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FICO.N - Q1 2026 Fair Isaac Corp Earnings Call

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OVERVIEW:

Company Summary

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Steven Weber *Fair Isaac Corp - Chief Financial Officer, Executive Vice President*

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the first-quarter 2026 FICO earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand it over to your first speaker today, Dave Singleton. Please go ahead.

Dave Singleton - Fair Isaac Corp - Vice President of Investor Relations

Good afternoon and thank you for attending FICO's first-quarter earnings call. I'm Dave Singleton, Vice President of Investor Relations, and I'm joined today by our CEO, Will Lansing; and our CFO, Steve Weber.

Today, we issued a press release that describes financial results compared to the prior year. On this call, management will also discuss results in comparison to the prior quarter to facilitate an understanding of the run rate of the business.

Certain statements made in this presentation are forward-looking under the Private Securities Litigation Reform Act of 1995. Those statements involve many risks and uncertainties that could cause actual results to differ materially. Information concerning these risks and uncertainties is contained in the company's filings with the SEC particularly in the risk factors and forward-looking statements portions of such filings. Copies are available from the SEC, from the FICO website or from our Investor Relations team.

This call will also include statements regarding certain non-GAAP financial measures. Please refer to the company's earnings release and Regulation G schedule issued today for a reconciliation of each of these non-GAAP financial measures to the most comparable GAAP measure. The earnings release and Regulation G schedule are available on the Investor Relations page of the company's website at fico.com or on the SEC's website at sec.gov. A replay of this webcast will be available through January 28, 2027.

We have refreshed our quarterly investor presentation with additional content, which is available in the Investor Relations section of our website. We will refer to this presentation during today's earnings announcement.

I will now turn the call over to our CEO, Will Lansing.

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

Thanks, Dave, and thank you, everyone, for joining us for our first-quarter earnings call. We had another strong quarter and are reiterating our fiscal 2026 guidance. We reported Q1 revenues of \$512 million, up 16% over last year, as you can see on page 5 of our investor presentation. For the quarter, we reported \$158 million in GAAP net income in the quarter, up 4%; and GAAP earnings of \$6.61 per share, up 8% from the prior year. We reported \$176 million in non-GAAP net income, up 22%; and non-GAAP earnings of \$7.33 per share, up 27% from the prior year.

We delivered free cash flow of \$165 million in our first-quarter. Over the last four quarters, we delivered \$718 million in free cash flow, an increase of 7% year-over-year. We continue to return capital to our shareholders through buybacks by repurchasing 95,000 shares in Q1 at an average price of \$1,707 per share. At the segment level, on page 6, you can see our first-quarter Scores segment revenues were \$305 million, that's up 29% versus the prior year. While B2B scores were the key driver of growth, we also saw continued growth in B2C scores.

In our Software segment, we delivered \$207 million in Q1 revenues. That's up 2% over last year. Results included 37% platform revenue growth and a 13% decline in non-platform revenue. Steve will provide additional revenue details later in the call.

We had another strong execution quarter in our Scores business, which we highlight on page 8. The FICO mortgage direct licensing program allows resellers the ability to streamline score access, enhanced price transparency and provide cost savings to lenders to reduce breakage fees. This quarter, we announced the addition of four new strategic reseller participants to the FICO mortgage direct licensing program, Xactus, Cotality, Ascend Companies and CIC credit. Additionally, we signed a DLP agreement to add another participant, MeridianLink, a key platform provider to the mortgage industry. We'll be releasing a press release on that soon.

With strong demand from lenders, FICO is actively working alongside participants to support testing. One large reseller is close to completing production and integration testing. Another large reseller has completed that testing and is now testing system integration downstream. While we expect to go live soon with the full partners, we also continue to work on finalizing agreements with additional reseller participants.

The direct license program currently supports classic FICO. While the conforming market is anticipating the general availability of FICO Score 10 T, we expect FICO Score 10 T to be available for direct licensing in both conforming and nonconforming in the first half of calendar '26. A high-level overview of the direct license program and FICO Score 10 T can be found on page 9 and 10 of our presentation.

FICO Score 10 T is a meaningful step forward in credit risk assessment. FICO Score 10 T offers significant improvements in predictive accuracy combined with a focus on fairness and model stability, offering tremendous benefits for lenders, investors and borrowers compared to other alternatives on the market.

In the last year, we have nearly doubled the number of lenders in our FICO Score 10 T adopter program. These lenders account for more than \$377 billion in annual originations and more than \$1.6 trillion in eligible servicing volume, most making multiyear commitments use the FICO Score for mortgage decisions on both the conforming and nonconforming markets.

This quarter, we also announced a strategic partnership with to deliver the next generation of Ultra FICO score. This score combines the proven reliability of the FICO score with real-time cash flow data from to provide lenders with a single enhanced credit score that delivers superior consumer risk assessment without operational complexity.

The enhanced Ultra FICO score solution is credit bureau agnostic and will leverage cash flow data, historical and current information about the money flowing into and out of a consumer's transaction accounts, that's checking, savings, money market access through cloud's open finance network of consumer permission data.

