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FICO.N - Q1 2025 Fair Isaac Corp Earnings Call

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OVERVIEW:

Company Summary

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Will Lansing *Fair Isaac Corp. - Chief Executive Officer*

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

CONFERENCE CALL PARTICIPANTS

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Jason Haas *Wells Fargo & Company - Analyst*

Faizah Ali *Deutsche Bank AG - Analyst*

Surinder Thind *Jefferies Group LLC - Analyst*

Owen Lau *Oppenheimer & Co. Inc. - Analyst*

Kyle Peterson *Needham & Company - Analyst*

George Tong *The Goldman Sachs Group, Inc. - Analyst*

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

Ashish Sabadra *RBC Capital Markets - Analyst*

Alexander Hess *JPMorgan Chase & Co. - Analyst*

Simon Clinch *Redburn Atlantic - Analyst*

Scott Wurtzel *Wolfe Research - Analyst*

Matthew O'Neill *FT Partners - Analyst*

PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the first-quarter 2025 FICO earnings conference call.

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to our first speaker today, David Singleton. Please go ahead.

David Singleton - *Fair Isaac Corp. - Vice President - Investor Relations*

Good afternoon. Thank you for attending FICO's first-quarter earnings call.

I'm David 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 with 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 portion 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 Reg. G schedule issued, today, for reconciliation of each of these non-GAAP financial measures to the most comparable GAAP measure. The earnings release and Reg. G schedule are available on the Investor Relations page of the company website at fico.com or on the SEC's website at SEC.gov.

A replay of this webcast will be available through February 4, 2026.

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

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Thanks, Dave and thank you, everyone for joining us for our first-quarter earnings call.

In the Investor Relations section of our website, we've posted some financial highlight slides that we will be referring to during this earnings announcement.

We had another strong quarter and are reiterating our fiscal '25 guidance.

As shown on page 2 of the first-quarter financial highlights, we reported quarter-one revenues of \$440 million, up 15% over last year. We reported \$153 million in GAAP net income in the quarter, up 26%. And GAAP earnings of \$6.14 per share, up 28% from the prior year.

We reported \$144 million in non-GAAP net income in the quarter, up 19%. And non-GAAP earnings of \$5.79 per share, up 20% from the prior year.

As shown on page 10, we delivered free cash flow of \$187 million in our first quarter and \$673 million over the last four quarters, an increase of 36% over the prior period.

We continue to return capital to our shareholders through buybacks. We repurchase 79,000 shares in quarter one and an additional 47,000 shares in January.

In our in our Scores segment, on page 6 of the presentation, our first-quarter revenues were \$236 million, of 23% versus the prior year.

On the B2B side, quarter-one revenues were up 30% versus the prior year, primarily driven by mortgage originations revenues, from both pricing and volume increases. On the B2C side, quarter-one revenues were up 3% versus the prior year, primarily driven by revenue from indirect channel partners.

First-quarter mortgage originations revenues were up 110% versus the prior year. Mortgage origination revenue accounted for 44% of B2B revenue and 34% of total Scores revenue.

Auto origination revenues were up 5% while credit card, personal loan, and other originations revenues were down 3% versus the prior year.

This week, we issued a press release on the study we conducted with our partner, Affirm. That study concluded that the inclusion of buy now, pay later loan data can drive up FICO's score increase for some consumers, while improving model risk performance for lenders when applying FICO's innovative treatment of that data. The study also helped inform responsible furnishing of buy now, pay later loans to the credit bureaus.

We're currently working with stakeholders to identify the best way to introduce our proprietary treatment of this data to the credit scoring marketplace. We'll be sharing more details soon.

We continue to drive strong adoption of FICO Score 10 T for non-GSE mortgages.

This quarter, loans utilizing FICO Score 10 T began trading on MCT Marketplace, the largest mortgage asset exchange for the US secondary market. In addition, Cardinal Financial formed and traded the first government-issued mortgage-backed security, featuring loans powered by FICO Score 10 T.

I'm proud of these strong achievements and look forward to continued progress in the quarters ahead.

We have clients with over \$261 billion in annualized mortgage originations and approximately \$1.43 trillion in eligible mortgage portfolio servicing that have signed FICO SCORE 10 T, with some firms already adopting FICO 10 T to make credit decisions for securitization and for delivery to investors.

