UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 1-11689

Fair Isaac Corporation

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**94-1499887** **(I.R.S. Employer Identification No.)**
5 West Mendenhall, Suite 105 **Bozeman, Montana** **(Address of principal executive offices)**	**59715** **(Zip Code)**

Registrant's telephone number, including area code: 406-982-7276

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

The number of shares of common stock outstanding on April 14, 2023 was 24,993,116 (excluding 63,863,667 shares held by us as treasury stock).

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PART I – FINANCIAL INFORMATION

Item 1. ***Unaudited Financial Statements***

FAIR ISAAC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2023	September 30, 2022
	(In thousands, except par value data)	
Assets		
Current assets:		
Cash and cash equivalents	137,771	133,202
Accounts receivable, net	338,239	322,410
Prepaid expenses and other current assets	45,316	29,103
Total current assets	521,326	484,715
Marketable securities	29,580	24,515
Other investments	1,232	1,135
Property and equipment, net	13,664	17,580
Operating lease right-of-use assets	29,638	36,688
Goodwill	774,330	761,067
Intangible assets, net	1,467	2,017
Deferred income taxes	30,618	11,803
Other assets	100,576	102,514
Total assets	$ 1,502,431	$ 1,442,034
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	13,915	$ 17,273
Accrued compensation and employee benefits	65,863	97,893
Other accrued liabilities	68,152	66,248
Deferred revenue	118,348	120,045
Current maturities on debt	107,000	30,000
Total current liabilities	373,278	331,459
Long-term debt	1,817,663	1,823,669
Operating lease liabilities	28,825	39,192
Other liabilities	53,458	49,661
Total liabilities	2,273,224	2,243,981
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock ($0.01 par value; 1,000 shares authorized; none issued and outstanding)	—	—
Common stock ($0.01 par value; 200,000 shares authorized, 88,857 shares issued and 25,016 and 25,154 shares outstanding at March 31, 2023 and September 30, 2022, respectively)	250	252
Additional paid-in-capital	1,281,270	1,299,588
Treasury stock, at cost (63,841 and 63,703 shares at March 31, 2023 and September 30, 2022, respectively)	(5,110,421)	(4,935,769)
Retained earnings	3,157,877	2,958,684
Accumulated other comprehensive loss	(99,769)	(124,702)
Total stockholders' deficit	(770,793)	(801,947)
Total liabilities and stockholders' deficit	$ 1,502,431	$ 1,442,034

See accompanying notes.

FAIR ISAAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Quarter Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
	(In thousands, except per share data)			
Revenues:				
On-premises and SaaS software	$ 154,584	$ 149,088	$ 299,144	$ 275,426
Professional services	27,175	24,365	49,497	50,901
Scores	198,507	183,742	376,495	353,229
Total revenues	380,266	357,195	725,136	679,556
Operating expenses:				
Cost of revenues	79,806	71,794	156,375	140,997
Research and development	40,266	36,387	76,899	75,367
Selling, general and administrative	100,158	96,414	193,153	194,462
Amortization of intangible assets	275	543	550	1,087
Gain on product line asset sale	—	—	(1,941)	—
Total operating expenses	220,505	205,138	425,036	411,913
Operating income	159,761	152,057	300,100	267,643
Interest expense, net	(23,897)	(17,211)	(46,697)	(29,406)
Other income (expense), net	1,605	(2,361)	1,969	(932)
Income before income taxes	137,469	132,485	255,372	237,305
Provision for income taxes	35,919	28,102	56,179	47,963
Net income	101,550	104,383	199,193	189,342
Other comprehensive income (loss):				
Foreign currency translation adjustments	6,552	(3,207)	24,933	(5,345)
Comprehensive income	$ 108,102	$ 101,176	$ 224,126	$ 183,997
Earnings per share:				
Basic	$ 4.04	$ 3.99	$ 7.94	$ 7.10
Diluted	$ 4.00	$ 3.95	$ 7.83	$ 7.02
Shares used in computing earnings per share:				
Basic	25,116	26,145	25,080	26,662
Diluted	25,419	26,421	25,431	26,978

See accompanying notes.

FAIR ISAAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

(In thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-in-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Balance at December 31, 2022	25,155	$ 252	$ 1,244,271	$ (4,996,624)	$ 3,056,327	$ (106,321)	$ (802,095)
Share-based compensation	—	—	27,053	—	—	—	27,053
Issuance of treasury stock under employee stock plans	32	—	9,946	2,468	—	—	12,414
Repurchases of common stock	(171)	(2)	—	(116,265)	—	—	(116,267)
Net income	—	—	—	—	101,550	—	101,550
Foreign currency translation adjustments	—	—	—	—	—	6,552	6,552
Balance at March 31, 2023	25,016	$ 250	$ 1,281,270	$ (5,110,421)	$ 3,157,877	$ (99,769)	$ (770,793)

(In thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-in-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Balance at December 31, 2021	26,509	$ 265	$ 1,208,365	$ (4,339,039)	$ 2,670,102	$ (77,992)	$ (538,299)
Share-based compensation	—	—	27,936	—	—	—	27,936
Issuance of treasury stock under employee stock plans	52	1	5,979	3,762	—	—	9,742
Repurchases of common stock	(579)	(6)	—	(263,965)	—	—	(263,971)
Net income	—	—	—	—	104,383	—	104,383
Foreign currency translation adjustments	—	—	—	—	—	(3,207)	(3,207)
Balance at March 31, 2022	25,982	$ 260	$ 1,242,280	$ (4,599,242)	$ 2,774,485	$ (81,199)	$ (663,416)

(In thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-in-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Balance at September 30, 2022	25,154	$ 252	$ 1,299,588	$ (4,935,769)	$ 2,958,684	$ (124,702)	$ (801,947)
Share-based compensation	—	—	56,755	—	—	—	56,755
Issuance of treasury stock under employee stock plans	212	2	(75,073)	16,615	—	—	(58,456)
Repurchases of common stock	(350)	(4)	—	(191,267)	—	—	(191,271)
Net income	—	—	—	—	199,193	—	199,193
Foreign currency translation adjustments	—	—	—	—	—	24,933	24,933
Balance at March 31, 2023	25,016	$ 250	$ 1,281,270	$ (5,110,421)	$ 3,157,877	$ (99,769)	$ (770,793)

(In thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-in-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at September 30, 2021	27,568	$ 276	$ 1,237,348	$ (3,857,855)	$ 2,585,143	$ (75,854)	$ (110,942)
Share-based compensation	—	—	57,814	—	—	—	57,814
Issuance of treasury stock under employee stock plans	237	2	(52,882)	16,148	—	—	(36,732)
Repurchases of common stock	(1,823)	(18)	—	(757,535)	—	—	(757,553)
Net income	—	—	—	—	189,342	—	189,342
Foreign currency translation adjustments	—	—	—	—	—	(5,345)	(5,345)
Balance at March 31, 2022	25,982	$ 260	$ 1,242,280	$ (4,599,242)	$ 2,774,485	$ (81,199)	$ (663,416)

See accompanying notes.

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

	Six Months Ended March 31,	
	2023	2022
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 199,193	$ 189,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,294	10,656
Share-based compensation	56,755	57,814
Deferred income taxes	(18,360)	3,004
Net (gain) loss on marketable securities	(1,681)	3,209
Non-cash operating lease costs	7,613	8,166
Provision for doubtful accounts	738	650
Gain on product line asset sale	(1,941)	—
Net loss on sales and abandonment of property and equipment	24	166
Changes in operating assets and liabilities:		
Accounts receivable	(13,789)	33,098
Prepaid expenses and other assets	(17,078)	5,179
Accounts payable	(2,810)	(4,105)
Accrued compensation and employee benefits	(32,318)	(41,745)
Other liabilities	(2,425)	(14,159)
Deferred revenue	29	(3,791)
Net cash provided by operating activities	182,244	247,484
Cash flows from investing activities:		
Purchases of property and equipment	(2,377)	(3,293)
Proceeds from sales of marketable securities	4,631	3,354
Purchases of marketable securities	(8,015)	(5,982)
Proceeds from product line asset sales, net of cash transferred	(6,126)	2,257
Net cash used in investing activities	(11,887)	(3,664)
Cash flows from financing activities:		
Proceeds from revolving line of credit and term loan	228,000	800,000
Payments on revolving line of credit and term loan	(158,500)	(806,750)
Proceeds from issuance of senior notes	—	550,000
Payments on debt issuance costs	—	(8,819)
Proceeds from issuance of treasury stock under employee stock plans	15,217	11,117
Taxes paid related to net share settlement of equity awards	(73,672)	(47,849)
Repurchases of common stock	(184,290)	(760,861)
Net cash used in financing activities	(173,245)	(263,162)
Effect of exchange rate changes on cash	7,457	(1,793)
Increase (decrease) in cash and cash equivalents	4,569	(21,135)
Cash and cash equivalents, beginning of period	133,202	195,354
Cash and cash equivalents, end of period	$ 137,771	$ 174,219
Supplemental disclosures of cash flow information:		
Cash paid for income taxes, net of refunds of $548 and $1,003 during the six-month periods ended March 31, 2023 and 2022, respectively	$ 72,800	$ 30,788
Cash paid for interest	$ 46,801	$ 21,368
Supplemental disclosures of non-cash investing and financing activities:		
Purchase of property and equipment included in accounts payable	$ 9	$ 139
Unsettled repurchases of common stock	$ 6,981	$ 4,735

See accompanying notes.

FAIR ISAAC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Business

Fair Isaac Corporation

Fair Isaac Corporation (NYSE: FICO) (together with its consolidated subsidiaries, the "Company," which may also be referred to in this report as "we," "us," "our," or "FICO") is a leading applied analytics company. We were founded in 1956 on the premise that data, used intelligently, can improve business decisions. Today, FICO's software and the widely used FICO® Score operationalize analytics, enabling thousands of businesses in nearly 120 countries to uncover new opportunities, make timely decisions that matter, and execute them at scale. Most leading banks and credit card issuers rely on our solutions, as do insurers, retailers, telecommunications providers, automotive lenders, consumer reporting agencies, public agencies, and organizations in other industries. We also serve consumers through online services that enable people to access and understand their FICO® Scores — the standard measure in the U.S. of consumer credit risk — empowering them to increase financial literacy and manage their financial health.

Principles of Consolidation and Basis of Presentation

We have prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with the instructions to Form 10-Q and the applicable accounting guidance. Consequently, we have not necessarily included all information and footnotes required for audited financial statements. In our opinion, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments, except as otherwise indicated) necessary for a fair presentation of our financial position and results of operations. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with our audited consolidated financial statements and notes thereto presented in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022. The interim financial information contained in this report is not necessarily indicative of the results to be expected for any other interim period or for the entire fiscal year.

The condensed consolidated financial statements include the accounts of FICO and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates

We make estimates and assumptions that affect the amounts reported in the financial statements and the disclosures made in the accompanying notes. For example, we use estimates in determining the appropriate levels of various accruals; variable considerations included in the transaction price and standalone selling price of each performance obligation for our customer contracts; labor hours in connection with fixed-fee service contracts; the amount of our tax provision; and the realizability of deferred tax assets. We also use estimates in determining the remaining economic lives and carrying values of acquired intangible assets, property and equipment, and other long-lived assets. In addition, we use assumptions to estimate the fair value of reporting units and share-based compensation. Actual results may differ from our estimates.

New Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2021-08, "*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*" ("ASU 2021-08"). ASU 2021-08 requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities from acquired contracts using the revenue recognition guidance under Accounting Standards Codification Topic 606, *Revenue from Contacts with Customers*, in order to align the recognition of a contract liability with the definition of a performance obligation. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, which means that it will be effective for our fiscal year beginning October 1, 2023. Early adoption is permitted. We do not believe that adoption of ASU 2021-08 will have a significant impact on our condensed consolidated financial statements.

We do not expect that any other recently issued accounting pronouncements will have a significant effect on our financial statements.

2. Fair Value Measurements

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The accounting guidance establishes a three-level hierarchy for disclosure that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities.

- Level 1 — uses unadjusted quoted prices that are available in active markets for identical assets or liabilities. Our Level 1 assets were comprised of money market funds and certain marketable securities and our Level 1 liabilities included senior notes as of March 31, 2023 and September 30, 2022.
- Level 2 — uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data. We did not have any assets or liabilities that are valued using inputs identified under a Level 2 hierarchy as of March 31, 2023 and September 30, 2022.
- Level 3 — uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation. We did not have any assets or liabilities that are valued using inputs identified under a Level 3 hierarchy as of March 31, 2023 and September 30, 2022.

The following tables represent financial assets that we measured at fair value on a recurring basis at March 31, 2023 and September 30, 2022:

March 31, 2023	Active Markets for Identical Instruments (Level 1)	Fair Value as of March 31, 2023
	(In thousands)	
Assets:		
Cash equivalents (1)	$ 23,501	$ 23,501
Marketable securities (2)	29,580	29,580
Total	$ 53,081	$ 53,081

September 30, 2022	Active Markets for Identical Instruments (Level 1)	Fair Value as of September 30, 2022
	(In thousands)	
Assets:		
Cash equivalents (1)	$ 19,314	$ 19,314
Marketable securities (2)	24,515	24,515
Total	$ 43,829	$ 43,829

(1) Included in cash and cash equivalents on our condensed consolidated balance sheets at March 31, 2023 and September 30, 2022. Not included in these tables are cash deposits of $114.3 million and $113.9 million at March 31, 2023 and September 30, 2022, respectively.

(2) Represents securities held under a supplemental retirement and savings plan for certain officers and senior management employees, which are distributed upon termination or retirement of the employees. Included in marketable securities on our condensed consolidated balance sheets at March 31, 2023 and September 30, 2022.

See Note 7 for the fair value of our senior notes.

There were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the quarters and six-month periods ended March 31, 2023 and 2022.

3. Derivative Financial Instruments

We use derivative instruments to manage risks caused by fluctuations in foreign exchange rates. The primary objective of our derivative instruments is to protect the value of foreign-currency-denominated receivable and cash balances from the effects of volatility in foreign exchange rates that might occur prior to conversion to their functional currencies. We principally utilize foreign currency forward contracts, which enable us to buy and sell foreign currencies in the future at fixed exchange rates and economically offset changes in foreign exchange rates. We routinely enter into contracts to offset exposures denominated in the British pound, Euro, and Singapore dollar.