Plat powers nearly 1 million secure financial connections each day and has helped more than half of Americans with a bank account securely move more of their financial life online. We see growing demand for the score, which we'll launch for distribution with Plat in the first half of calendar 2026.

Within the quarter, we continued to expand adoption of FICO Score mortgage simulator by partnering with sharper lending solutions, credit Interlink and Ascend Partners, including Xactus and MeridianLink announced in fiscal 2025, five resellers have adopted the simulator, and we're expecting another large reseller to sign shortly. The FICO Score mortgage simulator is the only simulation tool available to mortgage professionals that use the FICO Score algorithm.

It enables mortgage professionals to run credit event scenarios by applying mock changes in an applicant's credit report data to simulate potential changes to the applicants FICO score. The FICO Score simulator supports simulations on all three credit bureaus and models potential changes to several FICO Score versions used in mortgage lending. Mortgage professionals can leverage valuable insight from the simulator to help drive smarter decisions that can present more loan options and favorable interest rates for customers.

In our software business, we're thrilled to be recognized by Gartner as a leader in the January 2026 Gartner Magic Quadrant for Decision Intelligence platforms. We are positioned the highest for our ability to execute. We believe this recognition is a landmark moment for FICO. Further, we feel it reflects our commitments to empowering customers and delivering lasting impact worldwide. As a market leader in Decision Intelligence, FICO enables businesses to make real-time decisions at scale.

The core of our strategy is to empower customers with always on real-time customer insights that deliver connected decisions and continuous learning throughout the entire customer life cycle.

Our innovations will be on display at FICO World 2026, which is going to happen May 19 through '22 in Orlando, Florida. FICO World brings together customers and partners from around the world, allowing participants to collaborate on how FICO platform makes real-time decisions at scale to optimize interactions with consumers.

At FICO, we're obsessed with power and consumer connections and delivering always-on personalized experiences to drive outsized business outcomes. At FICO World '26, you can network the world's leading experts to learn how you can power your organization, apply best practices and advanced platform decisioning and drive financial inclusion.

We're going to now hand it over to Steve to provide further financial details.

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

Thanks, and good afternoon, everyone. As Will mentioned, our Scores segment revenues for the quarter were \$305 million, up 29% from the prior year. As shown on page 13 of our presentation, B2B revenues were up 36%, primarily attributable to higher mortgage origination scores unit price and an increase of volume in mortgage originations. Our B2C revenues were up 5% versus the prior year, driven mainly by our indirect channel partners.

First-quarter mortgage originations revenues were up 60% versus the prior year. Mortgage originations revenues accounted for 51% of B2B revenue and 42% of total Scores revenue. Auto originations revenues were up 21%, while credit card, personal loan and other originations

revenues were up 10% versus the prior year. For your reference, page 14 of our presentation provides 5-quarter trending on all of our score's metrics.

Turning to our Software segment. Our software ACV bookings for the quarter were a record of \$38 million, as shown on page 15 of the presentation. This quarter included an above-average sized international multi-use case platform deal. On a trailing 12-month basis, ACV bookings reached \$119 million this quarter, an increase of 36% from the same period last year. Our strong bookings in recent quarters gives us increased confidence that our ARR growth will continue to accelerate in FY26.

Our total software ARR, as shown on page 16, was \$766 million, a 5% increase over the prior year. Platform ARR was \$303 million, representing 40% of our total Q1 '26 ARR. Platform ARR grew 33% versus the prior year, while non-platform declined 8% to \$463 million this quarter. Platform ARR was driven by both new customer wins as well as expanded use cases and volumes from existing customers. We also migrated our non-platform liquid credit solution to the platform.

Excluding that liquid credit migration, our platform ARR growth was in the high 20% range. The non-platform year-over-year ARR decline was driven primarily by migrations, the end of life of a legacy authentication suite solution and some usage declines. In our CCS business, ARR growth was relatively flat.

Our dollar-based net retention rate in the quarter was 103%, Platform NRR was 122%, while our non-platform NRR was 91%. Platform NRR was driven by a combination of new use cases and increased usage of existing use cases. We now have over 150 customers on FICO platform with more than half leveraging FICO platform for multiple use cases.

first-quarter software segment revenues detailed on page 17 were \$207 million, up 2% from the prior year. Within the segment, our SaaS revenues grew 12%, driven by FICO platform. Our on-premises revenues declined 12%, primarily driven by lower point-in-time revenues. Year-over-year, our platform revenues grew 37%, and our non-platform revenues declined 13%. As a reminder, our FY26 revenue guidance reflects an expectation of lower point-in-time revenues throughout FY26 due to fewer non-platform license renewal opportunities compared to the prior year.

From a regional lens, 88% of total company revenues this quarter were derived from our Americas region, which is a combination of our North America and Latin America regions. Our EMEA region generated 8% of revenues and the Asia Pacific region delivered 4%. Operating expenses for the quarter, as shown on page 18, were \$278 million this quarter versus \$279 million in the prior quarter, which included \$10.9 million in restructuring charges.

