

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) January 22, 2014

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))

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Signature

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Exhibit 99.1

Item 2.02. Results of Operations and Financial Condition.

On January 22, 2014, Fair Isaac Corporation (the “Company”) reported its financial results for the quarter ended December 31, 2013. See the Company’s press release dated January 22, 2014, 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 January 22, 2014 |

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 J. PUNG

Michael J. Pung

Executive Vice President and Chief Financial Officer

Date: January 22, 2014

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> | <u>Manner of Filing</u> |
|--------------------|--------------------------------------|-------------------------|
| 99.1 | Press Release dated January 22, 2014 | Filed Electronically |

FICO Announces Earnings of \$0.47 per Share for First Quarter Fiscal 2014

Revenue of \$184 million vs. \$190 million in prior year

SAN JOSE, Calif., Jan. 22, 2014 /PRNewswire/ -- FICO (NYSE: FICO), a leading predictive analytics and decision management software company, today announced results for its first fiscal quarter ended December 31, 2013.

(Logo: <http://photos.prnewswire.com/prnh/20111010/CG83314LOGO>)

First Quarter Fiscal 2014 GAAP Results

Net income for the quarter totaled \$17.0 million, or \$0.47 per share, versus \$23.4 million, or \$0.65 per share, reported in the prior year period.

First Quarter Fiscal 2014 Non-GAAP Results

Non-GAAP Net Income for the quarter was \$26.2 million vs. \$31.8 million in the prior year period. Non-GAAP EPS for the quarter was \$0.73 vs. \$0.88 in the prior year period. Free cash flow for the quarter was \$25.5 million vs. \$19.0 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.

First Quarter Fiscal 2014 GAAP Revenue

The company reported revenues of \$184.3 million for the quarter as compared to \$190.0 million reported in the prior year period, a decrease of 3%.

"Our first quarter results were in line with our expectations, and we remain confident in our strategic direction," said Will Lansing, chief executive officer. "We drove very solid growth in both our Scores and Tools segments, but we had a soft quarter in Applications license revenue against an exceptionally strong comparable quarter. So our core franchises are healthy, the roll-out of our cloud-based solutions is on track, we remain disciplined about controlling costs, and we are maintaining our sharp focus on cash flow."

Revenues for the first quarter fiscal 2014 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 \$111.9 million in the first quarter compared to \$124.7 million in the prior year quarter, a decrease of 10%. This was due to the early termination of a large Marketing Solutions customer in December 2012, and declines in Customer Management and Fraud Banking. A revenue increase in Mobility Solutions partially offset these declines.
- *Scores* revenues, which include the company's business-to-business (B2B) scoring solutions and associated professional services, and the myFICO[®] business-to-consumer (B2C) service, were \$47.2 million in the first quarter compared to \$43.4 million in the prior year quarter, an increase of 9%. The B2C revenue increased 22% and the B2B revenue increased 5% from the prior year quarter.
- *Tools* revenues, which include Blaze Advisor[®], Xpress Optimization and related professional services, were \$25.2 million in the first quarter compared to \$21.9 million in the prior year quarter, an increase of 15%, due to increased license sales of our Optimization solutions.

Outlook

The company is reiterating its previously provided guidance for fiscal 2014, which follows:

| | Fiscal 2014 Guidance |
|-----------------------------|-------------------------------|
| Revenue | \$763 million - \$773 million |
| GAAP Net Income | \$91 million - \$94 million |
| GAAP Earnings Per Share | \$2.50-\$2.60 |
| Non-GAAP Net Income | \$125-\$128 million |
| Non-GAAP Earnings Per Share | \$3.46-\$3.56 |

The Non-GAAP financial measures are described in the financial table captioned "Non-GAAP Results".

Company to Host Conference Call

The company will host a webcast tomorrow at 11:00 a.m. Eastern Time (8:00 a.m. Pacific Time) to report its first quarter fiscal 2014 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 through February 23, 2014.

The webcast will also be distributed through the Thomson StreetEvents Network to both institutional and individual investors. Individual investors can listen to the call at www.fulldisclosure.com, Thomson/CCBN's individual investor portal, powered by StreetEvents. Institutional investors can access the call via Thomson's password-protected event management site, StreetEvents (www.streetevents.com).