Foreign currency-denominated receivable and cash balances are remeasured at foreign exchange rates in effect on the balance sheet date with the effects of changes in foreign exchange rates reported in other income (expense), net. The forward contracts are not designated as hedges and are marked to market through other income (expense), net. Fair value changes in the forward contracts help mitigate the changes in the value of the remeasured receivable and cash balances attributable to changes in foreign exchange rates. The forward contracts are short-term in nature and typically have average maturities at inception of less than three months.

The following tables summarize our outstanding foreign currency forward contracts, by currency, at March 31, 2023 and September 30, 2022:

	March 31, 2023			
	Contract Amount			Fair Value
	Foreign Currency		USD	USD
	(In thousands)			
Sell foreign currency:				
Euro (EUR)	EUR	11,500	$ 12,519	$ —
Buy foreign currency:				
British pound (GBP)	GBP	8,245	$ 10,200	$ —
Singapore dollar (SGD)	SGD	6,247	$ 4,700	$ —

	September 30, 2022			
	Contract Amount			Fair Value
	Foreign Currency		USD	USD
	(In thousands)			
Sell foreign currency:				
Euro (EUR)	EUR	13,500	$ 13,158	$ —
Buy foreign currency:				
British pound (GBP)	GBP	11,848	$ 13,100	$ —
Singapore dollar (SGD)	SGD	6,169	$ 4,300	$ —

The foreign currency forward contracts were entered into on March 31, 2023 and September 30, 2022; therefore, their fair value was $0 on each of these dates.

Gains (losses) on derivative financial instruments were recorded in our condensed consolidated statements of income and comprehensive income as a component of other income (expense), net, and consisted of the following:

	Quarter Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
	(In thousands)			
Gains (losses) on foreign currency forward contracts	$ 309	$ (576)	$ 1,613	$ (14)

4. Goodwill and Intangible Assets

Amortization expense associated with our intangible assets is reflected as a separate operating expense caption — amortization of intangible assets — and is excluded from cost of revenues and selling, general and administrative expenses within the accompanying condensed consolidated statements of income and comprehensive income. Amortization expense consisted of the following:

	Quarter Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
	(In thousands)			
Completed technology	$ 125	$ 125	$ 250	$ 250
Customer contracts and relationships	150	418	300	837
Total	$ 275	$ 543	$ 550	$ 1,087

Estimated future intangible asset amortization expense associated with intangible assets existing at March 31, 2023 was as follows:

Year Ending September 30,	(In thousands)
2023 (excluding the six months ended March 31, 2023)	$ 550
2024	917
Total	$ 1,467

The following table summarizes changes to goodwill during the six months ended March 31, 2023, both in total and as allocated to our segments. We have not recognized any goodwill impairment losses to date.

	Scores	Software	Total
	(In thousands)		
Balance at September 30, 2022	$ 146,648	$ 614,419	$ 761,067
Foreign currency translation adjustment	—	13,263	13,263
Balance at March 31, 2023	$ 146,648	$ 627,682	$ 774,330

5. Composition of Certain Financial Statement Captions

The following table presents the composition of property and equipment, net and other accrued liabilities at March 31, 2023 and September 30, 2022:

	March 31, 2023	September 30, 2022
	(In thousands)	
Property and equipment, net:		
Property and equipment	$ 113,465	$ 112,411
Less: accumulated depreciation and amortization	(99,801)	(94,831)
Total	$ 13,664	$ 17,580
Other accrued liabilities:		
Interest payable	$ 21,261	$ 21,314
Current operating leases	17,972	19,369
Other	28,919	25,565
Total	$ 68,152	$ 66,248

6. Revolving Line of Credit and Term Loan

We have a $600 million unsecured revolving line of credit and a $300 million unsecured term loan with a syndicate of banks that mature on August 19, 2026. Borrowings under the revolving line of credit and term loan can be used for working capital and general corporate purposes and may also be used for the refinancing of existing debt, acquisitions, and the repurchase of our common stock. The term loan requires principal payments in consecutive quarterly installments of $3.75 million on the last business day of each quarter. In November 2022, we amended our credit agreement to replace the LIBOR reference rate with the Secured Overnight Financing Rate ("SOFR") reference rate. Interest rates on amounts borrowed under the revolving line of credit and term loan are based on (i) an adjusted base rate, which is the greatest of (a) the prime rate, (b) the Federal Funds rate plus 0.5%, and (c) one-month adjusted term SOFR rate plus 1%, plus, in each case, an applicable margin, or (ii) an adjusted term SOFR rate plus an applicable margin. The applicable margin for base rate borrowings and for SOFR borrowings is determined based on our consolidated leverage ratio. The applicable margin for base rate borrowings ranges from 0% to 0.75% per annum and for SOFR borrowings ranges from 1% to 1.75% per annum. In addition, we must pay certain credit facility fees. The revolving line of credit and term loan contain certain restrictive covenants including a maximum consolidated leverage ratio of 3.5 to 1.0, subject to a step up to 4.0 to 1.0 following certain permitted acquisitions and subject to certain conditions, and a minimum interest coverage ratio of 3.0 to 1.0. The credit agreement also contains other covenants typical of unsecured credit facilities.

As of March 31, 2023, we had $357.0 million in borrowings outstanding under the revolving line of credit at a weighted-average interest rate of 6.343%, and $281.3 million in outstanding balance of the term loan at an interest rate of 6.529%, of which $531.3 million was classified as a long-term liability and recorded in long-term debt within the accompanying condensed consolidated balance sheets. We were in compliance with all financial covenants under this credit agreement as of March 31, 2023.

7. Senior Notes

On May 8, 2018, we issued $400 million of senior notes in a private offering to qualified institutional investors (the "2018 Senior Notes"). The 2018 Senior Notes require interest payments semi-annually at a rate of 5.25% per annum and will mature on May 15, 2026.

On December 6, 2019, we issued $350 million of senior notes in a private offering to qualified institutional investors (the "2019 Senior Notes"). The 2019 Senior Notes require interest payments semi-annually at a rate of 4.00% per annum and will mature on June 15, 2028.

On December 17, 2021, we issued $550 million of additional senior notes of the same class as the 2019 Senior Notes in a private offering to qualified institutional investors (the "2021 Senior Notes," and collectively with the 2018 Senior Notes and the 2019 Senior Notes, the "Senior Notes"). The 2021 Senior Notes require interest payments semi-annually at a rate of 4.00% per annum and will mature on June 15, 2028, the same date as the 2019 Senior Notes.

The indentures for the Senior Notes contain certain covenants typical of unsecured obligations and we were in compliance as of March 31, 2023.

The following table presents the face values and fair values for the Senior Notes at March 31, 2023 and September 30, 2022:

	March 31, 2023		September 30, 2022	
	Face Value (*)	Fair Value	Face Value (*)	Fair Value
	(In thousands)			
The 2018 Senior Notes	$ 400,000	$ 393,000	$ 400,000	$ 381,500
The 2019 Senior Notes and the 2021 Senior Notes	900,000	823,500	900,000	767,250
Total	$ 1,300,000	$ 1,216,500	$ 1,300,000	$ 1,148,750

(*) The carrying value of the Senior Notes was the face value reduced by the net debt issuance costs of $12.9 million and $14.3 million at March 31, 2023 and September 30, 2022, respectively.

8. Revenue from Contracts with Customers

Disaggregation of Revenue

The following tables provide information about disaggregated revenue by primary geographical market:

	Quarter Ended March 31, 2023			
	Scores	Software	Total	Percentage
	(Dollars in thousands)			
Americas	$ 197,039	$ 121,264	$ 318,303	84 %
Europe, Middle East and Africa	1,154	40,199	41,353	11 %
Asia Pacific	314	20,296	20,610	5 %
Total	$ 198,507	$ 181,759	$ 380,266	100 %

	Quarter Ended March 31, 2022			
	Scores	Software	Total	Percentage
	(Dollars in thousands)			
Americas	$ 175,091	$ 104,664	$ 279,755	78 %
Europe, Middle East and Africa	1,252	34,128	35,380	10 %
Asia Pacific	7,399	34,661	42,060	12 %
Total	$ 183,742	$ 173,453	$ 357,195	100 %

	Six Months Ended March 31, 2023			
	Scores	Software	Total	Percentage
	(Dollars in thousands)			
Americas	$ 370,336	$ 239,094	$ 609,430	84 %
Europe, Middle East and Africa	2,502	71,191	73,693	10 %
Asia Pacific	3,657	38,356	42,013	6 %
Total	$ 376,495	$ 348,641	$ 725,136	100 %

	Six Months Ended March 31, 2022			
	Scores	Software	Total	Percentage
	(Dollars in thousands)			
Americas	$ 340,803	$ 203,849	$ 544,652	80 %
Europe, Middle East and Africa	2,745	71,526	74,271	11 %
Asia Pacific	9,681	50,952	60,633	9 %
Total	$ 353,229	$ 326,327	$ 679,556	100 %

The following table provides information about disaggregated revenue for our Software segment by deployment method:

	Quarter Ended March 31,		Percentage of revenues		Six Months Ended March 31,		Percentage of revenues	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Dollars in thousands)							
On-premises software	$ 73,473	$ 77,959	48 %	52 %	$ 138,395	$ 135,254	46 %	49 %
SaaS software	81,111	71,129	52 %	48 %	160,749	140,172	54 %	51 %
Total on-premises and SaaS software	$ 154,584	$ 149,088	100 %	100 %	$ 299,144	$ 275,426	100 %	100 %

The following table provides information about disaggregated revenue for our Software segment by product features:

	Quarter Ended March 31,		Percentage of revenues		Six Months Ended March 31,		Percentage of revenues	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Dollars in thousands)							
Platform software (*)	$ 38,682	$ 39,802	25 %	27 %	$ 69,510	$ 61,874	23 %	22 %
Non-platform software	115,902	109,286	75 %	73 %	229,634	213,552	77 %	78 %
Total on-premises and SaaS software	$ 154,584	$ 149,088	100 %	100 %	$ 299,144	$ 275,426	100 %	100 %

(*) FICO platform software is a set of interoperable capabilities which use software assets owned and/or governed by FICO for building solutions and services which conform to FICO architectural standards based on key elements of Cloud Native Computing design principles. These standards encompass shared security context and access using FICO standard application programming interfaces.

The following table provides information about disaggregated revenue for our Software segment by timing of revenue recognition:

	Quarter Ended March 31,		Percentage of revenues		Six Months Ended March 31,		Percentage of revenues	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Dollars in thousands)							
Software recognized at a point in time (1)	$ 19,193	$ 26,540	12 %	18 %	$ 30,996	$ 33,699	10 %	12 %
Software recognized over contract term (2)	135,391	122,548	88 %	82 %	268,148	241,727	90 %	88 %
Total on-premises and SaaS software	$ 154,584	$ 149,088	100 %	100 %	$ 299,144	$ 275,426	100 %	100 %

(1) Includes license portion of our on-premises subscription software and perpetual license, both of which are recognized when the software is made available to the customer, or at the start of the subscription.
(2) Includes maintenance portion and usage-based fees of our on-premises subscription software, maintenance revenue on perpetual licenses, as well as SaaS revenue.

The following table provides information about disaggregated revenue for our Scores segment by distribution method:

	Quarter Ended March 31,		Percentage of revenues		Six Months Ended March 31,		Percentage of revenues	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Dollars in thousands)							
Business-to-business Scores	$ 144,874	$ 125,243	73 %	68 %	$ 269,779	$ 238,211	72 %	67 %
Business-to-consumer Scores	53,633	58,499	27 %	32 %	106,716	115,018	28 %	33 %
Total	$ 198,507	$ 183,742	100 %	100 %	$ 376,495	$ 353,229	100 %	100 %

We derive a substantial portion of revenues from our contracts with the three major consumer reporting agencies, TransUnion, Equifax and Experian. Revenues collectively generated by agreements with these customers accounted for 43% and 39% of our total revenues in the quarters ended March 31, 2023 and 2022, respectively, with three and two consumer reporting agencies each contributing more than 10% of our total revenues in the quarters ended March 31, 2023 and 2022, respectively. Revenues collectively generated by agreements with these customers accounted for 40% and 38% of our total revenues in the six months ended March 31, 2023 and 2022, respectively, with two consumer reporting agencies each contributing more than 10% of our total revenues in each of the six months ended March 31, 2023 and 2022.

Contract Balances

We record a receivable when we satisfy a performance obligation prior to invoicing if only the passage of time is required before payment is due or if we have an unconditional right to consideration before we satisfy a performance obligation. We record a contract asset when we satisfy a performance obligation prior to invoicing but our right to consideration is conditional. We record deferred revenue when the payment is made or due before we satisfy a performance obligation.

Receivables at March 31, 2023 and September 30, 2022 consisted of the following:

	March 31, 2023	September 30, 2022
	(In thousands)	
Billed	$ 183,907	$ 203,351
Unbilled	199,111	165,386
	383,018	368,737
Less: allowance for doubtful accounts	(4,590)	(4,218)
Net receivables	378,428	364,519
Less: long-term receivables (*)	(40,189)	(42,109)
Short-term receivables (*)	$ 338,239	$ 322,410

(*) Short-term receivables and long-term receivables were recorded in accounts receivable, net and other assets, respectively, within the accompanying condensed consolidated balance sheets.

Deferred revenue primarily relates to our maintenance and SaaS contracts billed annually in advance and generally recognized ratably over the term of the service period. Significant changes in the deferred revenues balances are as follows:

	Six Months Ended March 31, 2023
	(In thousands)
Deferred revenues, beginning balance (*)	$ 126,560
Revenue recognized that was included in the deferred revenues balance at the beginning of the period	(51,360)
Increases due to billings, excluding amounts recognized as revenue during the period	49,904
Deferred revenues, ending balance (*)	$ 125,104

(*) Deferred revenues at March 31, 2023 included current portion of $118.3 million and long-term portion of $6.8 million that were recorded in deferred revenue and other liabilities, respectively, within the condensed consolidated balance sheets.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to provide customers with financing or to receive financing from our customers. Examples include multi-year on-premises licenses that are invoiced annually with revenue recognized upfront and invoicing at the beginning of a subscription term with revenue recognized ratably over the contract period.

