pro and broker channel, as Brian talked about, Redfin, Mr. Cooper, and now Compass. And so, distribution to us is really key. We view these distribution channels as durable, and we think over time they compound in the value that they will return to Rocket.

So, we feel very much that we're on track to achieve our goals. And we think our acquisitions, our partnerships, and our distribution strategy is only going to accelerate that. And that's how we plan to achieve those objectives. So, very much feel like we're on track. We think our strategy is allowing us to accelerate that trajectory further. And then, Brian, maybe you can just comment a little bit on the correspondent piece.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Sure. Hey, Mihir, good to hear from you as well. Yeah, listen, no, that's not how we think about correspondent. We think about correspondent as an important channel. I want to be very clear about that. I mean, it's kind of similar, Mihir. We've talked a lot about bulk acquisitions of MSRs and how valuable that asset is to us, because

it's really just a lifetime value equation. And we should have the highest LTV on the correspondent channel, because we have the best recapture rates.

So, it is a very interesting channel. We look at it as a MSR acquisition tool. By the way, that and co-issue are interesting to us. And the way we go about that is just the simple allocation of capital based on expected returns. And the way we calculate those expected returns are based on our estimate of lifetime value. There's no doubt that the organically originated loans have the highest LTV and correspondent's lower than that. But we're still higher than everyone else in the space. At least that's our estimation. So, it's a channel we like.

Mihir Bhatia
Analyst, BofA Securities, Inc.



Thank you. Thank you for taking my question.

Operator: Your next question comes from the line of Mark DeVries from Deutsche Bank. Your line is open.

Mark DeVries
Analyst, Deutsche Bank Securities, Inc.



Yeah, thanks. I was hoping to go a little deeper on some of the benefits you're deriving from all the investments in technology. Appreciate all the comments, Varun, that you made earlier, but is there anything you can kind of – any new specific or additional specific examples you can give? And anything kind of quantifiable. I think you alluded to things like improved conversion rates. Any efficiency you can kind of quantify in terms of savings and/or incremental revenue generation?

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



Thank you, Mark. Thanks for the question. Let me talk a little bit about just AI and technology in particular. I'll start by saying it's probably no surprise there's a lot of volatility around AI right now. Some companies are, obviously, being repriced, because expectations in some ways ran ahead of what I would say are fundamentals.

But what's interesting is, Rocket is just very different. We're not a pure software company. We're not an AI company. We're not even really a mortgage company anymore. We're in the business of homeownership, and a home is physical. It's a heavy asset. It's a hard asset. It must be toured, it must be financed, and it exists in the real world. And I think for us, that's something that gives us tremendous confidence, because it creates durability. So, that's one.

I think the second thing that I think is important to understand is that our industry is very deeply regulated and it's structurally complex, right? You have licensing, you have capital requirements, hedging, risk management. You have to figure out compliance across thousands of counties and states. And we have spent years and years and years building that machine.

And our underwriting is based on historical data. It's based on judgment. So it's not an industry that I think can be disrupted by an AI platform or people working in a garage, not to be trite. So we don't view AI as a disruption risk to Rocket at all. We view it very much as an accelerant. Mortgage is rules-based, it's repetitive, and that

So AI increases capacity, it improves conversion, it removes friction, it expands lifetime value. And these are gains that were very visible in Q4, and that's because we own our technology stack. So we embed AI deeply into the system. We don't layer it on top. And so when you step back, we're pretty anchored to a durable asset class. We think AI strengthens our economics rather than threatening them.

We are fully automating every single aspect, whether it's how we integrate with leads at the top of the funnel, how we drive distribution and conversion, how we reduce the cost to originate a loan, and how we drive recapture. And those metrics are baked into how we actually run the company and how we hold our leaders and our teams accountable. So that's probably, maybe that's a good place just to pause and we feel very good about our investments. We feel very good about our positioning. And we think we stand somewhat unique in the category and in the industry itself.

Mark DeVries

Analyst, Deutsche Bank Securities, Inc.



Okay. Got it. Thank you.

Operator: Your next question comes from the line of Don Fandetti from Wells Fargo. Your line is open.

Donald Fandetti

Analyst, Wells Fargo Securities LLC



Hi. I was wondering if you could dig in a little bit more on, it sounds like the recapture on the Mr. Cooper book continues to come in a little bit better-than-expected. Can you sort of quantify that or give us a little more details?

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.



Yeah. Happy to do it. So there's two big drivers or two contributors that I would point to, one of which we talked about on previous earnings call and one that I'm happy to report as newly – a new thing. But the first is just remember that right from the get-go, actually, at the time of close within the first month, we were able to get the Mr. Cooper loan officers onto the Rocket proprietary LOS system. And we started immediately working the leads from the Mr. Cooper book from that centralized model that's obviously been our bread and butter with our CRM tools, our marketing tools, and our AI tools to support that. So we saw that initial lift that we talked about right off of the gate.

But the second thing is, we've started transferring loans over, and that was a really, really big milestone for us. There's a lot of efficiencies. There's a lot of propensity model gains that you get when you can put all of these loans on one single system and run single models over them to develop client needs. So we actually transferred 600,000 loans over. I think that might be the largest transfer of loans ever, and it went off without a hitch. So we're really proud of that.

So the integration, to say it simply, is ahead of plan. We are farther along on the recapture goals, and frankly speaking, I thought we would be at this time. And it's happening at a perfect time because rates are cooperating. Clients are in the money. That's been three years of production where rates have been north of 6%. And looking at mortgage rates today, you could end up in a 5-handle. And we know that consumers are high intent. They're interested in saving money on their monthly payment. Buyers are very concerned about affordability, so lower rates equal lower mortgage payments. So the timing was right, and that's why we knew we had to move so fast on integration efforts because you have to make hay when the sun is shining, as they say.

Donald Fandetti

Analyst, Wells Fargo Securities LLC



Thanks.

Operator: And we have reached the end of our question-and-answer session. I will now turn the call back over to Varun Krishna for closing remarks.

Varun Krishna

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

Well, thank you, everybody, for listening, and we're looking forward to seeing you next quarter. Have a great day.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.

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