Excluding restructuring, expenses grew 4% quarter-over-quarter, driven primarily by personnel expenses. We expect operating expense dollars to continue to trend upward modestly throughout the fiscal year. Our non-GAAP operating margin, as shown on page 19, was 54% for the quarter compared with 50% in the same quarter last year, which means we delivered year-over-year non-GAAP operating margin expansion of 432 basis points.

The effective tax rate for the quarter was 17.5%, the operating tax rate was 25.7%. The primary difference between operating tax rate and net effective tax rate for the quarter is \$15.7 million in excess tax benefit recognized upon the settlement or exercise of employee stock awards. We continue to expect a full year net effective tax rate of 24% and an operating tax rate of 25%.

At the end of the quarter, we had \$218 million in cash and marketable investments. Our total debt at quarter end was \$3.2 billion, with a weighted average interest rate of 5.22%. As of December 31, 2025, 87% of our debt was held in senior notes with no term loans. We had \$415 million balance on our revolving line of credit, which is repayable at any time.

As Will highlighted, we continue to return capital to our shareholders through buybacks as shown on page 20. In Q1, we repurchased 95,000 shares for a total cost of \$163 million and we continue to view share repurchases as an attractive use of cash.

And with that, I'll turn it back to Will for his closing comments.

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

Thanks, Steve. We had a great start to the year and are well positioned to exceed our fiscal year guidance. As in prior years, we will revisit our guidance on our Q2 earnings call. In our software business, we're seeing growth in bookings and ARR reflecting the value of our innovation in the market. Since FICO World 2025, we achieved general availability of FICO Marketplace and FICO focused foundation model.

Our next-generation FICO platform and enterprise fraud solution on FICO platform will soon be generally available. I'm excited to see our innovation realized in the market and delighting our customers. In our Scores business, our innovations are driving increased engagement for market participants. There's continued participant adoption of our FICO mortgage direct licensing program.

Outside of conforming mortgages, there's continued adoption for FICO Score 10 T. We see adoption of FICO Score mortgage simulator throughout the mortgage industry. The FICO score continues to be the trusted industry standard by 90% of top US lenders as the standard measure of consumer credit risk in the US

With that, let me turn this over to Dave to open up the Q&A session.

Dave Singleton - Fair Isaac Corp - Vice President of Investor Relations

Thanks, Will. This concludes our prepared remarks, and we're now ready to take questions. Operator, please open the lines.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Manav Patnaik, Barclays.

Manav Patnaik - Barclays Services Corp - Analyst

I just wanted to touch on the 10 T. Again, that slide you had was really helpful. But right before earnings, you had this press release with Loan Pass and the data sharing and the back testing the stuff that can be done. I was just hoping you could help us appreciate the significance of that. And any sense of timing around when 10 T officially gets approved and used, et cetera?

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

Yes. Thanks, Manav. I think we're continuing to see a lot of adoption on the nonconforming side and on the conforming side with the agencies they're still doing a lot of testing. We don't really have a timeline. They haven't published any kind of a timeline yet. So at this point, we really don't know when it will be generally available.

Manav Patnaik - Barclays Services Corp - Analyst

Okay. Got it. And then maybe just on the performance model adoption. I was just wondering if you could give us any early signs of basic discussions, how you think that's going? Is that going to be available to the credit bureau channel as well?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

The performance model right now is planned for the direct license program and it's going well. We have a lot of interest, and we're busy working towards bringing the direct channel live.

Manav Patnaik - *Barclays Services Corp - Analyst*

Okay. Fair enough. Maybe sorry, if I can squeeze one more in, Steve. Just -- it was a good quarter. You maintained the guide. I know that's practiced, but maybe you could just help us appreciate why there was no raise to the guide this time?

Steven Weber - *Fair Isaac Corp - Chief Financial Officer, Executive Vice President*

Yes. Thanks, Manav. It's a good question. We're pretty confident we're going to be able to beat our guidance. And I know we talked about it was pretty conservative last quarter. At this point, we're only three months in. There's just a lot of questions out in the macro environment. I mean, with the Fed today. It's just -- frankly, we probably know what numbers we would move to. So I think by next quarter, we'll have a much better idea of what the world looks like and what overall volumes are going to look like. So I think that was our thinking behind that.

Operator

Jason Haas, Wells Fargo.

Jason Haas - *Wells Fargo Securities LLC - Analyst*

I'm curious if you had any sense of what the time line looks like for the release of the LLPA grid, do you had any insight as to what those might look like?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

Well, the short answer to that is no. I don't think anyone knows what the time line for the LLPA grid looks like. And as we've discussed in the past, there's tremendous challenges with figuring out how to make those work because of the gaming and adverse selection issues. And so no one knows what the timeline really looks like. Certainly, we don't. But I think that we have some significant problems that have to be overcome before they can be released.

Jason Haas - *Wells Fargo Securities LLC - Analyst*

Got it. That's very helpful. And then as a follow-up, we've heard, I guess, two concerns around from lenders regarding FICO directing the performance model. One is that for FICO direct, there's a concern the resellers I guess, could improperly calculate the scores, and aren't taking, I guess, legal responsibility for it. So I think there's been some hesitancy from lenders.