Performance Obligations

Revenue allocated to remaining performance obligations represents contracted revenue that will be recognized in future periods, which is comprised of deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. This does not include:

- Usage-based revenue that will be recognized in future periods from on-premises software subscriptions;
- Consumption-based variable fees from SaaS software that will be recognized in the distinct service period during which it is earned; and
- Revenue from variable considerations that will be recognized in accordance with the “right-to-invoice” practical expedient, such as fees from our professional services billed based on a time and materials basis.

Revenue allocated to remaining performance obligations was $420.9 million as of March 31, 2023, approximately 50% of which we expect to recognize over the next 16 months and the remainder thereafter. Revenue allocated to remaining performance obligations was $357.4 million as of September 30, 2022.

9. Income Taxes

Effective Tax Rate

The effective income tax rate was 26.1% and 21.2% during the quarters ended March 31, 2023 and 2022, respectively, and 22.0% and 20.2% during the six months ended March 31, 2023 and 2022, respectively. The provision for income taxes during interim quarterly reporting periods is based on our estimates of the effective tax rates for the full fiscal year. The effective tax rate in any quarter can also be affected positively or negatively by adjustments that are required to be reported in the specific quarter of resolution. The increase in the effective tax rate for the six months ended March 31, 2023 was primarily due to a decrease in tax benefits related to the reduction of research and development credits.

A provision enacted as part of the 2017 Tax Cuts and Jobs Act requires companies to capitalize research and experimental expenditures for tax purposes. The provision is effective for fiscal years beginning after December 31, 2021, which means that it was effective for our fiscal year beginning October 1, 2022. While this provision is not expected to have a material impact on our fiscal 2023 effective tax rate, we expect our fiscal 2023 cash tax payments and related deferred tax asset positions to increase significantly compared to fiscal 2022.

The total unrecognized tax benefit for uncertain tax positions was estimated to be $13.0 million at each of March 31, 2023 and September 30, 2022. We recognize interest expense related to unrecognized tax benefits and penalties as part of the provision for income taxes in our condensed consolidated statements of income and comprehensive income. We accrued interest of $0.8 million and $0.5 million related to unrecognized tax benefits as of March 31, 2023 and September 30, 2022, respectively.

10. Earnings per Share

The following table presents reconciliations for the numerators and denominators of basic and diluted earnings per share ("EPS") for the quarters and six-month periods ended March 31, 2023 and 2022:

	Quarter Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
	(In thousands, except per share data)			
Numerator for diluted and basic earnings per share:				
Net income	$ 101,550	$ 104,383	$ 199,193	$ 189,342
Denominator — share:				
Basic weighted-average shares	25,116	26,145	25,080	26,662
Effect of dilutive securities	303	276	351	316
Diluted weighted-average shares	25,419	26,421	25,431	26,978
Earnings per share:				
Basic	$ 4.04	$ 3.99	$ 7.94	$ 7.10
Diluted	$ 4.00	$ 3.95	$ 7.83	$ 7.02

Anti-dilutive share-based awards excluded from the calculations of diluted EPS were immaterial during the periods presented.

11. Segment Information

We are organized into two reportable segments: Scores and Software. Although we sell solutions and services to a large number of end user product and industry markets, our reportable business segments reflect the primary method in which management organizes and evaluates internal financial information to make operating decisions and assess performance.

- *Scores.* This segment includes our business-to-business ("B2B") scoring solutions and services which give our clients access to predictive credit and other scores that can be easily integrated into their transaction streams and decision-making processes. This segment also includes our business-to-consumer ("B2C") scoring solutions, including our myFICO.com subscription offerings.

- *Software*. This segment includes pre-configured analytic and decision management solutions designed for a specific type of business need or process — such as account origination, customer management, customer engagement, fraud detection, and marketing — as well as associated professional services. This segment also includes FICO® Platform, a modular software offering designed to support advanced analytic and decision use cases, as well as stand-alone analytic and decisioning software that can be configured by our customers to address a wide variety of business use cases. These offerings are available to our customers as SaaS or as on-premises software.

Our chief operating decision maker ("CODM"), who is our Chief Executive Officer, evaluates segment financial performance based on segment revenues and segment operating income. Segment operating expenses consist of direct and indirect costs principally related to personnel, facilities, IT infrastructure, consulting, travel and depreciation. Indirect costs are allocated to the segments generally based on relative segment revenues, fixed rates established by management based upon estimated expense contribution levels and other assumptions that management considers reasonable. We do not allocate broad-based incentive expense, share-based compensation expense, restructuring and acquisition-related expense, amortization expense, various corporate charges and certain other income and expense measures to our segments. These income and expense items are not allocated because they are not considered in evaluating the segment's operating performance. Our CODM does not evaluate the financial performance of each segment based on its respective assets or capital expenditures; rather, depreciation amounts are allocated to the segments from their internal cost centers as described above.

We have recast certain prior period amounts within this note to conform to the way we internally managed and monitored segment performance during the current fiscal year, reflecting immaterial movements of business activities between segments and changes in cost allocations.

The following tables summarize segment information for the quarters and six-month periods ended March 31, 2023 and 2022:

	Quarter Ended March 31, 2023			
	Scores	**Software**	**Unallocated Corporate Expenses**	**Total**
	(In thousands)			
Segment revenues:				
On-premises and SaaS software	$ —	$ 154,584	$ —	$ 154,584
Professional services	—	27,175	—	27,175
Scores	198,507	—	—	198,507
Total segment revenues	198,507	181,759	—	380,266
Segment operating expense	(23,102)	(126,892)	(43,183)	(193,177)
Segment operating income	$ 175,405	$ 54,867	$ (43,183)	187,089
Unallocated share-based compensation expense				(27,053)
Unallocated amortization expense				(275)
Operating income				159,761
Unallocated interest expense, net				(23,897)
Unallocated other income, net				1,605
Income before income taxes				$ 137,469
Depreciation expense	$ 138	$ 2,723	$ 20	$ 2,881

	Quarter Ended March 31, 2022			
	Scores	Software	Unallocated Corporate Expenses	Total
	(In thousands)			
Segment revenues:				
On-premises and SaaS software	$ —	$ 149,088	$ —	$ 149,088
Professional services	—	24,365	—	24,365
Scores	183,742	—	—	183,742
Total segment revenues	183,742	173,453	—	357,195
Segment operating expense	(22,400)	(120,819)	(33,440)	(176,659)
Segment operating income	$ 161,342	$ 52,634	$ (33,440)	180,536
Unallocated share-based compensation expense				(27,936)
Unallocated amortization expense				(543)
Operating income				152,057
Unallocated interest expense, net				(17,211)
Unallocated other expense, net				(2,361)
Income before income taxes				$ 132,485
Depreciation expense	$ 189	$ 3,807	$ 28	$ 4,024

	Six Months Ended March 31, 2023			
	Scores	Software	Unallocated Corporate Expenses	Total
	(In thousands)			
Segment revenues:				
On-premises and SaaS software	$ —	$ 299,144	$ —	$ 299,144
Professional services	—	49,497	—	49,497
Scores	376,495	—	—	376,495
Total segment revenues	376,495	348,641	—	725,136
Segment operating expense	(44,398)	(248,009)	(77,265)	(369,672)
Segment operating income	$ 332,097	$ 100,632	$ (77,265)	355,464
Unallocated share-based compensation expense				(56,755)
Unallocated amortization expense				(550)
Unallocated gain on product line asset sale				1,941
Operating income				300,100
Unallocated interest expense, net				(46,697)
Unallocated other income, net				1,969
Income before income taxes				$ 255,372
Depreciation expense	$ 289	$ 5,697	$ 42	$ 6,028

	Six Months Ended March 31, 2022			
	Scores	Software	Unallocated Corporate Expenses	Total
	(In thousands)			
Segment revenues:				
On-premises and SaaS software	$ —	$ 275,426	$ —	$ 275,426
Professional services	—	50,901	—	50,901
Scores	353,229	—	—	353,229
Total segment revenues	353,229	326,327	—	679,556
Segment operating expense	(43,564)	(238,856)	(70,592)	(353,012)
Segment operating income	$ 309,665	$ 87,471	$ (70,592)	326,544
Unallocated share-based compensation expense				(57,814)
Unallocated amortization expense				(1,087)
Operating income				267,643
Unallocated interest expense, net				(29,406)
Unallocated other expense, net				(932)
Income before income taxes				$ 237,305
Depreciation expense	$ 381	$ 7,684	$ 57	$ 8,122

12. Contingencies

We are in disputes with certain customers regarding amounts owed in connection with the sale of certain of our products and services. We also have had claims asserted by former employees relating to compensation and other employment matters. We are also involved in various other claims and legal actions arising in the ordinary course of business. We record litigation accruals for legal matters which are both probable and estimable. For legal proceedings for which there is a reasonable possibility of loss (meaning those losses for which the likelihood is more than remote but less than probable), we have determined we do not have material exposure on an aggregate basis.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

FORWARD-LOOKING STATEMENTS

Statements contained in this report that are not statements of historical fact should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"). In addition, certain statements in our future filings with the Securities and Exchange Commission ("SEC"), in press releases, and in oral and written statements made by us or with our approval that are not statements of historical fact constitute forward-looking statements within the meaning of the PSLRA. Examples of forward-looking statements include, but are not limited to: (i) projections of revenue, income or loss, expenses, earnings or loss per share, the payment or nonpayment of dividends, share repurchases, capital structure and other statements concerning future financial performance; (ii) statements of our plans and objectives by our management or Board of Directors, including those relating to products or services, research and development, and the sufficiency of capital resources; (iii) statements of assumptions underlying such statements, including those related to economic conditions; (iv) statements regarding results of business combinations or strategic divestitures; (v) statements regarding business relationships with vendors, customers or collaborators, including the proportion of revenues generated from international as opposed to domestic customers; and (vi) statements regarding products and services, their characteristics, performance, sales potential or effect in use by customers. Words such as "believes," "anticipates," "expects," "intends," "targeted," "should," "potential," "goals," "strategy," "outlook," "plan," "estimated," "will," variations of these terms and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 and in subsequent filings with the SEC. The performance of our business and our securities may be adversely affected by these factors and by other factors common to other businesses and investments, or to the general economy. Forward-looking statements are qualified by some or all of these risk factors. Therefore, you should consider these risk factors with caution and form your own critical and independent conclusions about the likely effect of these risk factors on our future performance. Such forward-looking statements speak only as of the date on which statements are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events or circumstances. Readers should carefully review the disclosures and the risk factors described in this and other documents we file from time to time with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

OVERVIEW

We were founded in 1956 on the premise that data, used intelligently, can improve business decisions. Today, FICO's software and the widely used FICO® Score operationalize analytics, enabling thousands of businesses in nearly 120 countries to uncover new opportunities, make timely decisions that matter, and execute them at scale. Most leading banks and credit card issuers rely on our solutions, as do insurers, retailers, telecommunications providers, automotive lenders, consumer reporting agencies, public agencies, and organizations in other industries. We also serve consumers through online services that enable people to access and understand their FICO® Scores — the standard measure in the U.S. of consumer credit risk — empowering them to increase financial literacy and manage their financial health.

Our business consists of two operating segments: Scores and Software.

Our Scores segment includes our business-to-business ("B2B") scoring solutions and services which give our clients access to predictive credit and other scores that can be easily integrated into their transaction streams and decision-making processes. This segment also includes our business-to-consumer ("B2C") scoring solutions, including our myFICO.com subscription offerings.

Our Software segment includes pre-configured analytic and decision management solutions designed for a specific type of business need or process — such as account origination, customer management, customer engagement, fraud detection, and marketing — as well as associated professional services. This segment also includes FICO® Platform, a modular software offering designed to support advanced analytic and decision use cases, as well as stand-alone analytic and decisioning software that can be configured by our customers to address a wide variety of business use cases. Our offerings are available to our customers as software-as-a-service ("SaaS") or as on-premises software.

Highlights from the quarter and six months ended March 31, 2023

- Total revenue was $380.3 million during the quarter ended March 31, 2023, a 6% increase from the quarter ended March 31, 2022, and $725.1 million during the six months ended March 31, 2023, a 7% increase from the six months ended March 31, 2022.
- Total revenue for our Scores segment was $198.5 million during the quarter ended March 31, 2023, an 8% increase from the quarter ended March 31, 2022, and $376.5 million during the six months ended March 31, 2023, a 7% increase from the six months ended March 31, 2022.
- Annual Recurring Revenue for our Software segment as of March 31, 2023 was $613.5 million, a 17% increase from March 31, 2022.
- Dollar-Based Net Retention Rate for our Software segment was 114% during the quarter ended March 31, 2023.
- Operating income was $159.8 million during the quarter ended March 31, 2023, a 5% increase from the quarter ended March 31, 2022, and $300.1 million during the six months ended March 31, 2023, a 12% increase from the six months ended March 31, 2022.
- Net income was $101.6 million during the quarter ended March 31, 2023, a 3% decrease from the quarter ended March 31, 2022, and $199.2 million during the six months ended March 31, 2023, a 5% increase from the six months ended March 31, 2022.
- Diluted EPS was $4.00 during the quarter ended March 31, 2023, a 1% increase from the quarter ended March 31, 2022, and $7.83 during the six months ended March 31, 2023, a 12% increase from the six months ended March 31, 2022.
- Cash flows from operating activities were $182.2 million during the six months ended March 31, 2023, compared with $247.5 million during the six months ended March 31, 2022.
- Cash and cash equivalents were $137.8 million as of March 31, 2023, compared with $133.2 million as of September 30, 2022.
- Total debt balance was $1.9 billion as of March 31, 2023 and September 30, 2022.
- Total share repurchases during the quarter ended March 31, 2023 were $116.3 million, compared with $264.0 million during the quarter ended March 31, 2022, and during the six months ended March 31, 2023 were $191.3 million, compared with $757.6 million during the six months ended March 31, 2022.

Key performance metrics for Software segment

Annual Contract Value Bookings ("ACV Bookings")

Management regards ACV Bookings as an important indicator of future revenues, but they are not comparable to, nor are they a substitute for, an analysis of our revenues and other U.S. generally accepted accounting principles ("U.S. GAAP") measures. We define ACV Bookings as the average annualized value of software contracts signed in the current reporting period that generate current and future on-premises and SaaS software revenue. We only include contracts with an initial term of at least 24 months and we exclude perpetual licenses and other software revenues that are non-recurring in nature. For renewals of existing software subscription contracts, we count only incremental annual revenue expected over the current contract as ACV Bookings.