About FICO

FICO (NYSE: FICO) delivers superior predictive analytics that drive smarter decisions. The company's groundbreaking use of mathematics to predict consumer behavior has transformed entire industries and revolutionized the way risk is managed and

products are marketed. FICO's innovative solutions include the FICO[®] Score — the standard measure of consumer credit risk in the United States — along with the industry-leading solutions for managing credit accounts, identifying and minimizing the impact of fraud, and customizing consumer offers with pinpoint accuracy. Most of the world's top banks, as well as leading insurers, retailers, pharma businesses and government agencies rely on FICO solutions to accelerate growth, control risk, boost profits and meet regulatory and competitive demands. FICO also helps millions of individuals manage their personal credit health through www.myFICO.com. Learn more at www.fico.com. FICO: Make every decision count.

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 success of the Company's Decision Management strategy and reengineering initiative, the maintenance of its existing relationships 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 realize the anticipated benefits of any acquisitions, continuing 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, 2013. 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>December 31,</u> <u>2013</u> | <u>September 30,</u> <u>2013</u> |
|--|------------------------------------|-------------------------------------|
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 95,937 | \$ 83,178 |
| Accounts receivable, net | 141,112 | 143,733 |
| Prepaid expenses and other current assets | <u>20,639</u> | <u>22,277</u> |
| Total current assets | <u>257,688</u> | <u>249,188</u> |
| Marketable securities and investments | 18,709 | 18,140 |
| Property and equipment, net | 41,997 | 45,155 |
| Goodwill and intangible assets, net | 831,886 | 831,292 |
| Other assets | <u>15,996</u> | <u>17,772</u> |
| | <u>\$ 1,166,276</u> | <u>\$ 1,161,547</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 53,795 | \$ 54,418 |
| Accrued compensation and employee benefits | 28,457 | 39,281 |
| Deferred revenue | 48,388 | 49,181 |
| Current maturities on debt | <u>31,000</u> | <u>23,000</u> |
| Total current liabilities | <u>161,640</u> | <u>165,880</u> |
| Senior notes | 447,000 | 447,000 |
| Other liabilities | <u>18,213</u> | <u>17,990</u> |
| Total liabilities | <u>626,853</u> | <u>630,870</u> |
| Stockholders' equity | <u>539,423</u> | <u>530,677</u> |
| | <u>\$ 1,166,276</u> | <u>\$ 1,161,547</u> |

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

| | <u>Quarter Ended</u> <u>December 31,</u> | |
|-------------------------------|---|----------------|
| | <u>2013</u> | <u>2012</u> |
| Revenues: | | |
| Transactional and maintenance | \$ 129,655 | \$ 129,898 |
| Professional services | 34,286 | 32,337 |
| License | <u>20,402</u> | <u>27,785</u> |
| Total revenues | <u>184,343</u> | <u>190,020</u> |
| Operating expenses: | | |

| | | |
|---------------------------------------|------------------|------------------|
| Cost of revenues | 57,319 | 56,148 |
| Research & development | 18,092 | 14,552 |
| Selling, general and administrative | 66,989 | 69,665 |
| Amortization of intangible assets | 3,013 | 3,372 |
| Restructuring and acquisition-related | 3,660 | 3,289 |
| | <u>149,073</u> | <u>147,026</u> |
| Operating income | 35,270 | 42,994 |
| Other expense, net | <u>(8,087)</u> | <u>(7,951)</u> |
| Income before income taxes | 27,183 | 35,043 |
| Provision for income taxes | <u>10,206</u> | <u>11,622</u> |
| Net income | <u>\$ 16,977</u> | <u>\$ 23,421</u> |

| | | |
|-----------------------------|----------------|----------------|
| Basic earnings per share: | <u>\$ 0.49</u> | <u>\$ 0.67</u> |
| Diluted earnings per share: | <u>\$ 0.47</u> | <u>\$ 0.65</u> |

Shares used in computing earnings per share:

| | | |
|---------|---------------|---------------|
| Basic | <u>34,699</u> | <u>35,043</u> |
| Diluted | <u>35,820</u> | <u>36,151</u> |