So I was curious if you could address that. And then on the performance model, I believe some lenders are concerned about how the regulators might view passing on that performance fee to the end consumer. So curious if you could comment on those two hang-ups that may be out there.

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

Yes. I think that there -- that's misplaced, misguided concern. The score is calculated by the resellers in the direct license program will be the same scores that are calculated by the bureaus today. It's the same algorithm and the same technology to do it. Same data is being used.

And so I think that the -- any kind of concern about miscalculation or differences and scores is misplaced. That said, I can tell you that we are in the midst of making sure that all the testing gives everyone every confidence that, that's not an issue. And then in terms of the regulators, they also are looking at it to get comfortable with that and that's proceeding our pace.

Operator

Ashish Sabadra, RBC.

Ashish Sabadra - *RBC Capital Markets Inc - Analyst*

It's good to see that momentum in the direct license program that five resellers signed. You talked about them being in advanced stages of implementation. I was just wondering if you had some timelines around when they would go live. And then at least when we've done checks with brokers, they are not aware of the performance models yet. So when do we start to see that gets communicated to the mortgage producers than the industry in general, much more -- much better complicated.

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

On timeline, I wish I could help you. I wish that we knew what the timeline was, but this is the mortgage market, and we don't do anything without having everything extremely buttoned up. And so we are working through all the integration testing and all the downstream impacts. And you can be assured that when it does go live, it will go live without a hiccup. But we're well on our way. I can't give you a timeline.

Well, so the performance model -- first of all, the performance model is optional, okay? No one is being forced to take the performance model. So anyone who doesn't like it, doesn't have to use it. They can just pay per score per unit as they always have. So we introduced the performance model as an option to provide more flexibility for some originators, for some lenders who prefer that approach.

And so people who don't like it, it's a little hard to understand what the problem is. They don't have to use it. They can just go with a per unit price.

Ashish Sabadra - *RBC Capital Markets Inc - Analyst*

That's helpful color. And maybe if I can just clarify that your revenue model is agnostic irrespective of whether the customers adopt performance or per school model, is that right?

Steven Weber - *Fair Isaac Corp - Chief Financial Officer, Executive Vice President*

It's relatively agnostic, yes. Nothing's ever truly agnostic, but it's set up to basically be relatively agnostic.

Operator

Surinder Thind, Jefferies.

Surinder Thind - *Jefferies LLC - Analyst*

I'm going to switch over to the software business. Some interesting improvements there to think about. Can you maybe talk about the target of the 500 named accounts globally. You broke that into 350 in financial services and 150 outside. So how does this kind of compare to your prior strategy under the Gen 1 platform?

And how aggressively do you think you can get reach those customers? And how much of this is a push to specifically go outside and expand beyond the financial institutions at this point? Are we kind of entering this Phase I approach with the Gen 2 platform?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

I think we're in the beginning of that Phase 2. Look, we are very heavy in financial services, have been historically, will continue to be, let's be realistic about this. That said, the platform is very much designed to be horizontal and is highly appealing to other verticals. And so we're getting a lot of traction in telco and in other verticals. Further, we're really committed to our partner program and going -- taking our IP to market through systems integrators and other providers.

And I think that's going to be the way we wind up expanding to other verticals. Our marketplace is designed to be able to do that. Our next-gen platform is designed to be able to do that. And so we're still very interested in broadening our reach, but our direct selling efforts are still primarily focused on financial services.

Surinder Thind - *Jefferies LLC - Analyst*

Got it. And just quickly, how many named accounts do you have right now in Financial Services?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

No, we don't disclose it.

Steven Weber - *Fair Isaac Corp - Chief Financial Officer, Executive Vice President*

Okay. Sorry. But I mean it's an arbitrary number. We can name anyway and what not would you like it to be.

Surinder Thind - *Jefferies LLC - Analyst*

It was just an attempt to kind of better understand the new customers you haven't approached that. It was just ballpark, but that.

Steven Weber - *Fair Isaac Corp - Chief Financial Officer, Executive Vice President*

Understood. Look, I think there's -- I think the general answer to that is there's several hundred to go.

Surinder Thind - *Jefferies LLC - Analyst*

Got it. Okay. That's helpful. And then as a follow-up here, if we back out kind of the international multiyear deal here, still solid growth in the ARR but there's also a divergence. You guys did list of reasons why between platform ARR growth and non-platform.

But is the idea that we're beginning to also see customers that ultimately want to move from non-platform to platform. And so we should begin to see a sustained discrepancy in the ARR numbers?

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

Yes. I mean, gradually, over time, we're looking to migrate everyone, right? It's a lot more efficient to be on the platform, and we've set it for a long time. So there will be a lot of efficiencies to be gained from that. We haven't done a lot of that in the past, but we're getting to the point now where we can, so you're going to see more and more of that.

But you're also seeing just a lot more sales. I mean even the big deal we had this quarter had very little ARR impact this quarter but will have a much bigger impact next quarter. So if you look at the rolling trend of ACV bookings, it's grown dramatically. And we think there's still a lot more of that to come this year, and that's going to drive more ARR growth. So we've got a lot of land activity happening, and we've got a lot more expand.