ACV Bookings is calculated by dividing the total expected contract value by the contract term in years. The expected contract value equals the fixed amount — including guaranteed minimums, if any — stated in the contract, plus estimates of future usage-based fees. We develop estimates from discussions with our customers and examinations of historical data from similar products and customer arrangements. Differences between estimates and actual results occur due to variability in the estimated usage. This variability can be the result of the economic trends in our customers' industries; individual performance of our customers relative to their competitors; and regulatory and other factors that affect the business environment in which our customers operate.

We disclose estimated revenue expected to be recognized in the future related to remaining performance obligations in Note 8 to the accompanying condensed consolidated financial statements. However, we believe ACV Bookings is a more meaningful measure of our business as it includes estimated revenues and future billings excluded from Note 8, such as usage-based fees and guaranteed minimums derived from our on-premises software licenses, among others.

The following table summarizes our ACV Bookings during the periods indicated:

	Quarter Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
	(In millions)			
Total on-premises and SaaS software (*)	$ 23.3	$ 20.2	$ 44.8	$ 36.6

(*) During the quarter ended December 31, 2022, we sold certain assets related to our Siron compliance business. The amounts above exclude this product line for all periods presented.

Annual Recurring Revenue ("ARR")

Accounting Standards Codification Topic 606, *Revenue from Contacts with Customers*, requires us to recognize a significant portion of revenue from our on-premises software subscriptions at the point in time when the software is first made available to the customer, or at the beginning of the subscription term, despite the fact that our contracts typically call for billing these amounts ratably over the life of the subscription. The remaining portion of our on-premises software subscription revenue including maintenance and usage-based fees are recognized over the life of the contract. This point-in-time recognition of a portion of our on-premises software subscription revenue creates significant variability in the revenue recognized period to period based on the timing of the subscription start date and the subscription term. Furthermore, this point-in-time revenue recognition can create a significant difference between the timing of our revenue recognition and the actual customer billing under the contract. We use ARR to measure the underlying performance of our subscription-based contracts and mitigate the impact of this variability. ARR is defined as the annualized revenue run-rate of on-premises and SaaS software agreements within a quarterly reporting period, and as such, is different from the timing and amount of revenue recognized. All components of our software licensing and subscription arrangements that are not expected to recur (primarily perpetual licenses) are excluded. We calculate ARR as the quarterly recurring revenue run-rate multiplied by four.

The following table summarizes our ARR for on-premises and SaaS software at each of the dates presented:

	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023
ARR (*)	(In millions)							
Platform (**)	$ 66.0	$ 73.6	$ 90.9	$ 95.4	$ 107.2	$ 113.1	$ 132.8	$ 152.5
Non-platform	425.6	427.7	433.4	430.6	432.3	437.0	450.1	461.0
Total	$ 491.6	$ 501.3	$ 524.3	$ 526.0	$ 539.5	$ 550.1	$ 582.9	$ 613.5
Percentage								
Platform	13 %	15 %	17 %	18 %	20 %	21 %	23 %	25 %
Non-platform	87 %	85 %	83 %	82 %	80 %	79 %	77 %	75 %
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
YoY Change								
Platform	58 %	61 %	71 %	64 %	62 %	54 %	46 %	60 %
Non-platform	1 %	— %	3 %	3 %	2 %	2 %	4 %	7 %
Total	6 %	6 %	11 %	10 %	10 %	10 %	11 %	17 %

(*) During the quarter ended December 31, 2022, we sold certain assets related to our Siron compliance business. The amounts and percentages above exclude this product line at all dates presented.

(**) FICO platform software is a set of interoperable capabilities which use software assets owned and/or governed by FICO for building solutions and services which conform to FICO architectural standards based on key elements of Cloud Native Computing design principles. These standards encompass shared security context and access using FICO standard application programming interfaces.

Dollar-Based Net Retention Rate ("DBNRR")

We consider DBNRR to be an important measure of our success in retaining and growing revenue from our existing customers. To calculate DBNRR for any period, we compare the ARR at the end of the prior comparable quarter ("base ARR") to the ARR from that same cohort of customers at the end of the current quarter ("retained ARR"); we then divide the retained ARR by the base ARR to arrive at the DBNRR. Our calculation includes the positive impact among this cohort of customers of selling additional products, price increases and increases in usage-based fees, and the negative impact of customer attrition, price decreases, and decreases in usage-based fees during the period. However, the calculation does not include the positive impact from sales to any new customers acquired during the period. Our DBNRR may increase or decrease from period to period as a result of various factors, including the timing of new sales and customer renewal rates.

The following table summarizes our DBNRR for on-premises and SaaS software for each of the periods presented:

	Quarter Ended							
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023
DBNRR (*)								
Platform	142 %	146 %	146 %	144 %	137 %	129 %	130 %	146 %
Non-platform	100 %	100 %	102 %	102 %	101 %	101 %	103 %	105 %
Total	104 %	105 %	109 %	109 %	109 %	109 %	110 %	114 %

(*) During the quarter ended December 31, 2022, we sold certain assets related to our Siron compliance business. The percentages above exclude this product line for all periods presented.

RESULTS OF OPERATIONS

We are organized into two reportable segments: Scores and Software. Although we sell solutions and services into a large number of end user product and industry markets, our reportable business segments reflect the primary method in which management organizes and evaluates internal financial information to make operating decisions and assess performance.

Segment revenues, operating income, and related financial information, including disaggregation of revenue, are set forth in Note 8 and Note 11 to the accompanying condensed consolidated financial statements.

Revenues

The following tables set forth certain summary information on a segment basis related to our revenues for the quarters and six-month periods ended March 31, 2023 and 2022:

Segment	Quarter Ended March 31, 2023	Quarter Ended March 31, 2022	Percentage of Revenues 2023	Percentage of Revenues 2022	Period-to-Period Change	Period-to-Period Percentage Change
	(In thousands)				(In thousands)	
Scores	$ 198,507	$ 183,742	52 %	51 %	$ 14,765	8 %
Software	181,759	173,453	48 %	49 %	8,306	5 %
Total	$ 380,266	$ 357,195	100 %	100 %	23,071	6 %

Segment	Six Months Ended March 31, 2023	Six Months Ended March 31, 2022	Percentage of Revenues 2023	Percentage of Revenues 2022	Period-to-Period Change	Period-to-Period Percentage Change
	(In thousands)				(In thousands)	
Scores	$ 376,495	$ 353,229	52 %	52 %	$ 23,266	7 %
Software	348,641	326,327	48 %	48 %	22,314	7 %
Total	$ 725,136	$ 679,556	100 %	100 %	45,580	7 %

Quarter Ended March 31, 2023 Compared to Quarter Ended March 31, 2022

Scores

Scores segment revenues increased $14.8 million due to an increase of $19.6 million in our business-to-business scores revenue, partially offset by a decrease of $4.8 million in our business-to-consumer revenue. The increase in business-to-business scores revenue was primarily attributable to a higher unit price, partially offset by a decrease in volume in mortgage originations. The decrease in business-to-consumer revenue was primarily attributable to a decrease in direct sales generated from the myFICO.com website.

Software

	Quarter Ended March 31, 2023	Quarter Ended March 31, 2022	Period-to-Period Change	Period-to-Period Percentage Change
	(In thousands)		(In thousands)	
On-premises and SaaS software	$ 154,584	$ 149,088	$ 5,496	4 %
Professional services	27,175	24,365	2,810	12 %
Total	$ 181,759	$ 173,453	8,306	5 %

Software segment revenues increased $8.3 million due to a $5.5 million increase in our on-premises and SaaS software revenue and a $2.8 million increase in services revenue. The increase in our on-premises and SaaS software revenue was primarily attributable to an increase in over-time recognition largely driven by SaaS growth, partially offset by a decrease in point-in-time recognition mainly due to a large license deal entered into during the quarter ended March 31, 2022.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Scores

Scores segment revenues increased $23.3 million due to an increase of $31.6 million in our business-to-business scores revenue, partially offset by a decrease of $8.3 million in our business-to-consumer revenue. The increase in business-to-business scores revenue was primarily attributable to a higher unit price, partially offset by a decrease in volume in mortgage originations. The decrease in business-to-consumer revenue was primarily attributable to a decrease in direct sales generated from the myFICO.com website.

Software

	Six Months Ended March 31, 2023	Six Months Ended March 31, 2022	Period-to-Period Change	Period-to-Period Percentage Change
	(In thousands)		(In thousands)	
On-premises and SaaS software	$ 299,144	$ 275,426	$ 23,718	9 %
Professional services	49,497	50,901	(1,404)	(3)%
Total	$ 348,641	$ 326,327	22,314	7 %

Software segment revenues increased $22.3 million due to a $23.7 million increase in our on-premises and SaaS software revenue, partially offset by a $1.4 million decrease in services revenue. The increase in our on-premises and SaaS software revenue was primarily attributable to an increase in over-time recognition largely driven by SaaS growth, partially offset by a decrease in point-in-time recognition mainly due to a large license deal entered into during the six months ended March 31, 2022.

Operating Expenses and Other Income (Expense), Net

The following tables set forth certain summary information related to our condensed consolidated statements of income and comprehensive income for the quarters and six-month periods ended March 31, 2023 and 2022:

	Quarter Ended March 31,		Percentage of Revenues		Period-to-Period Change	Period-to-Period Percentage Change
	2023	2022	2023	2022		
	(In thousands, except employees)				(In thousands, except employees)	
Revenues	$ 380,266	$ 357,195	100 %	100 %	$ 23,071	6 %
Operating expenses:						
Cost of revenues	79,806	71,794	21 %	20 %	8,012	11 %
Research and development	40,266	36,387	11 %	10 %	3,879	11 %
Selling, general and administrative	100,158	96,414	26 %	27 %	3,744	4 %
Amortization of intangible assets	275	543	— %	— %	(268)	(49)%
Total operating expenses	220,505	205,138	58 %	57 %	15,367	7 %
Operating income	159,761	152,057	42 %	43 %	7,704	5 %
Interest expense, net	(23,897)	(17,211)	(6)%	(5)%	(6,686)	39 %
Other income (expense), net	1,605	(2,361)	— %	(1)%	3,966	(168)%
Income before income taxes	137,469	132,485	36 %	37 %	4,984	4 %
Provision for income taxes	35,919	28,102	9 %	8 %	7,817	28 %
Net income	$ 101,550	$ 104,383	27 %	29 %	(2,833)	(3)%
Number of employees at quarter end	3,320	3,460			(140)	(4)%

	Six Months Ended March 31,		Percentage of Revenues		Period-to-Period Change	Period-to-Period Percentage Change
	2023	2022	2023	2022		
	(In thousands)				(In thousands)	
Revenues	$ 725,136	$ 679,556	100 %	100 %	$ 45,580	7 %
Operating expenses:						
Cost of revenues	156,375	140,997	21 %	21 %	15,378	11 %
Research and development	76,899	75,367	11 %	11 %	1,532	2 %
Selling, general and administrative	193,153	194,462	27 %	29 %	(1,309)	(1)%
Amortization of intangible assets	550	1,087	— %	— %	(537)	(49)%
Gain on product line asset sale	(1,941)	—	— %	— %	(1,941)	— %
Total operating expenses	425,036	411,913	59 %	61 %	13,123	3 %
Operating income	300,100	267,643	41 %	39 %	32,457	12 %
Interest expense, net	(46,697)	(29,406)	(6)%	(4)%	(17,291)	59 %
Other income (expense), net	1,969	(932)	— %	— %	2,901	(311)%
Income before income taxes	255,372	237,305	35 %	35 %	18,067	8 %
Provision for income taxes	56,179	47,963	8 %	7 %	8,216	17 %
Net income	$ 199,193	$ 189,342	27 %	28 %	9,851	5 %

Cost of Revenues

Cost of revenues consists primarily of employee salaries, incentives, and benefits for personnel directly involved in delivering software products, operating SaaS infrastructure, and providing support, implementation and consulting services; overhead, facilities and data center costs; software royalty fees; credit bureau data and processing services; third-party hosting fees related to our SaaS services; travel costs; and outside services.

The quarter-over-prior year quarter increase in cost of revenues of $8.0 million was primarily attributable to an $8.5 million increase in personnel and labor costs, partially offset by a $1.8 million decrease in direct materials costs. The increase in personnel and labor costs was primarily attributable to increases in employee time allocated to cost of revenues, increased incentive expense and headcount. The decrease in direct materials costs was primarily attributable to a decrease in telecommunications costs to support FICO® Customer Communications Services revenue and a decrease in credit bureau data costs associated with decreased business-to-consumer scoring solutions revenue through the myFICO.com website. Cost of revenues as a percentage of revenues increased to 21% during the quarter ended March 31, 2023 from 20% during the quarter ended March 31, 2022, primarily due to an increase in personnel and labor costs.

The year-to-date period over period increase in cost of revenues of $15.4 million was primarily attributable to a $17.7 million increase in personnel and labor costs and a $0.8 million increase in travel costs, partially offset by a $4.0 million decrease in direct materials costs. The increase in personnel and labor costs was primarily attributable to increases in employee time allocated to cost of revenues, increased incentive expense, and headcount. The increase in travel costs was primarily attributable to relaxed COVID-19 related restrictions. The decrease in direct materials costs was primarily attributable to a decrease in telecommunications costs to support FICO® Customer Communications Services revenue and a decrease in credit bureau data costs associated with decreased business-to-consumer scoring solutions revenue through the myFICO.com website. Cost of revenues as a percentage of revenues remained consistent at 21% during the six months ended March 31, 2023 and 2022.

Research and Development

Research and development expenses include personnel and related overhead costs incurred in the development of new products and services, including research of mathematical and statistical models and development of new versions of Software products.

The quarter-over-prior year quarter increase in research and development expenses of $3.9 million was primarily attributable to a $2.8 million increase in personnel and labor costs as a result of increased incentive expense and increases in time allocated to research and development activities, and a $0.9 million increase in infrastructure costs primarily attributable to increased third-party cloud computing costs. Research and development expenses as a percentage of revenues increased to 11% during the quarter ended March 31, 2023 from 10% during the quarter ended March 31, 2022.

