

# FICO: The Decisions Company

## Investor Overview – November 2019

Some of the statements made by us during this meeting, including statements concerning our expectations about future operations and financial results, are forward-looking statements within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including those risks and uncertainties described from time to time in our SEC reports, including its report on Form 10-Q for the quarter ended June 30, 2019.

Product roadmaps and similar marketing materials should be considered forward-looking and subject to future change at FICO’s discretion. Future functionality, features or enhancements as shown are FICO’s current projections of the product direction, but are not specific commitments or obligations.

## Why FICO Decisions?

FICO Decisions

More information allows for more precise decisions.

FICO analytics use available data to produce the best decisions possible.

FICO's proven science employs technology breakthroughs to drive consumer behavior insights and optimize business processes.

That's powering decisions. That's the power of FICO.





# FICO Overview

<b>Profile</b>	<p>Pioneer in the use of predictive analytics and data science to improve operational decisions</p> <p>Founded: 1956</p> <p>NYSE: FICO</p> <p>Revenues: \$1.16B (2019)</p>
<b>Products and Services</b>	<p>Scores and related analytic models</p> <p>Analytic applications for customer acquisition, service and security</p> <p>Tools for decision management</p>
<b>Clients and Markets</b>	<p>10,000+ clients in 100+ countries</p> <p>Industry focus: Banking, insurance, retail, health care, telecommunications, manufacturing</p>
<b>Recent Rankings</b>	<p>#1 in Financial Crime Risk Management Systems (Chartis)*</p> <p>#7 in the top 100 risk technology providers (Chartis)**</p> <p>Leader in Digital Decisioning Platforms by Forrester Research***</p>
<b>Offices</b>	<p>20+ offices worldwide, HQ in San Jose, California</p> <p>3,900+ employees</p> <p>Regional Hubs: San Rafael and San Diego (CA), Bozeman (MT), New York, London, Birmingham (UK), Johannesburg, Milan, Moscow, Bensheim, Munich, Madrid, Istanbul, Sao Paulo, Bangalore, Beijing, Singapore</p>

\*Financial Crime Risk Management Systems: Enterprise Fraud; Market Update 2018

\*\*2019 Chartis' RiskTech100® report

\*\*\*Forrester New Wave™: Digital Decisioning Platforms, Q4 2018

# Market Leading Products and Solutions

Customer analytics	FICO® Score	#1 credit risk score 10+ billion credit decisions a year
Customer service	FICO® TRIAD® Customer Manager	#1 credit account management system 65% of card accounts worldwide
Fraud & security	FICO® Falcon® Fraud Manager	#1 payment card fraud solution 2.6+ billion payment cards protected
Decision management	FICO® Decision Management Suite	Comprehensive platform for developing decision management applications
Customer engagement	FICO® Customer Communication Services	Leading Omni-Channel Communications Solution 200M Communications a year

# Key Technologies



## Analytics

- Scorecards
- Outlier models
- Neural networks
- Tree ensembles
- Streaming analytics
- Network identification
- Entity disambiguation
- Self-learning approaches
- Multiple, massive data consortia
- Text



## Decision Management

- Complex rules management
- Data-driven strategy design
- Adaptive control systems
- Multiple metaphors
- Decision Models



## Optimization

- Mixed Integer
- Non-linear
- Dynamic Programming
- Quadratic



## Rapid App Development

- Data stream management
- Process workflow
- Decision workflow
- User interface development
- Mobile
- Dashboarding and data visualization



## Customer Contact

- Voice
- Email
- Text
- Mobile



# Strategy Overview

## **Scores** – extend our B2B leadership and brand value into consumer market

- Expand Open Access, direct-to-consumer partners, lead generation and Affinity
- Financial Inclusion Initiatives:
  - FICO XD adoption
  - International scoring opportunities
  - UltraFICO

## **Applications** – expand existing offerings with SaaS-enabled versions

- Expand sales coverage, services capability, client success and skills
- Expand recurring revenue and cloud growth
- Invest in “Cloud-first” solutions