So the -- if you look at the platform, the net retention rate goes up, they find new use cases, they expand into other areas. So there's just a lot of different areas we can grow in that business.

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

There's a classic software business problem. We, as a provider, would love to have everybody on a single code base. It would be really nice and easy to run it that way. And yet, we have more legacy code that's still highly profitable. We have customers who are really committed to using it and want to continue to use it.

And so we wind up in this position where we have to make proactive decisions about what legacy solutions we're going to continue to support and which ones we're going to force migration on. And the biggest factor in thinking that through is, can we provide full features and functionality of the legacy solution on the new platform before we force a change through an end-of-life initiative.

And so far, we've been pretty successful with that. I mean our classic business; our historical legacy business runs just fine and is profitable. And as the new platform, the NextGen platform has the features and functionality that, frankly, is superior to what you find in the legacy solutions. We're going to see voluntary migration. We'll see some force migration, and then we'll see some end of life.

Operator

Jeff Meuler, Baird.

Jeffrey Meuler - Robert W. Baird & Co Inc - Analyst

So everyone is obviously waiting the LLPAs, the market and investors. I just -- any education process or caveats you volunteer to kind of like help investors interpret how to compare the LLPAs under Vantage to FICO? I'm thinking things like for the same consumer, what's the delta between FICO and Vantage on average or anything like that? And then just -- I know it's a finger in the air assumption to say that the grids may be at parity. But just remind us if the grids do appear to be at parity, what do you view as the key barriers to potential switching?

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

I think it's unlikely that rise at parity. But let's hold that one. And just talk a little bit about your first -- the first part of your question, which is differences in the score. Our research suggests that the FICO Score and the Vantage score are more than 20 points different -- 30% of the

time in both directions. It's not consistently in one direction, which means that it's very, very hard to just substitute one score for another, a Vantage score for a FICO score.

You really have to have a completely independent, separate system to run a score that just has different on to score ratio for every three-digit number. And so I think -- and I think that's one of the big challenges with developing the LLP acreage. How are you going to reconcile all that.

And then you kind of go beyond that to assuming you had separate LLPA grids and you somehow figured out how to do that, you still have all the gaming problems that go with that and the adverse selection problems that go with that. Those have to be resolved. And then you finally, you have whatever objections the securitization market might have to whatever penalties they might impose on Vantage scored paper versus FICO Score paper. So I think there's significant problems to be overcome.

Jeffrey Meuler - *Robert W. Baird & Co Inc - Analyst*

Got it. And then just to reconcile something. I thought that you said in your prepared remarks that NT was going to be available for both the conforming and nonconforming market in the first half of calendar '26. And then in answering one of the earlier questions, I think Steve said you're not sure when 10 T is going to be available?

Steven Weber - *Fair Isaac Corp - Chief Financial Officer, Executive Vice President*

So one to guess and one, it is true that we're not sure. So the FICO 10 T data with the GSEs is with FHFA. And we can't give you a timeline, but we're confident it will eventually be released.

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

Those are two different comments just to clarify, the non-confirming and confirming is around having FICO 10 T available on the direct licensing program. And the comment Steve talked about was having FICO 10 T available for the data for the market. Does that make sense, what I said?

Operator

Faiza Alwy, Deutsche Bank.

Faiza Alwy - *Deutsche Bank AG - Analyst*

Yes. So -- sorry to beat the dead horse here. But I guess, just to clarify, do we need like an LLPA grid for 10 T? Or do you think the conforming market could accept the 10 T without that grid being out?

Steven Weber - *Fair Isaac Corp - Chief Financial Officer, Executive Vice President*

That's a great question, whether there be adjustment to the grid. 10 T is obviously much, much closer to FICO Classic than Vantage is. But my guess is when 10 T is made available that there'll be adjustment to the grid for that.

Faiza Alwy - Deutsche Bank AG - Analyst

Okay. And just a quick follow. Do you think the timing -- I understand all of the issues that you've talked about, but are you expecting that the 10 T and Vantage grids would come out at the same time? And like the acceptability is good on the implementation is going to be around the same time? Or do you think it could happen in stages?

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

Certainly, the industry would like them to come out at the same time. There's a lot of efficiency in that and -- you probably saw the letter sent to the director at the FHFA this past week from 35 economists and think tanks and industry groups who all believe that it's critical that if and when any changes made away from FICO Classic that would be done simultaneously to both FICO 10 T and Vantage. So the industry has a preference for that, what the FHFA will ultimately do, no one knows. So we'll have to see.

To the earlier point about FICO 10 T and LLPA grid for FICO 10 T, I would point out that FICO 10 T is architecturally very similar to FICO Classic. It's built on the same kinds of attributes weighted in a similar way. That's very different from Vantage. Vantage has a different architecture and weights the factors differently. And so in terms of compatibility and closeness, FICO 10 T is much, much closer to FICO Classic.

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

And don't confuse that with predictability where FICO 10 T is significantly more predictive than FICO Classic.