The year-to-date period over period increase in research and development expenses of $1.5 million was primarily attributable to a $1.4 million increase in infrastructure costs primarily attributable to increased third-party cloud computing and SaaS costs. Research and development expenses as a percentage of revenues remained consistent at 11% during the six months ended March 31, 2023 and 2022.

Selling, General and Administrative

Selling, general and administrative expenses consist principally of employee salaries, incentives, commissions and benefits; travel costs; overhead costs; advertising and other promotional expenses; corporate facilities expenses; legal expenses; and business development expenses.

The quarter-over-prior year quarter increase in selling, general and administrative expenses of $3.7 million was primarily attributable to a $3.3 million increase in marketing and business development costs, a $2.6 million increase in outside services, and a $1.0 million increase in travel costs, partially offset by a $2.0 million decrease in infrastructure costs and a $1.2 million decrease in personnel and labor costs. The increases in marketing, business development and travel costs were primarily driven by increased corporate events, as certain COVID-19 related restrictions have been relaxed, and increased advertising and promotional expenses. The increase in outside services was primarily attributable to increased legal and third-party consulting expenses. The decrease in infrastructure costs was primarily the result of a decrease in software royalty fees and maintenance. The decrease in personnel and labor costs was primarily a result of decreases in employee time allocated to these expenses, decreased share-based compensation, and decreased non-capitalizable commission costs, partially offset by increased fringe benefit costs related to our supplemental retirement and savings plan. Selling, general and administrative expenses as a percentage of revenues decreased to 26% during the quarter ended March 31, 2023 from 27% during the quarter ended March 31, 2022.

The year-to-date period over period decrease in selling, general and administrative expenses of $1.3 million was primarily attributable to a $6.7 million decrease in personnel and labor costs and a $4.7 million decrease in facilities and infrastructure costs, partially offset by a $5.5 million increase in marketing and business development costs, a $2.6 million increase in travel costs and a $2.2 million increase in outside services. The decrease in personnel and labor costs was primarily a result of decreases in employee time allocated to these expenses, decreased share-based compensation, decreased non-capitalizable commission costs and decreased headcount, partially offset by increased fringe benefit costs related to our supplemental retirement and savings plan. The decrease in facilities and infrastructure costs was primarily attributable to a decrease in software royalty fees and maintenance, and a favorable adjustment from the termination of an office lease related to our consolidation of office space. The increases in marketing, business development and travel costs were primarily driven by increased corporate events, as certain COVID-19 related restrictions have been relaxed, and increased advertising and other promotional expenses. The increase in outside services was primarily attributable to increased legal and third-party consulting expenses. Selling, general and administrative expenses as a percentage of revenues decreased to 27% during the six months ended March 31, 2023 from 29% during the six months ended March 31, 2022.

Amortization of Intangible Assets

Amortization of intangible assets consists of expense related to intangible assets recorded in connection with our acquisitions. Our finite-lived intangible assets, consisting primarily of completed technology and customer contracts and relationships, are amortized using the straight-line method over periods ranging from five to ten years.

Amortization expense was $0.3 million during the quarter ended March 31, 2023 compared to $0.5 million during the quarter ended March 31, 2022.

Amortization expense was $0.6 million during the six months ended March 31, 2023 compared to $1.1 million during the six months ended March 31, 2022.

Gain on Product Line Asset Sale

The $1.9 million gain on product line asset sale during the six months ended March 31, 2023 was attributable to the sale of certain assets related to our Siron compliance business in the quarter ended December 31, 2022.

Interest Expense, Net

Interest expense includes interest on the senior notes issued in December 2021, December 2019 and May 2018, as well as interest and credit agreement fees on the revolving line of credit and term loan. On our condensed consolidated statements of income and comprehensive income, interest expense is netted with interest income, which is derived primarily from the investment of funds in excess of our immediate operating requirements.

The quarter-over-prior year quarter increase in interest expense of $6.7 million was primarily attributable to a higher average outstanding debt balance, as well as a higher average interest rate on our revolving line of credit and term loan during the quarter ended March 31, 2023.

The year-to-date period over period increase in interest expense of $17.3 million was primarily attributable to a higher average outstanding debt balance, as well as a higher average interest rate on our revolving line of credit and term loan during the six months ended March 31, 2023.

Other Income (Expense), Net

Other income (expense), net consists primarily of unrealized investment gains/losses and realized gains/losses on certain investments classified as trading securities, exchange rate gains/losses resulting from remeasurement of foreign-currency-denominated receivable and cash balances held by our various reporting entities into their respective functional currencies at period-end market rates, net of the impact of offsetting foreign currency forward contracts, and other non-operating items.

The quarter-over-quarter change in other income (expense), net of $4.0 million, from $2.4 million in other expense, net to $1.6 million in other income, net, was primarily attributable to net unrealized gains on investments classified as trading securities in our supplemental retirement and savings plan in the current year period compared to losses in the prior year period, partially offset by an increase in foreign currency exchange losses.

The year-to-date period over period change in other income (expense), net of $2.9 million, from $0.9 million in other expense, net to $2.0 million in other income, net, was primarily attributable to net unrealized gains on investments classified as trading securities in our supplemental retirement and savings plan in the current year period compared to losses in the prior year period, partially offset by an increase in foreign currency exchange losses.

Provision for Income Taxes

The effective income tax rate was 26.1% and 21.2% during the quarters ended March 31, 2023 and 2022, respectively, and 22.0% and 20.2% during the six months ended March 31, 2023 and 2022, respectively. The provision for income taxes during interim quarterly reporting periods is based on our estimates of the effective tax rates for the full fiscal year. The effective tax rate in any quarter can also be affected positively or negatively by adjustments that are required to be reported in the specific quarter of resolution.

The increase in the effective tax rate for the six months ended March 31, 2023 was primarily due to a decrease in tax benefits related to the reduction of research and development credits.

Operating Income

The following tables set forth certain summary information on a segment basis related to our operating income for the quarters and six-month periods ended March 31, 2023 and 2022.

Segment	Quarter Ended March 31, 2023	Quarter Ended March 31, 2022	Period-to-Period Change	Period-to-Period Percentage Change
	(In thousands)		(In thousands)	
Scores	$ 175,405	$ 161,342	$ 14,063	9 %
Software	54,867	52,634	2,233	4 %
Unallocated corporate expenses	(43,183)	(33,440)	(9,743)	29 %
Total segment operating income	187,089	180,536	6,553	4 %
Unallocated share-based compensation	(27,053)	(27,936)	883	(3)%
Unallocated amortization expense	(275)	(543)	268	(49)%
Operating income	$ 159,761	$ 152,057	7,704	5 %

	Scores				Software			
	Quarter Ended March 31,		Percentage of Revenues		Quarter Ended March 31,		Percentage of Revenues	
	2023	2022	2023	2022	2023	2022	2023	2022
	(In thousands)				(In thousands)			
Segment revenues	$ 198,507	$ 183,742	100 %	100 %	$ 181,759	$ 173,453	100 %	100 %
Segment operating expense	(23,102)	(22,400)	(12)%	(12)%	(126,892)	(120,819)	(70)%	(70)%
Segment operating income	$ 175,405	$ 161,342	88 %	88 %	$ 54,867	$ 52,634	30 %	30 %

The quarter-over-prior year quarter increase in operating income of $7.7 million was primarily attributable to a $23.1 million increase in segment revenues and a $0.9 million decrease in share-based compensation cost, partially offset by a $9.7 million increase in corporate expenses and a $6.8 million increase in segment operating expenses.

At the segment level, the quarter-over-prior year quarter increase in segment operating income of $6.6 million was the result of a $14.1 million increase in our Scores segment operating income, a $2.2 million increase in our Software segment operating income, partially offset by a $9.7 million increase in corporate expenses.

The quarter-over-prior year quarter increase in Scores segment operating income of $14.1 million was due to a $14.8 million increase in segment revenue, partially offset by a $0.7 million increase in segment operating expenses. Segment operating income as a percentage of segment revenue for Scores was 88%, consistent with the quarter ended March 31, 2022.

The quarter-over-prior year quarter increase in Software segment operating income of $2.2 million was due to an $8.3 million increase in segment revenue, partially offset by a $6.1 million increase in segment operating expenses. Segment operating income as a percentage of segment revenue for Software was 30%, consistent with the quarter ended March 31, 2022.

Segment	Six Months Ended March 31, 2023	Six Months Ended March 31, 2022	Period-to-Period Change	Period-to-Period Percentage Change
	(In thousands)		(In thousands)	
Scores	$ 332,097	$ 309,665	$ 22,432	7 %
Software	100,632	87,471	13,161	15 %
Unallocated corporate expenses	(77,265)	(70,592)	(6,673)	9 %
Total segment operating income	355,464	326,544	28,920	9 %
Unallocated share-based compensation	(56,755)	(57,814)	1,059	(2)%
Unallocated amortization expense	(550)	(1,087)	537	(49)%
Unallocated gain on product line asset sale	1,941	—	1,941	— %
Operating income	$ 300,100	$ 267,643	32,457	12 %

	Scores				Software			
	Six Months Ended March 31,		Percentage of Revenues		Six Months Ended March 31,		Percentage of Revenues	
	2023	2022	2023	2022	2023	2022	2023	2022
	(In thousands)				(In thousands)			
Segment revenues	$ 376,495	$ 353,229	100 %	100 %	$ 348,641	$ 326,327	100 %	100 %
Segment operating expense	(44,398)	(43,564)	(12)%	(12)%	(248,009)	(238,856)	(71)%	(73)%
Segment operating income	$ 332,097	$ 309,665	88 %	88 %	$ 100,632	$ 87,471	29 %	27 %

The year-to-date period over period increase of $32.5 million in operating income was primarily attributable to a $45.6 million increase in segment revenues, a $1.9 million gain on product line asset sale, and a $1.1 million decrease in share-based compensation cost, partially offset by a $10.0 million increase in segment operating expenses and a $6.7 million increase in corporate expenses.

At the segment level, the year-to-date period over period increase of $28.9 million in segment operating income was the result of a $22.4 million increase in our Scores segment operating income, a $13.2 million increase in our Software segment operating income, partially offset by a $6.7 million increase in corporate expenses.

The year-to-date period over period $22.4 million increase in Scores segment operating income was attributable to a $23.3 million increase in segment revenue, partially offset by a $0.9 million increase in segment operating expenses. Segment operating income as a percentage of segment revenue for Scores was 88%, consistent with the six months ended March 31, 2022.

The year-to-date period over period $13.2 million increase in Software segment operating income was attributable to a $22.3 million increase in segment revenue, partially offset by a $9.1 million increase in segment operating expenses. Segment operating income as a percentage of segment revenue for Software increased to 29% from 27%.

CAPITAL RESOURCES AND LIQUIDITY

Outlook

As of March 31, 2023, we had $137.8 million in cash and cash equivalents, which included $110.5 million held by our foreign subsidiaries. We believe our cash and cash equivalents balances, including those held by our foreign subsidiaries, as well as available borrowings from our $600 million revolving line of credit and anticipated cash flows from operating activities, will be sufficient to fund our working and other capital requirements for at least the next 12 months and thereafter for the foreseeable future, including the $15.0 million principal payments on our term loan due over the next 12 months. Under our current financing arrangements, we have no other significant debt obligations maturing over the next 12 months. For jurisdictions outside the U.S. where cash may be repatriated in the future, the Company expects the net impact of any repatriations to be immaterial to the Company's overall tax liability.

In the normal course of business, we evaluate the merits of acquiring technology or businesses, or establishing strategic relationships with or investing in these businesses. We may elect to use available cash and cash equivalents to fund such activities in the future. In the event additional needs for cash arise, or if we refinance our existing debt, we may raise additional funds from a combination of sources, including the potential issuance of debt or equity securities. Additional financing might not be available on terms favorable to us, or at all. If adequate funds were not available or were not available on acceptable terms, our ability to take advantage of unanticipated opportunities or respond to competitive pressures could be limited.

Summary of Cash Flows

	Six Months Ended March 31,		Period-to-Period Change
	2023	2022	
	(In thousands)		
Cash provided by (used in):			
Operating activities	$ 182,244	$ 247,484	$ (65,240)
Investing activities	(11,887)	(3,664)	(8,223)
Financing activities	(173,245)	(263,162)	89,917
Effect of exchange rate changes on cash	7,457	(1,793)	9,250
Increase (decrease) in cash and cash equivalents	$ 4,569	$ (21,135)	25,704

Cash Flows from Operating Activities

Our primary method for funding operations and growth has been through cash flows generated from operating activities. Net cash provided by operating activities decreased to $182.2 million during the six months ended March 31, 2023 from $247.5 million during the six months ended March 31, 2022. The $65.2 million decrease was attributable to a $42.9 million decrease due to the timing of receipts and payments in our ordinary course of business and a $32.2 million decrease in non-cash items. The decrease was partially offset by a $9.9 million increase in net income.

Cash Flows from Investing Activities

Net cash used in investing activities increased to $11.9 million for the six months ended March 31, 2023 from $3.7 million for the six months ended March 31, 2022. The $8.2 million increase was primarily attributable to an $8.4 million decrease in cash proceeds from the product line asset sales, net of cash transferred.

Cash Flows from Financing Activities

Net cash used in financing activities decreased to $173.2 million for the six months ended March 31, 2023 from $263.2 million for the six months ended March 31, 2022. The $89.9 million decrease was primarily attributable to a $576.6 million decrease in repurchases of common stock and a $76.3 million decrease in payments, net of proceeds, on our revolving line of credit, partially offset by a $550.0 million decrease in proceeds from the issuance of senior notes and a $25.8 million increase in taxes paid related to net share settlement of equity awards.

Repurchases of Common Stock

In October 2022, our Board of Directors approved a new stock repurchase program replacing our previously authorized program. This program is open-ended and authorizes repurchases of shares of our common stock up to an aggregate cost of $500.0 million in the open market or in negotiated transactions.

We expended $116.3 million and $264.0 million during the quarters ended March 31, 2023 and 2022, respectively, and $191.3 million and $757.6 million during the six months ended March 31, 2023 and 2022, respectively under our previously authorized stock repurchase programs and the October 2022 program. As of March 31, 2023, we had $334.8 million remaining under the October 2022 program.