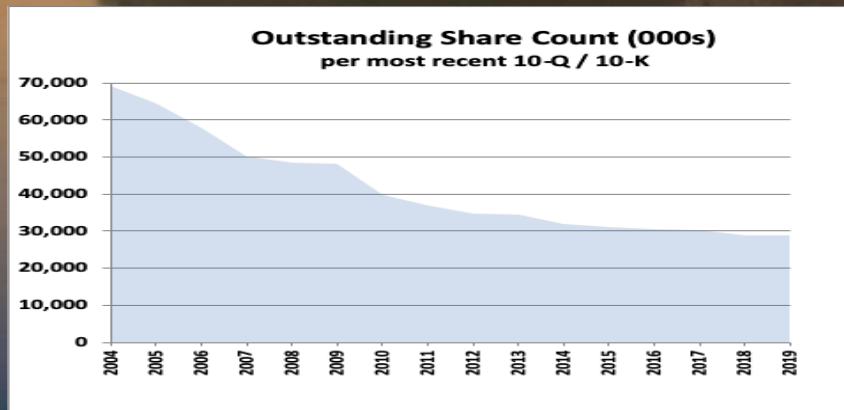
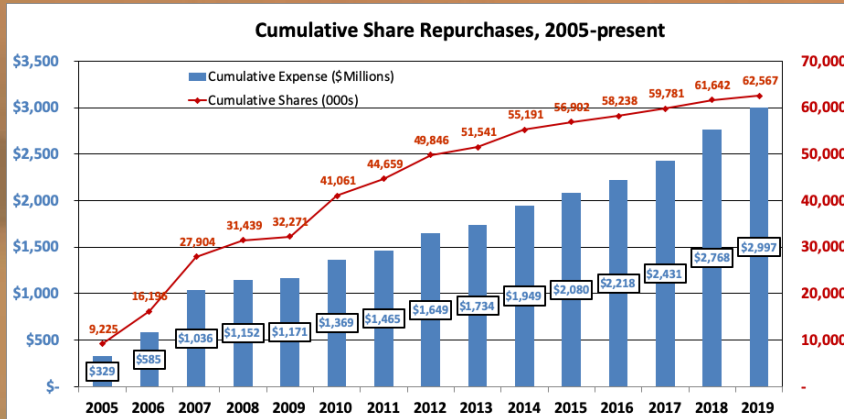
## **DMS** – provide a simple, cost-effective way to develop/deploy analytics

- Expand pipeline, sales coverage, productivity and skills to accelerate growth within financial services and new verticals
- Continue to invest in the product and build out platform

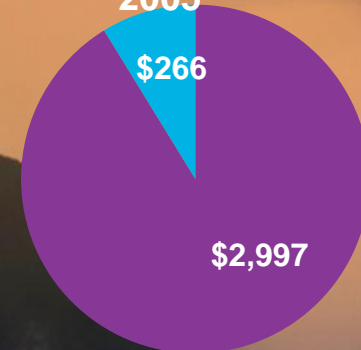
## **Capital Allocation**

- Invest in key areas to support growth
- Grow earnings faster than revenue
- Balance organic investments, share repurchases and tuck-in M&A to maintain prudent leverage levels