Faiza Alwy - Deutsche Bank AG - Analyst

Understood. That's very helpful. And then I wanted to ask about your mortgage revenue growth. We saw a nice acceleration this quarter relative to what we've been seeing. And I'm just curious, is that -- are you just benefiting from maybe higher refi activity? I know you don't disclose volumes, but just directionally, it was volume was it volume growth that was higher or?

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

It's all of the above. It's price -- it's all of the above. So there's some price there, there's some value there. There's some refi volume there. So all of those are factors.

Operator

Kyle Peterson, Needham.

Kyle Peterson - Needham & Company LLC - Analyst

Great. I wanted to start out on the platform business. Obviously, a nice quarter there. I know some of that was the migration. I guess in some of that was the large deal. But I just wanted to see, are we at a point where 30%-plus ARR growth on the platform side should be sustainable again? Or I guess like how should we think about that in light of the really nice bounce back this quarter?

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

Well, so Kyle, we don't make promises, but we had 40% growth in platform for 16 quarters, then we were down a couple of quarters in the just under 20% range. Now here we are at 30%. It does move around. The total ARR is definitely going to go up. And so -- but -- so that's a

short answer to your question is. The ARR will go up. I think current levels are sustainable. That's not a crazy thing to think. We've got a lot of appetite for our new platform.

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

And the total ARR is going to be driven by the platform because more and more, we're intruding acceleration in platform growth. And frankly, the platform ARR is a bigger portion of the overall number now. So as that grows faster, it helps the overall number as well. So we see continued sustained significant growth in ARR for the rest of the year, which is kind of what we've been talking about for a few quarters, and now you're starting to see it.

Kyle Peterson - Needham & Company LLC - Analyst

Okay. That is helpful and good to hear. And then switching over to the card business. The origination revenue in the credit cards seem be climbing in the right direction here in the last few quarters, which is good to see. Just -- I know it's still early, but have you guys seen any disruption or changes in activity? I know there's been some chatter around a potential 10% cap on card APR. So I guess -- anything you guys are seeing there? Or is it still too early to tell in terms of when you guys are delivered the usage reports?

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

We haven't seen anything. We haven't seen any changes in activity. There's been a lot of pre-qual activity in the card space and decent origination's. We haven't seen any changes.

Operator

George Tong, Goldman Sachs.

Unidentified Participant

This is Sami on for George. In your discussions with the FHFA and GSEs, do you get the sense that a move from trimmers to Bimerge is gaining traction? We saw the MBA came out over a single score proposition and also the regulators' focus has recently shifted to the bureaus. So I just wanted to get your views on it.

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

Yes. There's certainly a lot of talk about it these days. The bureau position, I don't generally give the bureau position, but I think it's fair to say that the bureaus believe that Prime Merge makes a lot more sense because the bureau files are not identical to one another. And if you chose two out of three files, some consumers on the margin are going to be under served. And I think that's a fair point.

That's just a fair point. Set against that, Tri-Merge does give the bureau's a monopoly, and that's not a great thing. So that would be an offset. I think the real challenge is the real challenge with moving to IMerge. It's the same problem that we have with lender choice.

When you get to choose between two credit scores or when you get to choose your favorite two out of three credit bureaus, you're going to have gaming, you're going to have adverse selection. You're going to have all of these -- all these problems occur and there's a cost to be paid for that. That cost ultimately gets paid by Fannie and Freddie and potentially the US taxpayer.

And so that is the biggest problem that has to be overcome. And frankly, I don't know what kind of a solution there is to that. It's structural.

Unidentified Participant

Okay. And on software, can you talk about where you are in the investment cycle? How far along are you in the platform build out? And when should we expect the investments to normalize?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

We continue to invest in our software business. We're really bullish on it. It's growing really nicely. We do anticipate margin expansion because our new platform is built for scaling profitably. And so the improvements to profitability of our software business will come more from additional volume and additional customers on the new platform versus reduced R&D spending, which, of course, is a lever and someday it will go down.

Operator

Alexander Hess, JPMorgan.

Alexander Hess - *JPMorgan Chase & Co - Analyst*

Just maybe to start with the Scores business and volumes there. I saw a call out on the new slide deck, which is by the way, excellent, that you guys saw positive volumes in all three of your underwriting lines. Can you maybe speak to sort of volume trends in the industry overall? Are they improving? And then when you sort of turn the lens inward, how much of the improvement that you've seen in the degree that there is any is really industry-wide versus FICO innovation land?

Steven Weber - *Fair Isaac Corp - Chief Financial Officer, Executive Vice President*

Yes, that's a good question. I mean I think it's hard to call a trend at this point. There's just a lot of uncertainty in the marketplace, again, which is one of the reasons why we've chosen not to update our guidance today. I don't think anybody really knows what's going to happen in mortgage. Just I think if rates continue to trend down, we'll probably see more volumes there.

In Card, we already talked about this some potential noise in that market. We'll see how real that is. But we've seen decent volumes, decent volumes throughout. I mean, not like crazy growth not decline either. So at least some margin or some volume increases across the board.