Revolving Line of Credit and Term Loan

We have a $600 million unsecured revolving line of credit and a $300 million unsecured term loan with a syndicate of banks that mature on August 19, 2026. Borrowings under the revolving line of credit and term loan can be used for working capital and general corporate purposes and may also be used for the refinancing of existing debt, acquisitions, and the repurchase of our common stock. The term loan requires principal payments in consecutive quarterly installments of $3.75 million on the last business day of each quarter. In November 2022, we amended our credit agreement to replace the LIBOR reference rate with the Secured Overnight Financing Rate (“SOFR”) reference rate. Interest rates on amounts borrowed under the revolving line of credit and term loan are based on (i) an adjusted base rate, which is the greatest of (a) the prime rate, (b) the Federal Funds rate plus 0.5%, and (c) one-month adjusted term SOFR rate plus 1%, plus, in each case, an applicable margin, or (ii) an adjusted term SOFR rate plus an applicable margin. The applicable margin for base rate borrowings and for SOFR borrowings is determined based on our consolidated leverage ratio. The applicable margin for base rate borrowings ranges from 0% to 0.75% per annum and for SOFR borrowings ranges from 1% to 1.75% per annum. In addition, we must pay certain credit facility fees. The revolving line of credit and term loan contain certain restrictive covenants including a maximum consolidated leverage ratio of 3.5 to 1.0, subject to a step up to 4.0 to 1.0 following certain permitted acquisitions and subject to certain conditions, and a minimum interest coverage ratio of 3.0 to 1.0. The credit agreement also contains other covenants typical of unsecured credit facilities.

As of March 31, 2023, we had $357.0 million in borrowings outstanding under the revolving line of credit at a weighted-average interest rate of 6.343%, and $281.3 million in outstanding balance of the term loan at an interest rate of 6.529%, of which $531.3 million was classified as a long-term liability and recorded in long-term debt within the accompanying condensed consolidated balance sheets. We were in compliance with all financial covenants under this credit agreement as of March 31, 2023.

Senior Notes

On May 8, 2018, we issued $400 million of senior notes in a private offering to qualified institutional investors (the “2018 Senior Notes”). The 2018 Senior Notes require interest payments semi-annually at a rate of 5.25% per annum and will mature on May 15, 2026. On December 6, 2019, we issued $350 million of senior notes in a private offering to qualified institutional investors (the “2019 Senior Notes”). The 2019 Senior Notes require interest payments semi-annually at a rate of 4.00% per annum and will mature on June 15, 2028. On December 17, 2021, we issued $550 million of additional senior notes of the same class as the 2019 Senior Notes in a private offering to qualified institutional investors (the “2021 Senior Notes,” and collectively with the 2018 Senior Notes and the 2019 Senior Notes, the “Senior Notes”). The 2021 Senior Notes require interest payments semi-annually at a rate of 4.00% per annum and will mature on June 15, 2028, the same date as the 2019 Senior Notes. The indentures for the Senior Notes contain certain covenants typical of unsecured obligations. As of March 31, 2023, the carrying value of the Senior Notes was $1.3 billion and we were in compliance with all financial covenants under these obligations.

CRITICAL ACCOUNTING ESTIMATES

We prepare our consolidated financial statements in conformity with U.S. GAAP. These accounting principles require management to make certain judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We periodically evaluate our estimates including those relating to revenue recognition, goodwill and other long-lived assets — impairment assessment, share-based compensation, income taxes and contingencies and litigation. We base our estimates on historical experience and various other assumptions that we believe to be reasonable based on the specific circumstances, the results of which form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and such differences could be material to our financial condition and results of operations. Critical accounting estimates are those that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition and results of operations.

You should carefully consider the critical accounting estimates disclosed in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 (“Annual Report on Form 10-K”). There have been no significant changes from the critical accounting estimates disclosed in our Annual Report on Form 10-K.

New Accounting Pronouncements

For information about recent accounting pronouncements not yet adopted and the impact on our consolidated financial statements, refer to Part I, Item 1, “Unaudited Financial Statements,” Note 1, “Nature of Business” in our accompanying Notes to Condensed Consolidated Financial Statements.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Market Risk Disclosures

We are exposed to market risk related to changes in interest rates and foreign exchange rates. We do not use derivative financial instruments for speculative or trading purposes.

Interest Rate

We maintain an investment portfolio consisting of bank deposits and money market funds. The funds provide daily liquidity and may be subject to interest rate risk and fall in value if market interest rates increase. We do not expect our operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates. The following table presents the principal amounts and related weighted-average yields for our investments with interest rate risk at March 31, 2023 and September 30, 2022:

	March 31, 2023			September 30, 2022		
	Cost Basis	Carrying Amount	Average Yield	Cost Basis	Carrying Amount	Average Yield
	(Dollars in thousands)					
Cash and cash equivalents	$ 137,771	$ 137,771	2.95 %	$ 133,202	$ 133,202	1.23 %

On May 8, 2018, we issued $400 million of senior notes in a private placement to qualified institutional investors (the “2018 Senior Notes”). On December 6, 2019, we issued $350 million of senior notes in a private offering to qualified institutional investors (the “2019 Senior Notes”). On December 17, 2021, we issued $550 million of additional senior notes of the same class as the 2019 Senior Notes in a private placement to qualified institutional investors (the “2021 Senior Notes” and collectively with the 2018 Senior Notes and 2019 Senior Notes, the “Senior Notes”). The fair value of the Senior Notes may increase or decrease due to various factors, including fluctuations in market interest rates and fluctuations in general economic conditions. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Liquidity” for additional information on the Senior Notes. The following table presents the face values and fair values for the Senior Notes at March 31, 2023 and September 30, 2022:

	March 31, 2023		September 30, 2022	
	Face Value (*)	Fair Value	Face Value (*)	Fair Value
	(In thousands)			
The 2018 Senior Notes	400,000	393,000	400,000	381,500
The 2019 Senior Notes and the 2021 Senior Notes	900,000	823,500	900,000	767,250
Total	$ 1,300,000	$ 1,216,500	$ 1,300,000	$ 1,148,750

(*) The carrying value of the Senior Notes was the face value reduced by the net debt issuance costs of $12.9 million and $14.3 million at March 31, 2023 and September 30, 2022, respectively.

We have interest rate risk with respect to our unsecured revolving line of credit and term loan. Interest rates on amounts borrowed under the revolving line of credit and term loan are based on (i) an adjusted base rate, which is the greatest of (a) the prime rate, (b) the Federal Funds rate plus 0.5%, and (c) one-month adjusted term SOFR rate plus 1%, plus, in each case, an applicable margin, or (ii) an adjusted term SOFR rate plus an applicable margin. The applicable margin for base rate borrowings and for SOFR borrowings is determined based on our consolidated leverage ratio. The applicable margin for base rate borrowings ranges from 0% to 0.75% per annum and for SOFR borrowings ranges from 1% to 1.75% per annum. A change in interest rates on this variable rate debt impacts the interest incurred and cash flows, but does not impact the fair value of the instrument. As of March 31, 2023, we had $357.0 million in borrowings outstanding under the revolving line of credit at a weighted-average interest rate of 6.343% and $281.3 million in outstanding balance of the term loan at an interest rate of 6.529%.

Foreign Currency Forward Contracts

We maintain a program to manage our foreign exchange rate risk on existing foreign-currency-denominated receivable and cash balances by entering into forward contracts to sell or buy foreign currencies. At period end, foreign-currency-denominated receivable and cash balances held by our various reporting entities are remeasured into their respective functional currencies at current market rates. The change in value from this remeasurement is then reported as a foreign exchange gain or loss for that period in our accompanying condensed consolidated statements of income and comprehensive income and the resulting gain or loss on the forward contract mitigates the foreign exchange rate risk of the associated assets. All of our foreign currency forward contracts have maturity periods of less than three months. Such derivative financial instruments are subject to market risk.

The following tables summarize our outstanding foreign currency forward contracts, by currency, at March 31, 2023 and September 30, 2022:

	March 31, 2023					
	Contract Amount				Fair Value	
	Foreign Currency		USD		USD	
	(In thousands)					
Sell foreign currency:						
Euro (EUR)	EUR	11,500	$	12,519	$	—
Buy foreign currency:						
British pound (GBP)	GBP	8,245	$	10,200	$	—
Singapore dollar (SGD)	SGD	6,247	$	4,700	$	—

	September 30, 2022					
	Contract Amount				Fair Value	
	Foreign Currency		USD		USD	
	(In thousands)					
Sell foreign currency:						
Euro (EUR)	EUR	13,500	$	13,158	$	—
Buy foreign currency:						
British pound (GBP)	GBP	11,848	$	13,100	$	—
Singapore dollar (SGD)	SGD	6,169	$	4,300	$	—

The foreign currency forward contracts were entered into on March 31, 2023 and September 30, 2022, respectively; therefore, their fair value was $0 on each of these dates.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of FICO's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of FICO's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on that evaluation, the CEO and CFO have concluded that FICO's disclosure controls and procedures were effective as of March 31, 2023 to ensure that information required to be disclosed by FICO in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. In addition, the disclosure controls and procedures are designed to ensure that information required to be disclosed is accumulated and communicated to management, including the CEO and CFO, allowing timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in FICO's internal control over financial reporting was identified in connection with the evaluation required by Rules 13a-15 or 15d-15 of the Exchange Act that occurred during the period covered by this quarterly report and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. *Legal Proceedings*

Not applicable.

Item 1A. *Risk Factors*

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended September 30, 2022 (our "Annual Report on Form 10-K"). The risks discussed in our Annual Report on Form 10-K could materially affect our business, financial condition and future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be insignificant also may materially and adversely affect our business, financial condition or operating results in the future. There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1, 2023 through January 31, 2023	661	$ 623.71	—	$ 451,060,533
February 1, 2023 through February 28, 2023	80,050	$ 678.47	80,000	$ 396,785,170
March 1, 2023 through March 31, 2023	90,466	$ 688.65	90,000	$ 334,796,879
	171,177	$ 683.64	170,000	$ 334,796,879

(1) Includes 1,177 shares delivered in satisfaction of the tax withholding obligations resulting from the vesting of restricted stock units held by employees during the quarter ended March 31, 2023.

(2) In October 2022, our Board of Directors approved a new stock repurchase program replacing our previously authorized January 2022 program. This program is open-ended and authorizes repurchases of shares of our common stock up to an aggregate cost of $500.0 million in the open market or in negotiated transactions.

Item 3. *Defaults Upon Senior Securities*

Not applicable.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

Not applicable.

Item 6. *Exhibits*

Exhibit Number	Description
3.1	Composite Restated Certificate of Incorporation of Fair Isaac Corporation. (Incorporated by reference to Exhibit 3.2 to the Company's Form 10-Q for the quarter ended December 31, 2009).
3.2	By-laws of Fair Isaac Corporation. (Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the quarter ended December 31, 2009).
10.1 *	Form of Indemnification Agreement between the Company and its executive officers.
31.1 *	Rule 13a-14(a)/15d-14(a) Certifications of CEO.
31.2 *	Rule 13a-14(a)/15d-14(a) Certifications of CFO.
32.1 *	Section 1350 Certification of CEO.
32.2 *	Section 1350 Certification of CFO.
101.INS *	Inline XBRL Instance Document.
101.SCH *	Inline XBRL Taxonomy Extension Schema Document.
101.CAL *	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF *	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB *	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104 *	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

SIGNATURES

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

FAIR ISAAC CORPORATION

DATE: April 27, 2023

By /s/ STEVEN P. WEBER

Steven P. Weber
Vice President and Interim Chief Financial Officer
(for Registrant as duly authorized officer and
as Principal Financial Officer)

DATE: April 27, 2023

By /s/ MICHAEL S. LEONARD

Michael S. Leonard
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT 10.1

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement"), dated as of ____________________, between Fair Isaac Corporation, a Delaware corporation (the "Corporation"), and ____________________ ("Indemnitee"),

W I T N E S S E T H:

WHEREAS, Indemnitee is either a member of the board of directors of the Corporation (the "Board of Directors") or an officer of the Corporation, or both, and in such capacity or capacities, or otherwise as an Agent (as hereinafter defined) of the Corporation, is performing a valuable service for the Corporation; and

WHEREAS, Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Corporation on the condition that he or she be indemnified as herein provided; and

WHEREAS, it is intended that Indemnitee shall be paid promptly by the Corporation all amounts necessary to effectuate in full the indemnity and advancement of expenses provided for herein:

NOW, THEREFORE, in consideration of the premises and the covenants in this Agreement, and of Indemnitee continuing to serve the Corporation as an Agent and intending to be legally bound hereby, the parties hereto agree as follows:

1. Services by Indemnitee.

Indemnitee agrees to serve (a) as a director or an officer of the Corporation, or both, so long as Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the Restated Certificate of Incorporation and By-Laws of the Corporation, and until such time as Indemnitee resigns or fails to stand for election or is removed from Indemnitee's position, or (b) otherwise as an Agent of the Corporation. Indemnitee may from time to time also perform other services at the request or for the convenience of, or otherwise benefiting the Corporation. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or other obligation imposed by operation of law), in which event the Indemnitee shall have no obligation under this Agreement to continue to serve in any such position and the Corporation shall have no obligation under this Agreement to continue Indemnitee in any such position. The Corporation acknowledges that the execution of this Agreement by Indemnitee represents Indemnitee's written demand for an indemnification contract as contemplated by Article 6(b) of this Corporation's Restated Certificate of Incorporation.

