

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 29, 2020

FAIR ISAAC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-11689
(Commission
File Number)

94-1499887
(IRS Employer
Identification No.)

181 Metro Drive, Suite 700
San Jose, California
(Address of principal executive offices)

95110-1346
(Zip Code)

Registrant's telephone number, including area code 408-535-1500

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	FICO	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act (17 CFR 230.405 of this chapter) or Rule 12b-2 of the Exchange Act (17 CFR 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Item 2.02. Results of Operations and Financial Condition.

On July 29, 2020, Fair Isaac Corporation (the “Company”) reported its financial results for the quarter ended June 30, 2020. See the Company’s press release dated July 29, 2020, which is furnished as Exhibit 99.1 hereto and incorporated by reference in this Item 2.02.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release dated July 29, 2020
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FAIR ISAAC CORPORATION

By /s/ MICHAEL I. MCLAUGHLIN
Michael I. McLaughlin
Executive Vice President and Chief Financial
Officer

Date: July 29, 2020

FICO Announces Earnings of \$2.15 per Share for Third Quarter Fiscal 2020

Revenue of \$314 million vs. \$314 million in prior year

SAN JOSE, Calif., July 29, 2020 /PRNewswire/ -- FICO (NYSE:FICO), a leading predictive analytics and decision management software company, today announced results for its third fiscal quarter ended June 30, 2020.

Third Quarter Fiscal 2020 GAAP Results

Net income for the quarter totaled \$64.1 million, or \$2.15 per share, versus \$64.2 million, or \$2.12 per share, in the prior year period.

Net cash provided by operating activities for the quarter was \$106.9 million versus \$68.3 million in the prior year period.

Third Quarter Fiscal 2020 Non-GAAP Results

Non-GAAP Net Income for the quarter was \$76.7 million versus \$75.6 million in the prior year period. Non-GAAP EPS for the quarter was \$2.58 versus \$2.50 in the prior year period. Free cash flow for the quarter was \$99.0 million versus \$60.8 million in the prior year period. The Non-GAAP financial measures are described in the financial table captioned "Non-GAAP Results" and are reconciled to the corresponding GAAP results in the financial tables at the end of this release.

Third Quarter Fiscal 2020 GAAP Revenue

The company reported revenues of \$313.7 million for the quarter as compared to \$314.2 million reported in the prior year period.

"I am pleased to report we posted a very solid quarter, which again shows the resiliency of our business even in these uncertain times," said Will Lansing, chief executive officer. "We continued to perform well in all parts of our business, and delivered record cash flow."

Revenues for the third quarter of fiscal 2020 across each of the company's three operating segments were as follows:

- *Applications* revenues, which include the company's preconfigured decision management applications and associated professional services, were \$141.5 million in the third quarter, compared to \$165.6 million in the prior year period, a decrease of 15%, due primarily to decreased license sales in our Falcon Fraud product.
- *Scores* revenues, which include the company's business-to-business (B2B) scoring solutions and associated professional services, and business-to-consumer (B2C) service, were \$131.6 million in the third quarter, compared to \$115.1 million in the prior year period, an increase of 14%. B2B revenue increased 12% and B2C revenue increased 21% from the prior year period.
- *Decision Management Software* revenues, which include Blaze Advisor[®], Xpress Optimization, Decision Management Platform and related professional services, were \$40.7 million in the third quarter, compared to \$33.5 million in the prior year period, an increase of 22%, due primarily to SaaS subscription revenues.

Company to Host Conference Call

The company will host a webcast today at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) to report its third quarter fiscal 2020 results and provide various strategic and operational updates. The call can be accessed at FICO's web site at www.fico.com/investors. A replay of the webcast will be available at our Events Page under Past Events through July 29, 2021.

About FICO

FICO (NYSE: FICO) powers decisions that help people and businesses around the world prosper. Founded in 1956 and based in Silicon Valley, the company is a pioneer in the use of predictive analytics and data science to improve operational decisions. FICO holds more than 165 US and foreign patents on technologies that increase profitability, customer satisfaction and growth for businesses in financial services, telecommunications, health care, retail and many other industries. Using FICO solutions, businesses in more than 100 countries do everything from protecting 2.6 billion payment cards from fraud, to helping people get credit, to ensuring that millions of airplanes and rental cars are in the right place at the right time.

Learn more at <http://www.fico.com>

Join the conversation at <https://twitter.com/fico> & <http://www.fico.com/en/blogs/>

FICO is a registered trademark of Fair Isaac Corporation in the US and other countries.