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

| | Quarter Ended | |
|---|----------------------|------------------|
| | December 31, | |
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net income | \$ 16,977 | \$ 23,421 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,167 | 7,973 |
| Share-based compensation | 7,235 | 5,832 |
| Changes in operating assets and liabilities | (2,348) | (5,492) |
| Other, net | <u>(1,653)</u> | <u>(3,005)</u> |
| Net cash provided by operating activities | <u>28,378</u> | <u>28,729</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (2,154) | (9,012) |
| Net activity from marketable securities | - | 22,000 |
| Cash paid for acquisitions, net of cash acquired | - | (27,605) |
| Other, net | <u>-</u> | <u>50</u> |
| Net cash used in investing activities | <u>(2,154)</u> | <u>(14,567)</u> |
| Cash flows from financing activities: | | |
| Proceeds from revolving line of credit | 8,000 | - |
| Proceeds from issuances of common stock | 2,011 | 6,189 |
| Repurchases of common stock | (27,125) | - |
| Other, net | <u>3,857</u> | <u>(695)</u> |
| Net cash provided by (used in) financing activities | <u>(13,257)</u> | <u>5,494</u> |
| Effect of exchange rate changes on cash | <u>(208)</u> | <u>(426)</u> |
| Increase in cash and cash equivalents | 12,759 | 19,230 |
| Cash and cash equivalents, beginning of period | <u>83,178</u> | <u>71,609</u> |
| Cash and cash equivalents, end of period | <u>\$ 95,937</u> | <u>\$ 90,839</u> |

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

| | Quarter Ended | |
|-------------------------------|----------------------|-------------|
| | December 31, | |
| | 2013 | 2012 |
| Applications revenues: | | |
| Transactional and maintenance | \$ 77,779 | \$ 79,625 |

| | | |
|-------------------------------|-------------------|-------------------|
| Professional services | 26,787 | 26,159 |
| License | <u>7,350</u> | <u>18,923</u> |
| Total applications revenues | <u>\$ 111,916</u> | <u>\$ 124,707</u> |
| Scores revenues: | | |
| Transactional and maintenance | \$ 43,318 | \$ 42,437 |
| Professional services | 589 | 903 |
| License | <u>3,273</u> | <u>107</u> |
| Total scores revenues | <u>\$ 47,180</u> | <u>\$ 43,447</u> |
| Tools revenues: | | |
| Transactional and maintenance | \$ 8,558 | \$ 7,836 |
| Professional services | 6,910 | 5,275 |
| License | <u>9,779</u> | <u>8,755</u> |
| Total tools revenues | <u>\$ 25,247</u> | <u>\$ 21,866</u> |
| Total revenues: | | |
| Transactional and maintenance | \$ 129,655 | \$ 129,898 |
| Professional services | 34,286 | 32,337 |
| License | <u>20,402</u> | <u>27,785</u> |
| Total revenues | <u>\$ 184,343</u> | <u>\$ 190,020</u> |

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

| | Quarter Ended | |
|--|------------------|------------------|
| | December 31, | |
| | <u>2013</u> | <u>2012</u> |
| GAAP net income | \$ 16,977 | \$ 23,421 |
| Amortization of intangible assets (net of tax) | 1,996 | 2,265 |
| Restructuring and acquisition-related (net of tax) | 2,424 | 2,209 |
| Stock-based compensation expense (net of tax) | <u>4,792</u> | <u>3,917</u> |
| Non-GAAP net income | <u>\$ 26,189</u> | <u>\$ 31,812</u> |
| | | |
| GAAP diluted earnings per share | \$ 0.47 | \$ 0.65 |
| Amortization of intangible assets (net of tax) | 0.06 | 0.06 |
| Restructuring and acquisition-related (net of tax) | 0.07 | 0.06 |
| Stock-based compensation expense (net of tax) | <u>0.13</u> | <u>0.11</u> |
| Non-GAAP diluted earnings per share | <u>\$ 0.73</u> | <u>\$ 0.88</u> |
| | | |
| Free cash flow | | |
| Net cash provided by operating activities | \$ 28,378 | \$ 28,729 |
| Capital expenditures | (2,154) | (9,012) |
| Dividends paid | <u>(693)</u> | <u>(702)</u> |
| Free cash flow | <u>\$ 25,531</u> | <u>\$ 19,015</u> |

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, 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.

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