# Efficient Use of Cash



Historical use of cash since 2005



■ Share Repurchases ■ Acquisitions



# Regulation G Disclosures (Unaudited) Current Non-GAAP Measures

	Fiscal Year 2019	Quarter Ended September 30, 2019	Quarter Ended June 30, 2019	Quarter Ended March 31, 2019	Quarter Ended December 31, 2018		Fiscal Year 2018	Quarter Ended September 30, 2018	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended December 31, 2017
	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted		As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted
<b>Operating Income</b>											
Operating income, as reported	\$ 253,548	\$ 70,287	\$ 85,708	\$ 48,549	\$ 49,004	\$ 175,359	\$ 47,558	\$ 44,537	\$ 46,439	\$ 36,825	\$ 36,825
Amortization of intangible assets	6,126	1,673	1,448	1,503	1,501	6,594	1,551	1,571	1,684	1,788	1,788
Stock-based compensation expense	82,973	21,042	19,595	20,482	21,854	74,813	20,183	18,882	19,238	16,510	16,510
Non-GAAP operating income (segment operating income)	\$ 342,647	\$ 93,002	\$ 106,751	\$ 70,534	\$ 72,360	\$ 256,766	\$ 69,292	\$ 64,990	\$ 67,361	\$ 55,123	\$ 55,123
Revenues	\$ 1,160,083	\$ 305,344	\$ 314,249	\$ 278,234	\$ 262,256	\$ 1,000,146	\$ 256,532	\$ 254,993	\$ 256,260	\$ 232,361	\$ 232,361
Non-GAAP operating margin	30%	30%	34%	25%	28%	26%	27%	25%	26%	24%	24%
<b>Net Income</b>											
Net income, as reported	\$ 192,124	\$ 54,584	\$ 64,152	\$ 33,381	\$ 40,007	\$ 126,482	\$ 32,713	\$ 29,721	\$ 31,169	\$ 32,879	\$ 32,879
Amortization of intangible assets	6,126	1,673	1,448	1,503	1,501	6,594	1,551	1,571	1,684	1,788	1,788
Stock-based compensation expense	82,973	21,042	19,595	20,482	21,854	74,813	20,183	18,882	19,238	16,510	16,510
Realized gain on cost-method investment	-	-	-	-	-	(10,000)	-	-	-	-	-
Income tax adjustments	(22,940)	(5,836)	(5,290)	(5,594)	(6,219)	(18,948)	(3,654)	(5,450)	(5,141)	(4,703)	(4,703)
Excess tax benefit	(30,666)	(10,643)	(4,289)	(2,501)	(13,233)	(22,253)	(7,556)	(1,635)	(1,551)	(11,511)	(11,511)
Tax Cuts and Jobs Act	-	-	-	-	-	14,754	7,848	1,436	1,634	3,836	3,836
Non-GAAP net income	\$ 227,617	\$ 60,820	\$ 75,616	\$ 47,271	\$ 43,911	\$ 171,442	\$ 41,085	\$ 44,525	\$ 47,033	\$ 38,799	\$ 38,799
Revenues	\$ 1,160,083	\$ 305,344	\$ 314,249	\$ 278,234	\$ 262,256	\$ 1,000,146	\$ 256,532	\$ 254,993	\$ 256,260	\$ 232,361	\$ 232,361
Non-GAAP net margin	20%	20%	24%	17%	17%	17%	16%	17%	18%	17%	17%
<b>Diluted Earnings per Share</b>											
Diluted earnings per share, as reported	\$ 6.34	\$ 1.80	\$ 2.12	\$ 1.10	\$ 1.32	\$ 4.06	\$ 1.07	\$ 0.95	\$ 1.00	\$ 1.04	\$ 1.04
Amortization of intangible assets	0.20	0.06	0.05	0.05	0.05	0.21	0.05	0.05	0.05	0.06	0.06
Stock-based compensation expense	2.74	0.69	0.65	0.68	0.72	2.40	0.66	0.61	0.61	0.52	0.52
Realized gain on cost-method investment	-	-	-	-	-	(0.32)	-	-	-	-	-
Income tax adjustments	(0.76)	(0.19)	(0.17)	(0.18)	(0.20)	(0.61)	(0.12)	(0.17)	(0.16)	(0.15)	(0.15)
Excess tax benefit	(1.01)	(0.35)	(0.14)	(0.08)	(0.44)	(0.71)	(0.25)	(0.05)	(0.05)	(0.36)	(0.36)
Tax Cuts and Jobs Act	-	-	-	-	-	0.47	0.26	0.05	0.05	0.12	0.12
Non-GAAP diluted earnings per share	\$ 7.51	\$ 2.01	\$ 2.50	\$ 1.56	\$ 1.45	\$ 5.50	\$ 1.34	\$ 1.43	\$ 1.50	\$ 1.23	\$ 1.23
<b>Reconciliation to Adjusted EBITDA</b>											
Net income, as reported	\$ 192,124	\$ 54,584	\$ 64,152	\$ 33,381	\$ 40,007	\$ 126,482	\$ 32,713	\$ 29,721	\$ 31,169	\$ 32,879	\$ 32,879
Interest expense, net	39,752	9,957	10,111	10,008	9,676	31,311	9,512	8,223	7,116	6,460	6,460
Provision for income taxes	23,948	6,304	13,902	6,593	(2,851)	30,450	16,277	8,181	7,993	(2,001)	(2,001)
Other expense (income), net	(2,276)	(558)	(2,457)	(1,433)	2,172	(12,884)	(10,944)	161	(513)	(513)	(513)
Amortization of intangible assets	6,126	1,673	1,448	1,503	1,502	6,594	1,551	1,571	1,684	1,788	1,788
Depreciation	24,205	5,887	6,179	5,995	6,144	22,633	5,981	5,348	5,510	5,794	5,794
Stock-based compensation expense	82,973	21,042	19,595	20,482	21,854	74,813	20,183	18,882	19,238	16,510	16,510
Adjusted EBITDA	\$ 366,852	\$ 98,889	\$ 112,930	\$ 76,529	\$ 78,504	\$ 279,399	\$ 75,273	\$ 70,338	\$ 72,871	\$ 60,917	\$ 60,917
Revenues	\$ 1,160,083	\$ 305,344	\$ 314,249	\$ 278,234	\$ 262,256	\$ 1,000,146	\$ 256,532	\$ 254,993	\$ 256,260	\$ 232,361	\$ 232,361
Adjusted EBITDA as a percent of revenues	32%	32%	36%	28%	30%	28%	29%	28%	28%	26%	26%
<b>Reconciliation To Free Cash Flow</b>											
Net cash provided by operating activities	\$ 260,350	\$ 95,414	\$ 68,290	\$ 47,789	\$ 48,857	\$ 223,052	\$ 59,963	\$ 85,079	\$ 49,233	\$ 28,777	\$ 28,777
Reduced by cash flow items:											
Capital expenditures	23,981	5,811	7,526	4,170	6,474	31,299	7,079	13,109	7,067	4,044	4,044
Free cash flow	\$ 236,369	\$ 89,603	\$ 60,764	\$ 43,619	\$ 42,383	\$ 191,753	\$ 52,884	\$ 71,970	\$ 42,166	\$ 24,733	\$ 24,733
Revenues	\$ 1,160,083	\$ 305,344	\$ 314,249	\$ 278,234	\$ 262,256	\$ 1,000,146	\$ 256,532	\$ 254,993	\$ 256,260	\$ 232,361	\$ 232,361
Free cash flow as a percent of revenues	20%	29%	19%	16%	16%	19%	21%	28%	16%	11%	11%

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

Numbers restated for ASC 606