Statement Concerning Forward-Looking Information

Except for historical information contained herein, the statements contained in this news release that relate to FICO or its business are forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including the impact of COVID-19 on macroeconomic conditions and the Company's business, operations and personnel, the success of the Company's Decision Management strategy and reengineering initiative, the maintenance of its existing relationship and ability to create new relationships with customers and key alliance partners, its ability to continue to develop new and

enhanced products and services, its ability to recruit and retain key technical and managerial personnel, competition, regulatory changes applicable to the use of consumer credit and other data, the failure to protect such data, the failure to realize the anticipated benefits of any acquisitions, material adverse developments in global economic conditions or in the markets we serve, and other risks described from time to time in FICO's SEC reports, including its Annual Report on Form 10-K for the year ended September 30, 2019 and subsequent quarterly reports on Form 10-Q. If any of these risks or uncertainties materializes, FICO's results could differ materially from its expectations. FICO disclaims any intent or obligation to update these forward-looking statements.

FAIR ISAAC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	<u>June 30,</u>	<u>September 30,</u>
	<u>2020</u>	<u>2019</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 125,673	\$ 106,426
Accounts receivable, net	303,558	297,427
Prepaid expenses and other current assets	<u>53,780</u>	<u>51,853</u>
Total current assets	<u>483,011</u>	<u>455,706</u>
Marketable securities and investments	25,136	21,865
Property and equipment, net	60,336	53,027
Operating lease right-of-use-assets	84,106	-
Goodwill and intangible assets, net	814,647	817,681
Other assets	<u>96,884</u>	<u>85,169</u>
	<u>\$ 1,564,120</u>	<u>\$ 1,433,448</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 70,680	\$ 55,572
Accrued compensation and employee benefits	95,674	106,240
Deferred revenue	105,833	111,016
Current maturities on debt	<u>188,000</u>	<u>218,000</u>
Total current liabilities	<u>460,187</u>	<u>490,828</u>
Long-term debt	739,039	606,790
Operating lease liabilities	74,000	-
Other liabilities	<u>43,608</u>	<u>46,063</u>
Total liabilities	<u>1,316,834</u>	<u>1,143,681</u>
Stockholders' equity	<u>247,286</u>	<u>289,767</u>
	<u>\$ 1,564,120</u>	<u>\$ 1,433,448</u>

FAIR ISAAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:				
Transactional and maintenance	\$ 246,829	\$ 226,040	\$ 707,905	\$ 632,012
Professional services	43,633	44,594	135,563	135,957
License	<u>23,269</u>	<u>43,615</u>	<u>76,738</u>	<u>86,770</u>
Total revenues	<u>313,731</u>	<u>314,249</u>	<u>920,206</u>	<u>854,739</u>
Operating expenses:				
Cost of revenues	88,569	87,215	267,466	248,849
Research & development	41,411	36,972	119,793	110,082
Selling, general and administrative	99,832	102,906	315,318	308,094
Amortization of intangible assets	1,048	1,448	4,046	4,453
Restructuring and acquisition-related	<u>-</u>	<u>-</u>	<u>3,104</u>	<u>-</u>
Total operating expenses	<u>230,860</u>	<u>228,541</u>	<u>709,727</u>	<u>671,478</u>
Operating income	82,871	85,708	210,479	183,261
Other expense, net	(6,663)	(7,654)	(29,912)	(28,077)

Income before income taxes	76,208	78,054	180,567	155,184
Provision for income taxes	12,132	13,902	3,282	17,644
Net income	<u>\$ 64,076</u>	<u>\$ 64,152</u>	<u>\$ 177,285</u>	<u>\$ 137,540</u>

Basic earnings per share:	<u>\$ 2.21</u>	<u>\$ 2.21</u>	<u>\$ 6.10</u>	<u>\$ 4.74</u>
Diluted earnings per share:	<u>\$ 2.15</u>	<u>\$ 2.12</u>	<u>\$ 5.92</u>	<u>\$ 4.54</u>

Shares used in computing earnings per share:				
Basic	<u>29,005</u>	<u>28,967</u>	<u>29,075</u>	<u>29,000</u>
Diluted	<u>29,744</u>	<u>30,292</u>	<u>29,966</u>	<u>30,295</u>

FAIR ISAAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	June 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 177,285	\$ 137,540
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,549	23,734
Share-based compensation	68,197	61,931
Changes in operating assets and liabilities	(55,873)	(59,682)
Other, net	15,572	1,413
Net cash provided by operating activities	<u>228,730</u>	<u>164,936</u>
Cash flows from investing activities:		
Purchases of property and equipment	(21,073)	(18,170)
Net activity from marketable securities	(2,328)	(2,630)
Other, net	55	-
Net cash used in investing activities	<u>(23,346)</u>	<u>(20,800)</u>
Cash flows from financing activities:		
Proceeds from revolving line of credit	193,000	167,000
Payments on revolving line of credit	(435,000)	(109,000)
Proceeds from issuance of senior notes	350,000	-
Proceeds from issuances of common stock	26,235	16,073
Taxes paid related to net share settlement of equity awards	(100,067)	(51,208)
Repurchases of common stock	(210,000)	(178,926)
Other, net	(7,651)	-
Net cash used in financing activities	<u>(183,483)</u>	<u>(156,061)</u>
Effect of exchange rate changes on cash	<u>(2,654)</u>	<u>710</u>
Increase (decrease) in cash and cash equivalents	19,247	(11,215)
Cash and cash equivalents, beginning of period	106,426	90,023
Cash and cash equivalents, end of period	<u>\$ 125,673</u>	<u>\$ 78,808</u>