2. Indemnification.

Subject to the terms and conditions of this Agreement, the Corporation hereby agrees to indemnify Indemnitee as follows:

The Corporation shall, with respect to any Proceeding (as hereinafter defined) associated with Indemnitee's being an Agent (as hereinafter defined), indemnify Indemnitee to the fullest extent permitted by applicable law and the Restated Certificate of Incorporation of the Corporation in effect on the date hereof or as such law or Restated Certificate of Incorporation may from time to time be amended (but, in the case of any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than the law or Restated Certificate of Incorporation permitted the Corporation to provide before such amendment). The right to indemnification conferred herein and in the Restated Certificate of Incorporation shall be presumed to have been relied upon by Indemnitee in serving or continuing to serve the Corporation as an Agent and shall be enforceable as a contract right. Without in any way limiting or diminishing the scope of the indemnification provided by this Section 2, the Corporation agrees to indemnify Indemnitee to the fullest extent permitted by law if and wherever Indemnitee is or was a party to, or is threatened to be made a party to, any Proceeding, including without limitation any Proceeding brought by or in the right of the Corporation, by reason of the fact that Indemnitee is or was an Agent or by reason of anything done or not done by Indemnitee in such capacity as an Agent, against all Expenses (as hereinafter defined) and Liabilities (as hereinafter defined) actually and reasonably incurred by Indemnitee or on his or her behalf in connection with the investigation, defense, settlement or appeal of such Proceeding. In addition to, and not as a limitation of, the foregoing, the rights of indemnification of Indemnitee provided under this Agreement shall include those rights set forth in Sections 3 and 8 below. Notwithstanding the foregoing, the Corporation shall not be required to indemnify Indemnitee in connection with a Proceeding commenced by Indemnitee unless (i) such Proceeding was commenced by Indemnitee to enforce Indemnitee's rights under this Agreement or (ii) the commencement of such Proceeding was authorized by the Board of Directors.

3. Advancement of Expenses; Letter of Credit.

(a) Advancement of Expenses. The Corporation agrees with Indemnitee that all reasonable Expenses incurred by or on behalf of Indemnitee (including costs of enforcement of this Agreement) in connection with a Proceeding shall be advanced from time to time by the Corporation to Indemnitee within thirty (30) days after the receipt by the Corporation of a written request by or on behalf of Indemnitee for an advance of such Expenses, whether prior to, during or after final disposition of a Proceeding (including without limitation any Proceeding brought by or in the right of the Corporation), except to the extent that there has been a Final Adverse Determination (as hereinafter defined) that Indemnitee is not entitled to be indemnified for such Expenses. A written request by an Indemnitee for an advancement of any and all Expenses under this paragraph shall contain reasonable detail of the Expenses incurred by Indemnitee for which the Indemnitee is seeking an advance. In the event that such written request shall be accompanied by an affidavit of counsel to Indemnitee to the effect that such counsel has reviewed such Expenses and that such Expenses are reasonable in such counsel's view, then such expenses shall be deemed reasonable in the absence of clear and convincing evidence to the contrary. By execution of this Agreement, Indemnitee shall be deemed to have made whatever undertaking as may be required by law at the time of any advancement of Expenses with respect to repayment to the Corporation of such advanced Expenses. In the event that the Corporation shall breach its obligation to advance Expenses under this Section 3, the parties hereto agree that Indemnitee's remedies available at law would not be adequate and that Indemnitee would be entitled to the remedies of specific performance and injunctive relief to enforce such obligation of the Corporation. The Corporation acknowledges that it has agreed to advance Expenses hereunder in order to promote the business interests of the Corporation and the Corporation agrees with Indemnitee that it will not fail to comply with its obligation to advance Expenses to Indemnitee as required under this Agreement on the ground that such advancement violates or would violate Section 13(k) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), unless the Corporation has received an affirmative and unqualified written opinion of Independent Legal Counsel to the effect that such an advance of Expenses would result in a violation of said Section 13(k).

(b) Witness Expenses in Certain Proceedings. Notwithstanding any other provision of this Agreement to the contrary, to the extent that Indemnitee was or is, by reason of the fact that the Indemnitee is or was an Agent, a witness or other non-party participant in any Proceeding to which the Indemnitee is not made a party, the Corporation shall indemnify the Indemnitee against all Expenses actually and reasonably incurred by the Indemnitee or on the Indemnitee's behalf solely in connection with the Indemnitee's being a witness or other non-party participant in such Proceeding, and in preparing to be a witness or such other non-party participant in such Proceeding without the need for any determination with respect to the Indemnitee's conduct pursuant to Section 5 of this Agreement.

(c) Letter of Credit. In order to secure the obligations of the Corporation to indemnify and advance Expenses to Indemnitee pursuant to this Agreement, the Corporation agrees that it shall obtain and have in force at the time of any Change in Control (as hereinafter defined) an irrevocable standby letter of credit naming Indemnitee as the sole beneficiary (the "Letter of Credit"). The Letter of Credit shall be in an appropriate amount not less than one million dollars ($1,000,000), shall be issued by a commercial bank headquartered in the United States having assets in excess of $20 billion and capital according to its most recent published reports equal to or greater than the then applicable minimum capital standards promulgated by such bank's primary federal regulator and shall contain terms and conditions reasonably acceptable to Indemnitee. The Letter of Credit shall provide that Indemnitee may from time to time draw certain amounts thereunder, upon written certification by Indemnitee to the issuer of the Letter of Credit that (i) Indemnitee has made written request upon the Corporation for an amount not less than the amount Indemnitee is drawing under the Letter of Credit and that the Corporation has failed or refused to provide Indemnitee with such amount in full within thirty (30) days after receipt of the request, and (ii) Indemnitee believes that he or she is entitled under the terms of this Agreement to the amount that Indemnitee is drawing upon under the Letter of Credit. The issuance of the Letter of Credit shall not be an exclusive remedy, nor shall it in any way diminish the Corporation's obligations to advance Expenses and to indemnify Indemnitee against Expenses and Liabilities to the full extent required by this Agreement.

(d) Term of Letter of Credit. Once the Corporation has obtained the Letter of Credit, the Corporation (or its successor) shall maintain in effect and renew the Letter of Credit or a substitute letter of credit meeting the criteria of Section 3(c) during the term of this Agreement. The Letter of Credit shall have an initial term of five (5) years, be renewed for successive five-year terms, and always have at least one (1) year of its term remaining.

4. Presumptions and Effect of Certain Proceedings

. Upon making a request for indemnification, Indemnitee shall be presumed to be entitled to indemnification under this Agreement and the Corporation shall have the burden of proof to overcome that presumption in reaching any contrary determination. The termination of any Proceeding by judgment, order, settlement (whether with or without court approval), arbitration award or conviction, or upon a plea of nolo contendere or its equivalent shall not affect this presumption or, except as determined by a judgment or other final adjudication adverse to Indemnitee, establish a presumption with regard to any factual matter relevant to determining Indemnitee's rights to indemnification hereunder. If the forum so empowered to make a determination of Indemnitee's entitlement to indemnification pursuant to Section 5 hereof shall have failed to make the requested determination within sixty (60) days after any judgment, order, settlement, dismissal, arbitration award, conviction, acceptance of a plea of nolo contendere or its equivalent, or other disposition or partial disposition of any Proceeding or any other event that could enable the Corporation to determine Indemnitee's entitlement to indemnification, the requisite determination that Indemnitee is entitled to indemnification shall be deemed to have been made.

5. Procedure for Determination of Entitlement to Indemnification.

(a) Whenever Indemnitee believes that Indemnitee is entitled to indemnification pursuant to this Agreement, Indemnitee shall submit a written request for indemnification to the Corporation. The Corporation's obligation to comply with such request for indemnification is subject to the condition that the matter of the Indemnitee's entitlement to such indemnification under applicable law has been heard before a forum referred to in Section 5(b) below and such forum shall not have determined that the Indemnitee did not meet the required standard of conduct under applicable law; provided, however, that such condition shall not be applicable (and no such hearing or determination shall be required) (i) to the extent the Indemnitee has been successful on the merits or otherwise in defense of any Proceeding or in defense of any claim, issue or matter therein or where indemnification is otherwise mandatory under applicable law, (ii) with respect to any request for indemnification by an Indemnitee under Section 3(b) or (iii) in any case in which such determination is, by the express terms of this Agreement (including but not limited to Section 4 hereof), deemed to have been made or is otherwise not required to be made under this Agreement, and in each such case payment of indemnification to which an Indemnitee is entitled under this Agreement shall be made within thirty (30) days after such request is received by the Corporation. Any request for indemnification shall include sufficient documentation or information reasonably available to Indemnitee for the determination of entitlement to indemnification. In any event, Indemnitee shall submit Indemnitee's claim for indemnification within a reasonable time, not to exceed five (5) years after any judgment, order, settlement, dismissal, arbitration award, conviction, acceptance of a plea of nolo contendere or its equivalent, or final determination, whichever is the later date for which Indemnitee requests indemnification. The Secretary or other appropriate officer of the Corporation shall, promptly upon receipt of Indemnitee's request for indemnification, advise the Board of Directors in writing that Indemnitee has made such request. Determination of Indemnitee's entitlement to indemnification shall be made not later than sixty (60) days after the Corporation's receipt of Indemnitee's written request for such indemnification, provided that any request for indemnification for Liabilities, other than amounts paid in settlement, shall have been made after a determination thereof in a Proceeding.

(b) The Indemnitee shall be entitled to select the forum in which the Indemnitee's entitlement to indemnification will be heard, which selection shall be included in the written request for indemnification referred to in Section 5(a), except that the Indemnitee may not choose to have the stockholders of the Corporation make such determination without the consent of the Board of Directors. Subject to the foregoing, the forum shall be any one of the following:

(i) the stockholders of the Corporation (with such approval being sufficient if it is given by stockholders holding a majority of the shares present at a meeting of the stockholders at which a quorum is present);

(ii) a majority vote of Disinterested Directors (as hereinafter defined), even though less than a quorum;

(iii) Independent Legal Counsel, whose determination shall be made in a written opinion; or

(iv) a panel of three arbitrators, one selected by the Corporation, another by Indemnitee and the third by the first two arbitrators; or if for any reason three arbitrators are not selected within thirty (30) days after the appointment of the first arbitrator, then selection of additional arbitrators shall be made by the American Arbitration Association. If any arbitrator resigns or is unable to serve in such capacity for any reason, the American Arbitration Association shall select such arbitrator's replacement. The arbitration shall be conducted pursuant to the commercial arbitration rules of the American Arbitration Association now in effect.

(c) Payment of indemnification for Liabilities and Expenses as to which Indemnitee is entitled determined pursuant to Section 5 or deemed determined pursuant to Section 4 shall be made as promptly as practicable after such determination or deemed determination and in any event within thirty (30) days thereafter.

6. Specific Limitations on Indemnification.

Notwithstanding anything in this Agreement to the contrary, the Corporation shall not be obligated under this Agreement to make any payment to Indemnitee with respect to any Proceeding:

(a) To the extent that such payment is actually made to Indemnitee under any insurance policy, or is made to Indemnitee by the Corporation or an affiliate otherwise than pursuant to this Agreement. Notwithstanding the availability of such insurance, Indemnitee also may claim indemnification from the Corporation pursuant to this Agreement by assigning to the Corporation any claims under such insurance to the extent Indemnitee is paid by the Corporation;

(b) Provided there has been no Change in Control, for Liabilities in connection with Proceedings settled by the Indemnitee without the Corporation's consent, which consent, however, shall not be unreasonably withheld or delayed;

(c) For an accounting of profits made from the purchase or sale by Indemnitee of securities of the Corporation within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or similar provisions of any state statutory or common law; or

(d) To the extent it would be otherwise prohibited by law, if so established by a judgment or other final adjudication adverse to Indemnitee.

7. Fees and Expenses of Forum.

The Corporation agrees to pay all reasonable fees and expenses associated with the determination of the Indemnitee's entitlement to indemnification in accordance with Section 5(b), including, without limitation, fees and expenses in connection with a meeting of the stockholders of the Corporation and the reasonable fees and expenses of Disinterested Directors, Independent Legal Counsel or a panel of three arbitrators should such Disinterested Directors, Independent Legal Counsel or such arbitrators be retained to make a determination of Indemnitee's entitlement to indemnification pursuant to Section 5(b) of this Agreement, and the Corporation shall fully indemnify such Disinterested Directors, Independent Legal Counsel or arbitrators against any and all expenses and losses incurred by any of them arising out of or relating to this Agreement or their engagement pursuant hereto.

8. Remedies of Indemnitee.

(a) In the event that (i) a determination pursuant to Section 5 hereof is made that Indemnitee is not entitled to indemnification, (ii) advances of Expenses are not timely made pursuant to this Agreement, (iii) payment of indemnification to the Indemnitee has not been timely made pursuant to this Agreement, or (iv) Indemnitee otherwise seeks enforcement of this Agreement, then Indemnitee shall be entitled to a final adjudication in the Court of Chancery of the State of Delaware of the Indemnitee's rights and remedies under this Agreement (which remedies may include, without limitation, an order compelling enforcement of the Corporation's obligations under this Agreement through the remedy of specific performance or injunctive relief). Alternatively, unless (i) the determination of the Indemnitee's entitlement to indemnification was made by a panel of arbitrators pursuant to Section 5(b)(iv) hereof, or

(ii) court approval is required by law for the indemnification sought by Indemnitee, Indemnitee at Indemnitee's option may seek an award in arbitration to be conducted by a single arbitrator pursuant to the commercial arbitration rules of the American Arbitration Association now in effect, which award is to be made within ninety (90) days following the filing of the demand for arbitration. The Corporation shall not oppose Indemnitee's right to seek any such adjudication or arbitration award. In any such proceeding or arbitration Indemnitee shall be presumed to be entitled to indemnification and advancement of Expenses under this Agreement and the Corporation shall have the burden of proof to overcome that presumption.

(b) In the event that a determination that Indemnitee is not entitled to indemnification, in whole or in part, has been made pursuant to Section 5 hereof, the decision in the judicial proceeding or arbitration provided in paragraph (a) of this Section 8 shall be made *de novo* on the merits and Indemnitee shall not be prejudiced by reason of such prior determination that Indemnitee is not entitled to indemnification.

(c) If a determination that Indemnitee is entitled to indemnification has been made pursuant to Section 5 hereof, or is deemed to have been made pursuant to Section 4 hereof or otherwise pursuant to the terms of this Agreement, then the Corporation shall be bound by such determination or deemed determination in the absence of an intentional misrepresentation or omission of a material fact by Indemnitee in connection with such determination.

(d) The Corporation shall be precluded from asserting that the procedures and presumptions of this Agreement are not valid, binding and enforceable. The Corporation shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Agreement and is precluded from making any assertion to the contrary.

