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## Rocket sees GameStop-like rally, but its business prospects are better

By Breana Noble and Jordyn Grzelewski  
(excerpt)

Rocket Companies Inc. this week is being targeted by Reddit day traders who drove up the cost of shares in GameStop Corp. But unlike the beleaguered video game retail chain, experts say the online mortgage lender's underlying business fundamentals are much stronger.

On Tuesday, shares in the Detroit-based parent company of billionaire Dan Gilbert's Rocket Mortgage closed up 71% to \$41.60. Like GameStop, Rocket is among the most shorted stocks in the market, with investors betting that the share price will fall — a pain for bullish retail investors on the WallStreetBets subreddit forum that have joined together to pump up the price of America's largest mortgage originator.

Where Rocket's gains diverge from the GameStop saga, however, is that the frenzy around the Texas-based retailer — which, despite making moves to re-orient itself around e-commerce, continues to be bricks-and-mortar focused — was largely divorced from its business prospects. By contrast, Rocket is enjoying record profits since going public in August amid historic low interest rates and the distribution of trillions of dollars in stimulus during the COVID-19 pandemic.

"These actions have created a new housing boom as people rush to refinance or take out new mortgages at historically low rates," David Kudla, CEO of Grand Blanc-based Mainstay Capital Management, said in an email. "Rocket Companies stands to benefit in this environment. While the GameStop saga didn't have a lot of fundamental reasoning behind it, the situation with Rocket Companies may play out differently."

Competitors also rode the wave: Pontiac-based United Wholesale Mortgage Holdings Corp. closed up almost 20% to \$9.13, a signal the updraft lifting Rocket may be more broadly based and more focused on fundamentals in the mortgage business. ...

... Rocket has helped to revolutionize its industry, offering a fully online way to get a mortgage. The company last week recorded a record \$9.4 billion in profit on \$15.7 billion in revenue in 2020 amid a housing and refinancing boom. That was up from a profit of \$897 million on revenue of \$5.1 billion in 2019. ...

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