FICO 10 T for conforming mortgages sold to the GFCs will be rolled out based on the timeline of the FHFA's implementation of Enterprise's credit score requirements. In January, the FHFA announced it no longer has a specific timeline for the implementation.

In our Software segment, we delivered \$204 million in quarter-one revenue, up 8% from last year. Revenue increase was driven mainly by growth in SaaS Software and license revenue, partially offset by the foreign exchange rate impact.

We continue to drive growth in ARR and NRR through our 'land and expand' strategy, with expand driven by increased customer usage.

As shown on page 7, the total ARR was up 6%, with platform ARR growing 20% and non-platform ARR, of 1%. Total NRR for the quarter, shown on page 8, was 105%, with platform NRR at 112% and non-platform at 100%. Foreign exchange had a negative impact of 2% on total ARR and 3% on platform [ARR].

ACV bookings for the quarter were \$21.2 million, compared to \$18.3 million in the prior year.

We continued to drive our software business forward. Our investments are helping for progress development of new FICO platform capabilities, partner channel adoption, FICO Marketplace realization, and building scalability to improve our cost structure.

We continue to be recognized for our innovation. This quarter, FICO was awarded Best Anti-Fraud Solution at the Credit and Collections Technology Awards. The award was given to the FICO Customer Communications Service Scam Signal solution, which uniquely uses telephony signals to detect potential scams.

Our innovative work using blockchain technology for responsible AI model governance yielded the Tech of the Future – Blockchain and Tokenisation award at the Banking Tech Awards. And won the Software Category - Transformative Product award at the BIG Innovation Awards.

Our Software business will be on display, this year, at FICO World event, which will take place in Hollywood, Florida in May. At this four-day event, we'll bring together industry professionals from around the world to connect, share best practices, and learn how FICO enables organizations to power customer connections at scale. We'll highlight successful clients and demonstrate the power of FICO Platform, enabling companies to operationalize analytics, become more composable, and make better decisions at scale.

I'll now pass it over to Steve to provide for the financial details.

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

Thanks, Will and good afternoon, everyone.

As Will mentioned, we had another good quarter, with total revenue of \$440 million, an increase of 15% over the prior year.

Score segment revenues, for the quarter, were \$236 million, up 23% from the prior year.

B2B revenues were up 30%, governed primarily by mortgage originations revenues, as Will said, from both pricing and volume increases. Our B2C revenues were up 3% versus the prior year, due to increased revenue from our indirect channel partners.

Software segment revenues, for the quarter, were \$204 million, up 8% from the prior year, [injured] by foreign exchange rate impact. On-Premises and SaaS Software revenue grew 10% year over year while Professional Services declined 14%.

This quarter, 87% of total company revenues 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 5%.

Our total software ARR was \$729 million, a 6% increase over the year. Platform ARR was \$228 million, representing 31% of our total Q125 ARR and up from 28% of total Q124 ARR. Platform ARR grew 20% versus the prior year while non-platform grew 1% to \$501 million this quarter.

As a reminder, foreign exchange had a negative impact of 2% on total ARR and 3% on platform ARR.

We continue to on FICO Platform growth while retaining our non-platform customers. Over time, we do expect migration of those non-platform customers to platform products.

Our platform 'lands and expands' strategy continues to be successful. Our dollar-based net retention rate, in the quarter, was 105%.

Platform NRR was 112% while our non-platform NRR was 100%. Platform NRR was driven by a combination of new use cases and increased usage of existing use cases.

Our Software ACV bookings, for the quarter, were \$21.2 million compared to \$18.3 million in the prior year.

Turning, now, to expenses for the quarter, as shown at page 5 of the financial highlight presentation. Total operating expenses were \$260 million this quarter versus \$257 million in the prior quarter, an increase of 1.5%.

We anticipate our expenses increasing modestly throughout the year, which will, again, include costs for FICA World in our third quarter.

Our non-GAAP operating margin, as shown in our Reg. G schedule, was 50% in the quarter compared with 48% in the same quarter last year. We delivered non-GAAP margin expansion of 209 basis points year over year.