(e) Expenses reasonably incurred by Indemnitee in connection with Indemnitee's request for indemnification under this Agreement, seeking enforcement of this Agreement or to recover damages for breach of this Agreement shall be borne by the Corporation when and as incurred by Indemnitee irrespective of any Final Adverse Determination that Indemnitee is not entitled to indemnification.

9. <u>Contribution</u>.

If the Indemnitee is not entitled to the indemnification provided in Section 2 for any reason other than the statutory limitations set forth in the Delaware General Corporation Law, then the Corporation, in lieu of indemnifying Indemnitee, shall contribute to the amount of Expenses and Liabilities actually and reasonably incurred and paid or to be paid by the Indemnitee in such proportion as is deemed fair and reasonable in light of all the circumstances of the relevant Proceeding to reflect (i) the relative benefits received by the Corporation on the one hand and the Indemnitee on the other hand from the transaction from which such Proceeding arose and (ii) the relative fault of the Corporation on the one hand and of the Indemnitee on the other hand in connection with the events which resulted in such Expenses and Liabilities, as well as any other relevant equitable considerations. The relative fault of the Corporation on the one hand and of the Indemnitee on the other hand shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent the circumstances resulting in such Expenses and Liabilities. The Corporation agrees that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

10. Partial Indemnification.
If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of any Expenses or Liabilities of any type whatsoever, but the Indemnitee is not entitled, however, to indemnification for the total amount thereof, then the Corporation shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled.

11. Maintenance of Insurance; Notice.

(a) The Corporation represents that it presently has in place certain directors' and officers' liability insurance policies covering its directors and officers. Subject only to the provisions within this Section 11, the Corporation agrees that so long as Indemnitee shall have consented to serve or shall continue to serve as a director or officer of the Corporation, or both, or as an Agent of the Corporation, and thereafter so long as Indemnitee shall be subject to any possible Proceeding (such periods being hereinafter sometimes referred to as the "Indemnification Period"), the Corporation will use all reasonable efforts to maintain in effect for the benefit of Indemnitee one or more valid, binding and enforceable policies of directors' and officers' liability insurance from established and reputable insurers, providing, in all respects, coverage both in scope and amount which is no less favorable than that presently provided. Notwithstanding the foregoing, the Corporation shall not be required to maintain said policies of directors' and officers' liability insurance during any time period if during such period such insurance is not reasonably available or if it is determined in good faith by the then Board of Directors either that:

(i) The premium cost of maintaining such insurance is substantially disproportionate to the amount of coverage provided thereunder; or

(ii) The protection provided by such insurance is so limited by exclusions, deductions or otherwise that there is insufficient benefit to warrant the cost of maintaining such insurance.

Anything in this Agreement to the contrary notwithstanding, to the extent that and for so long as the Corporation shall choose to continue to maintain any policies of directors' and officers' liability insurance during the Indemnification Period, the Corporation shall maintain similar and equivalent insurance for the benefit of Indemnitee during the Indemnification Period (unless such insurance shall be less favorable to Indemnitee than the Corporation's existing policies).

(b) If, at the time of the receipt of a written request for indemnification pursuant to Section 5(a), the Corporation has directors' and officers' liability insurance in effect, the Corporation shall give prompt notice of the commencement of the Proceeding to which such indemnification request relates to the insurer or insurers providing such directors' and officers' liability insurance in accordance with the procedures set forth in the respective directors' and officers' liability insurance policies. The Corporation shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable by such insurers as a result of such proceeding in accordance with the terms of such directors' and officers' liability insurance policies.

12. Modification, Waiver, Termination and Cancellation.

No supplement, modification, termination, cancellation or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

13. Subrogation.

In the event of a payment to the Indemnitee under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect to the circumstances giving rise to such payment, and such Indemnitee shall execute all papers reasonably required and shall do everything that may be necessary to secure any such subrogation rights, including the execution of such documents reasonably necessary to enable the Corporation effectively to bring suit to enforce such rights.

14. Notice by Indemnitee and Defense of Claim.

Indemnitee shall promptly notify the Corporation in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter, whether civil, criminal, administrative or investigative, but the omission so to notify the Corporation will not relieve it from any liability that it may have to Indemnitee if such omission does not prejudice the Corporation's rights. If such omission does prejudice the Corporation's rights, the Corporation will be relieved from liability only to the extent of such prejudice. Notwithstanding the foregoing, such omission will not relieve the Corporation from any liability that it may have to Indemnitee otherwise than under this Agreement. With respect to any Proceeding as to which Indemnitee notifies the Corporation of the commencement thereof:

(a) The Corporation will be entitled to participate therein at its own expense; and

(b) The Corporation jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee; provided, however, that the Corporation shall not be entitled to assume the defense of any Proceeding without the Indemnitee's written consent if there has been a Change in Control or if Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Corporation and Indemnitee with respect to such Proceeding. After notice from the Corporation to Indemnitee of the Corporation's election to assume the defense thereof, the Corporation will not be liable to Indemnitee under this Agreement for any Expenses subsequently incurred by Indemnitee in connection with the defense thereof, other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ Indemnitee's own counsel in such Proceeding, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of Indemnitee unless:

(i) the employment of counsel by Indemnitee has been authorized by the Corporation;

(ii) Indemnitee shall have reasonably concluded that counsel engaged by the Corporation may not adequately represent Indemnitee due to, among other things, actual or potential differing interests; or

(iii) the Corporation shall not in fact have employed counsel to assume the defense in such Proceeding or shall not in fact have assumed such defense and be acting in connection therewith with reasonable diligence; in each of which cases the fees and expenses of such counsel shall be at the expense of the Corporation.

(c) The Corporation shall not settle any Proceeding in any manner that would impose any penalty or limitation on Indemnitee without Indemnitee's written consent; provided, however, that Indemnitee will not unreasonably withhold his or her consent to any proposed settlement.

15. Notices.

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the last known residence address for Indemnitee on file with the Corporation; and

(b) If to the Corporation, to:
Fair Isaac Corporation
181 Metro Drive, Suite 700
San Jose, CA 95110
Attn: General Counsel

or to such other address as may have been furnished to Indemnitee by the Corporation or to the Corporation by Indemnitee, as the case may be.

16. Nonexclusivity.

The rights of Indemnitee hereunder shall not be deemed exclusive of any other rights to which Indemnitee may be entitled under applicable law, the Corporation's Restated Certificate of Incorporation or By-laws, or any agreements, vote of stockholders, resolution of the Board of Directors or otherwise, and to the extent that during the Indemnification Period the rights of the then existing directors and officers are more favorable to such directors or officers than the rights currently provided to Indemnitee thereunder or under this Agreement, Indemnitee shall be entitled to the full benefits of such more favorable rights.

17. Certain Definitions.

(a) "Agent" shall mean any person who: (i) is or was a director or officer of the Corporation or a Subsidiary (as defined below) of the Corporation or serves or served as a member of any committee of the board of directors of the Corporation of any Subsidiary; (ii) is or was serving at the request of, for the convenience of, or to represent the interest of, the Corporation or a Subsidiary of the Corporation as a director or officer of, or member of a committee of the board of directors of (or comparable management body of), another foreign or domestic corporation, partnership, joint venture, limited liability company, trust or other enterprise or an affiliate of the Corporation; or (iii) is or was a director or officer (or member of a committee of the board of directors) of a foreign or domestic corporation which was a predecessor corporation of the Corporation or a Subsidiary of the Corporation, or is or was a director or officer (or member of a committee of the board of directors) of another enterprise or affiliate of the Corporation at the request of, for the convenience of, or to represent the interests of, such predecessor corporation. The term "***enterprise***" includes, without limitation, any employee benefit plan of the Corporation, its Subsidiaries, affiliates and predecessor corporations. The term "***Subsidiary***" means any corporation of which more than fifty percent (50%) of the outstanding voting securities is owned directly or indirectly by (i) the Corporation, (ii) the Corporation and one or more of its Subsidiaries or (iii) one or more of the Corporation's Subsidiaries.

(b) "Change in Control" shall mean the occurrence after the date of this Agreement of any of the following:

(i) Both (A) any "person" (as defined below) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing at least 15% of the total voting power represented by the Corporation's then outstanding voting securities; and (B) the beneficial ownership by such person of securities representing such percentage has not been approved by a majority of the "continuing directors" (as defined below);

(ii) Any "person" is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing at least 50% of the total voting power represented by the Corporation's then outstanding voting securities;

(iii) A change in the composition of the Board of Directors occurs, as a result of which fewer than two-thirds of the incumbent directors are directors who either (A) had been directors of the Corporation on the "look-back date" (as defined below) (the "Original Directors") or (B) were elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority in the aggregate of the Original Directors who were still in office at the time of the election or nomination and directors whose election or nomination was previously so approved (the "continuing directors");

(iv) The stockholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation, if such merger or consolidation would result in the voting securities of the Corporation outstanding immediately prior thereto representing (either by remaining outstanding or by being converted into voting securities of the surviving entity) 50% or less of the total voting power represented by the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation; or

(v) The stockholders of the Corporation approve (A) a plan of complete liquidation of the Corporation or (B) an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets.

For purposes of Subsection (i) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act, but shall exclude (x) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or of a parent or subsidiary of the Corporation or (y) a corporation owned directly or indirectly by the stockholders of the Corporation in substantially the same proportions as their ownership of the common stock of the Corporation.

For purposes of Subsection (iii) above, the term "look-back date" shall mean the later of (x) the date hereof or (y) the date 24 months prior to the date of the event that may constitute a "Change in Control."

Any other provision of this Section 17(b) notwithstanding, the term "Change in Control" shall not include a transaction, if undertaken at the election of the Corporation, the result of which is to sell all or substantially all of the assets of the Corporation to another corporation (the "surviving corporation"); provided that the surviving corporation is owned directly or indirectly by the stockholders of the Corporation immediately following such transaction in substantially the same proportions as their ownership of the Corporation's common stock immediately preceding such transaction; and provided, further, that the surviving corporation expressly assumes this Agreement.

(c) "Disinterested Director" shall mean a director of the Corporation who is not or was not a party to or otherwise involved in the Proceeding in respect of which indemnification is being sought by Indemnitee.

(d) "Expenses" shall include all direct and indirect costs (including, without limitation, attorneys' fees, retainers, court costs, transcripts, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, all other disbursements or out-of-pocket expenses and reasonable compensation for time spent by Indemnitee for which Indemnitee is otherwise not compensated by the Corporation or any third party) actually and reasonably incurred in connection with either the investigation, defense, settlement or appeal of a Proceeding or establishing or enforcing a right to indemnification under this Agreement, any similar agreement, the Restated Certificate of Incorporation or By-laws of the Corporation or any Subsidiary, applicable law or otherwise; provided, however, that "Expenses" shall not include any Liabilities.

(e) "Final Adverse Determination" shall mean that a determination that Indemnitee is not entitled to indemnification shall have been made pursuant to Section 5 hereof and either (i) a final adjudication in the Court of Chancery of the State of Delaware or decision of an arbitrator pursuant to Section 8(a) hereof shall have denied Indemnitee's right to indemnification hereunder, or (ii) Indemnitee shall have failed to file a complaint in a Delaware court or seek an arbitrator's award pursuant to Section 8(a) for a period of one hundred eighty (180) days after the determination made pursuant to Section 5 hereof.

(f) "Independent Legal Counsel" shall mean a law firm or a member of a firm selected by the Corporation and approved by Indemnitee (which approval shall not be unreasonably withheld) or, if there has been a Change in Control, selected by Indemnitee and approved by the Corporation (which approval shall not be unreasonably withheld), that neither is presently nor in the past five (5) years has been retained to represent: (i) the Corporation or any of its Subsidiaries or affiliates, or Indemnitee or any corporation of which Indemnitee was or is a director, officer, employee or agent, or any subsidiary or affiliate of such a corporation, in any material matter, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Legal Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or Indemnitee in an action to determine Indemnitee's right to indemnification under this Agreement.

(g) "Liabilities" shall mean liabilities of any type whatsoever including, but not limited to, any judgments, fines, ERISA excise taxes and penalties, penalties and amounts paid in settlement (including all interest assessments and other charges paid or payable in connection with or in respect of such judgments, fines, penalties or amounts paid in settlement) of any Proceeding.

(h) "Proceeding" shall mean any threatened, pending or completed action, claim, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding whether civil, criminal, administrative or investigative, including any appeal therefrom, that is associated with Indemnitee's being an Agent of the Corporation.

18. Binding Effect; Duration and Scope of Agreement.

This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Corporation), spouses, heirs and personal and legal representatives.

This Agreement shall continue in effect during the Indemnification Period, regardless of whether Indemnitee continues to serve as an Agent.

19. Severability.

If any provision or provisions of this Agreement (or any portion thereof) shall be held to be invalid, illegal or unenforceable for any reason whatsoever:

(a) the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby; and

(b) to the fullest extent legally possible, the provisions of this Agreement shall be construed so as to give effect to the intent of any provision held invalid, illegal or unenforceable.

20. Governing Law.

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely within the State of Delaware, without regard to conflict of laws rules.

21. Consent to Jurisdiction.

The Corporation and Indemnitee each irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding that arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the state courts of the State of Delaware.

22. Entire Agreement.

This Agreement represents the entire agreement between the parties hereto with respect to the subject matter of this Agreement, and there are no other agreements, contracts or understandings between the parties hereto with respect to the subject matter of this Agreement, except as specifically referred to in Section 16 hereof.

23. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by a duly authorized officer and Indemnitee has executed this Agreement as of the date first above written.

FAIR ISAAC CORPORATION

By ____________
Mark R. Scadina

INDEMNITEE

By ____________

Approved 11.02.2022

CERTIFICATIONS

I, William J. Lansing, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fair Isaac Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2023

/s/ WILLIAM J. LANSING

William J. Lansing
Chief Executive Officer

CERTIFICATIONS

I, Steven P. Weber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fair Isaac Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2023

/s/ STEVEN P. WEBER

Steven P. Weber
Vice President and Interim Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION UNDER SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Fair Isaac Corporation.

Date:	April 27, 2023	/s/ WILLIAM J. LANSING
		William J. Lansing
		Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION UNDER SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Fair Isaac Corporation.

Date: April 27, 2023	/s/ STEVEN P. WEBER
	Steven P. Weber
	Vice President and Interim Chief Financial Officer