So that's encouraging, and we'll see if that continues. In terms of how much of that is driven by our innovation, maybe a little bit. In some cases, there are some different things that we're providing that provide some additional volumes. But most of this is the macro environment and what's happening in the auto lending industry or the mortgage or the card industry.

Alexander Hess - *JPMorgan Chase & Co - Analyst*

Tuning to software you did see a nice pickup in ACV bookings. Obviously, platform NRR growth is strong. Can you maybe provide a comment on what platform features, functions, use cases are really driving that recent momentum.

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

Yes. And I'm not sure that it's any particular use cases to be frank. So just a little bit of history here. For many, many years, for 10 for decades, FICO is an application software company focused on solutions to half a dozen critical bank problems having to do with the life cycle, right,

risk-oriented solutions. When we move to the platform, we opened up a pretty vast set of solutions -- potential solutions for banks that adopt the platform.

It's no longer just decisioning around origination's and customer management and fraud. So just a much, much wider set. That said, customers are coming to the platform for the basics. They come for origination's. They come for customer management.

We're seeing those use cases as primary use cases. But what's interesting is, particularly on the expand side, if you think about land and expand, they put in the platform and then they come up with all kinds of innovations on things they should be decisioning around that they have never done before. So there's a lot of that. But I think it's fair to say that they come to the platform for the same kinds of risk management solutions they bought in the past.

Alexander Hess - JPMorgan Chase & Co - Analyst

Maybe I can squeeze a third in. Just on the predictive power of FICO 10 T, obviously, you guys have a white paper out that showed a pretty compelling predictive lift in those key cohorts. Can you -- but that was on sort of the basis of defaults, delinquencies. Can you maybe pivot that conversation to prepayments? And do you have a view on will 10 T being more predictive on prepayments than rival scores?

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

I think so. And I think it's important to note that credit default rates and prepayments are related. They're sides of the same coin in some ways. So for example, I've heard people say, well, credit -- improving credit default rates doesn't really matter in the conforming market because Fannie and Freddie stand behind it. And so who cares about the credit default rates.

Well, when you have a credit default, it is functionally the same as a prepayment risk for those who hold the paper. So I think 10 T is going to help on both those sides.

Operator

Ryan Griffin, BMO Capital Markets.

Ryan Griffin - BMO Capital Markets - Analyst

Just had a software question. I think you said 75 of your largest customers are using multiple use cases now. I was just wondering how that has trended over the past year or so and what's driving the land and expand momentum?

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

I'm not sure I follow the question.

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

It's the land expand. So essentially, yes, I mean, what's driving it is that a lot of people bought in just to see how it would work, right? They need be shown that it would work. And once they get it installed. The next use case is a lot easier than the first use case.

So they find more ways to use it, and they're pleased with the way it's working. So it's the expand pieces I shouldn't say easy, but it's a lot easier than the land because once it's and it's working, they look for more ways to use it.

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

The expand is running at roughly the same rate as land. They're kind of neck and neck on growth rate. The expand piece really has two kind -- there's two styles, right? One is expansion of the use cases that they started with and the second is bringing on new use cases. And our revenue goes up in both situations.

Ryan Griffin - *BMO Capital Markets - Analyst*

Great. And then just one more question on the volume side. I think we've all read some headlines about lenders struggling with their cost base this year. I was just wondering if you're seeing any of this from your perspective and any changes in the lender behaviour that you can call out relating to your business?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

We really haven't. I mean, you know how critical FICO scores are in the system, and we really have not seen any changes.

Operator

Scott Wurtzel, Wolfe Research.

Scott Wurtzel - *Wolfe Research LLC - Analyst*

I just wanted to ask one question on the software business. I mean the trends on the book have been pretty positive, but you also had mentioned that the NextGen platform, and I think the enterprise fraud solution are, I guess, not yet generally available, but are they helping to drive some of the bookings growth right now, pending the general availability at all?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

Not yet. All the growth you're seeing is predates the enterprise solution.

Operator

Owen Lau, Clear Street.

Owen Lau - *Clear Street - Analyst*

I do want to go back to President Trump's 10% credit card interest rate cap policy question. If it is implemented, how would it potentially impact FICO? Do you think consumers will go to other form of loans, which will still need to use FICO score for underwriting? And also, could you please kind of like help us size the credit card exposure.

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

In terms of will consumers look for alternate credit, if the card providers provide pure cards to deeply subprime, your guess is good as mine but I would assume so. And I'm not sure I.

Dave Singleton - Fair Isaac Corp - Vice President of Investor Relations

The second question was the size of our credit card origination's revenue, but we don't provide that.

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

We don't break that out. Now who knows whether this actually ever happens. But -- if it does, I think it puts that much more pressure on lenders to understand those subprime credits really, really well. And my guess is that they would be doing extra work involving FICO scores and credit data to understand what happens on the margin.

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

And if it went to some other type of personal lending or something else that would not apply it, then obviously, use FICO scores in that area.

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

Does it involve a shift to BNPL? I mean, obviously, we'd be beneficiaries in all those scenarios.