FAIR ISAAC CORPORATION
REVENUE BY SEGMENT
(In thousands)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Applications revenues:				
Transactional and maintenance	\$ 98,476	\$ 100,385	\$ 295,102	\$ 294,624
Professional services	32,364	33,989	101,521	101,432
License	10,620	31,263	37,294	59,055
Total applications revenues	<u>\$ 141,460</u>	<u>\$ 165,637</u>	<u>\$ 433,917</u>	<u>\$ 455,111</u>
Scores revenues:				

Transactional and maintenance	\$ 130,268	\$ 112,949	\$ 365,324	\$ 300,133
Professional services	58	392	1,141	1,994
License	<u>1,224</u>	<u>1,805</u>	<u>9,371</u>	<u>3,105</u>
Total scores revenues	<u>\$ 131,550</u>	<u>\$ 115,146</u>	<u>\$ 375,836</u>	<u>\$ 305,232</u>

Decision Management Software revenues:

Transactional and maintenance	\$ 18,085	\$ 12,706	\$ 47,479	\$ 37,255
Professional services	11,211	10,213	32,901	32,531
License	<u>11,425</u>	<u>10,547</u>	<u>30,073</u>	<u>24,610</u>
Total decision management software revenues	<u>\$ 40,721</u>	<u>\$ 33,466</u>	<u>\$ 110,453</u>	<u>\$ 94,396</u>

Total revenues:

Transactional and maintenance	\$ 246,829	\$ 226,040	\$ 707,905	\$ 632,012
Professional services	43,633	44,594	135,563	135,957
License	<u>23,269</u>	<u>43,615</u>	<u>76,738</u>	<u>86,770</u>
Total revenues	<u>\$ 313,731</u>	<u>\$ 314,249</u>	<u>\$ 920,206</u>	<u>\$ 854,739</u>

FAIR ISAAC CORPORATION
NON-GAAP RESULTS
(In thousands, except per share data)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
GAAP net income	\$ 64,076	\$ 64,152	\$ 177,285	\$ 137,540
Amortization of intangible assets	1,048	1,448	4,046	4,453
Restructuring and acquisition-related	-	-	3,104	-
Stock-based compensation expense	22,265	19,595	68,198	61,931
Income tax adjustments	(5,739)	(5,290)	(18,546)	(17,103)
Excess tax benefit	<u>(4,902)</u>	<u>(4,289)</u>	<u>(38,845)</u>	<u>(20,023)</u>
Non-GAAP net income	<u>\$ 76,748</u>	<u>\$ 75,616</u>	<u>\$ 195,242</u>	<u>\$ 166,798</u>
GAAP diluted earnings per share	\$ 2.15	\$ 2.12	\$ 5.92	\$ 4.54
Amortization of intangible assets	0.04	0.05	0.14	0.15
Restructuring and acquisition-related	-	-	0.10	-
Stock-based compensation expense	0.75	0.65	2.28	2.04
Income tax adjustments	(0.19)	(0.17)	(0.62)	(0.56)
Excess tax benefit	<u>(0.16)</u>	<u>(0.14)</u>	<u>(1.30)</u>	<u>(0.66)</u>
Non-GAAP diluted earnings per share	<u>\$ 2.58</u>	<u>\$ 2.50</u>	<u>\$ 6.52</u>	<u>\$ 5.51</u>
Free cash flow				
Net cash provided by operating activities	\$ 106,871	\$ 68,290	\$ 228,730	\$ 164,936
Capital expenditures	(7,907)	(7,526)	(21,074)	(18,170)
Free cash flow	<u>\$ 98,964</u>	<u>\$ 60,764</u>	<u>\$ 207,656</u>	<u>\$ 146,766</u>

Note: The numbers may not sum to total due to rounding.

About Non-GAAP Financial Measures

To supplement the consolidated GAAP financial statements, the company uses the following non-GAAP financial measures: non-GAAP net income, non-GAAP EPS, and free cash flow. Non-GAAP net income and non-GAAP EPS exclude the impact of amortization expense, share-based compensation expense, restructuring and acquisition-related, excess tax benefit, and adjustment to tax valuation allowance items. Free cash flow excludes capital expenditures and dividends paid. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

Management uses these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain items that may not be indicative of recurring business results including significant non-cash expenses. We believe management and investors benefit from referring to these non-GAAP financial measures in assessing our performance when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to historical performance and liquidity as well as comparisons to our competitors' operating results. We believe these non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key measures used by management in its financial and operating decision-making.

FICO®

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