Owen Lau - Clear Street - Analyst

Got it. That's helpful. And then going back to software, I noticed that, I mean, you mentioned that there was an above average size multi-use case platform deal in the first-quarter. Is it really a one-off deal that we shouldn't expect this to recur? Or FICO platform begins to gain recognition and traction and more similar deals could come more frequently in the future?

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

It is the latter. There's no question that the deal size is going up the frequency of it and the amount.

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

Yes. And I would just add to that. We think the FY26 ECD bookings are going to be significantly higher than the FY25. So we've got a lot of deals. We've already signed. We've got a lot of deals in the pipeline. There's a lot of momentum here and we're seeing it even more and bigger deals.

Operator

Craig Huber, Huber Research Partners.

Craig Huber - Huber Research Partners LLC - Equity Analyst

Great. My first question, you made a comment earlier on that you're well positioned to well exceed guidance for fiscal 2026. Can you just talk about that a little bit further? What in your mind were you overly conservative on specifically, if you're willing to talk about that? And maybe also touch on how things are going in the reseller market? Mortgage market ready for this new to pricing plans that we saw in particular, is that meaningfully ahead or behind or on schedule with what you originally were thinking when you first rolled this out?

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

So to take those in reverse order, the direct license program with the resellers is on track, roughly as expected. And frankly, whether it comes a little sooner or a little later, does not have a big revenue impact on us. It's really pretty close. As we said earlier, we're not completely agnostic, but it's pretty close. It's not enough to drive a change in guidance, for example.

And then as to what might have us change our guidance, it presumably would be volume. I mean the price is extremely well understood. And it's we publish it and it's -- that price is here for the year. And so it's really much more around volume and what happens with interest rates and that no one knows. And so we'll -- that's why we want another quarter to see how it plays out.

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

Yes. I think there's just -- like I said, there's a lot of uncertainty in the marketplace. And I think three months from now, we're going to have a much better idea. If we were to take a guess now, we were probably -- you'd probably still think we were being too conservative. So at this point, in three months, we're going to know a lot more.

We'll have one more quarter under our belts, and we'll have a much better idea of what it does. We really don't want to get into the situation where we're continually updating our guidance every quarter. We have annual guidance. We try to stick to that until it's pretty clear we can move to some more meaningful estimation of what it looks like, and that's what we're doing here.

Craig Huber - Huber Research Partners LLC - Equity Analyst

And then my last question, if I could. Can you just talk about pricing for calendar '26 for auto and then credit card and personal loans? I mean is auto going to be up north of 10% again this year, for example?

Steven Weber - Fair Isaac Corp - Chief Financial Officer, Executive Vice President

Well, we don't disclose the specifics of it. There's -- it's a lot more complicated in auto and card because there's different price points depending on different tiers or different types of markets. So it's a lot more complicated than that, and we don't get into the detail of that basically for competitive reasons.

Operator

Kevin McVeigh, UBS.

Kevin McVeigh - UBS AG - Analyst

I think you mentioned in the slide deck that there was some incremental headcount investment in FICO and increased marketing. Maybe help us understand, was that related to the reseller adoption? Or what drove those investments?

William Lansing - Fair Isaac Corp - Chief Executive Officer, Director

We are investing in go-to-market across the board, both in -- on the software side and on the score side. And after, I would say, many years of conservatism in growing headcount and direct sales and partner sales. We've been fairly aggressive this year in expanding that headcount. So I would say that's -- it's on both sides, software as well as scores.

Kevin McVeigh - *UBS AG - Analyst*

Great. And then just in terms of goalposts for the resellers actually going live, do you have any sense -- would you expect the big five to go live simultaneously or one sequential. Any sense of just timing on that?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

My guess is that it will not be a big bang with all of them going live at the same time. It will probably be staggered, but close in time. I mean all of the resellers we've signed with are well underway. And I think for their own benefit, they'll want to be able to offer the drug license program as quickly as possible. So I would expect convergence on timeline there, but I couldn't say that it's all going to happen simultaneously.

Operator

Rayna Kumar, Oppenheimer.

Rayna Kumar - *Oppenheimer & Co Inc - Analyst*

Congrats on the five resellers. I just had some more color on that. How much of the total resellers market would you say the five like establish some size on these wins?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

How much of the market do those resellers represent?

Rayna Kumar - *Oppenheimer & Co Inc - Analyst*

Yes.

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

Somewhere in the 70%, 80% range.

Rayna Kumar - *Oppenheimer & Co Inc - Analyst*

Got it. Okay. And just as a follow-up. On your last earnings call, you discussed some operational hurdles and having resellers move to the direct model. Can you just talk about how you're addressing some of those hurdles?

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

We really don't have any operational hurdles. It's moving very smoothly. We're working our way through the details. And we're highly confident that the program will be live in the relatively near future.

Operator

Thank you. I'm not showing any further questions in the queue. I'd like to turn the call back over to Dave for any closing remarks.

Dave Singleton - *Fair Isaac Corp - Vice President of Investor Relations*

No, that's everything. We're good. Great quarter. Thank you.

William Lansing - *Fair Isaac Corp - Chief Executive Officer, Director*

Thanks all.

Operator

Thank you for participating in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.

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