GAAP net income, this quarter, was \$153 million, up 26% from the prior year. Our non-GAAP net income was \$144 million for the quarter, up 19% from the prior year's quarter.

GAAP earnings per share, this quarter, was \$6.14, up 28% from the prior year. And our non-GAAP earnings per share were \$5.79, up 20% from the prior year.

Effective tax rate, for the quarter, was negative 1.6%. The operating tax rate was 24.3%. The effective tax rates, for the quarter, includes \$40 million of reduced tax expense from excess tax benefits, recognized upon the settlement or exercise of employee stock awards.

As a reminder, excess tax benefit does not impact our non-GAAP net income.

For the full year, we expect our net effective tax rate will be around 22%. And our recurring tax rate will be around 26%.

Free cash flow of the quarter was \$187 million, a 55% increase from the same quarter of last year. Free cash flow was \$673 million over the last four quarters, which was an increase of 36% over the prior period.

At the end of the quarter, we had \$230 million in cash and marketable investments.

Our total debt, at quarter end, was \$2.42 billion, with the weighted average interest rate of 5%. Currently, 53% of our total debt is fixed rate. Our floating rate debt is prepayable at any time, giving us the flexibility to use free cash flow to reduce outstanding floating rate debt balances in future periods.

Turning to return of capital, we bought back 79,000 shares in the first quarter, at an average price of \$2,015 per share. We purchased an additional 47,000 shares, in January, at an average price of \$1,905 per share. And we do continue to review share repurchases as an attractive use of cash.

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

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Thanks, Steve.

The macroeconomic environment remains fluid but our strategy and execution remained consistent. We're well positioned for this fiscal year and remain confident in the guidance we provided last quarter.

Our Software and Scores businesses continue to be best in class. Our software customers are delighted by our ability to help them optimize interactions with their end customers through data-driven composable solutions that are executed in real-time.

Fiscal '25 marks the second year of the FICO Educational Analytics Challenge Program, which was created to encourage students of data science, engineering, and technology. To date, we've partnered with seven colleges and universities. This year, students in this program are getting hands-on experience learning to develop analytics AI models to detect fraud.

In our Scores business, we expanded our global Financial Inclusion Initiative through our Lenders Leading Inclusion Program. FICO provides cutting-edge alternative data scores and financial inclusion strategies to lenders so they can responsibly expand access to credit for underserved communities.

On the innovation side, we're in talks with resellers and close to launching our FICO Score Mortgage Simulator, which enables mortgage professionals to run credit-event scenarios by applying simulated changes in an applicant's credit report data to simulate potential changes to the applicant's FICO score.

With that, I'll turn the call back to Dave and we'll open up the Q&A.

David Singleton - Fair Isaac Corp. - Vice President - Investor Relations

Thanks, Will.

This concludes our prepared remarks. We are now ready to take questions.

Operator, please open (technical difficulty).

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Manav Patnaik, Barclays.

Manav Patnaik - *Barclays Capital Inc. - Analyst*

Thank you.

Will, I just had a big-picture question when you talked about the FHFA pushing out the directors and bi-merge in the scoring. They've got a new director in there, there's talk of the GSEs privatizing.

How do you look at these changes? Do you think GSE privatization has any impact to the status of the FICO Score? Any broad color around that would be helpful.

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

Sure. The decision by the FHFA to push out, to an indeterminate date, the implementation of bi-merge and the two-score system is not really surprising. I think everyone in the industry believes that the industry is not ready to make this move. And so there's there's really not a lot of surprise there.

With respect to the GSEs, I think it's important to recognize that before the GSEs ever entered conservatorship, they had selected the FICO Score. And we're using the FICO Score in evaluating the paper that they, then, secured ties and passed to investors. And then, obviously, that's continued through the present time.

In a world which, who knows whether the GSEs will come out of conservatorship or not -- but in a world in which, potentially, they would, we don't really see a lot of change. If you go back to the fundamentals, the FICO Score is really the best way for investors understand the risk in the paper that they're buying.

And we don't see that changing, whether the government is, more or less, involved with the GSEs.

And I would further point out that in every other market where the government is not involved, we have a very strong market share because of the efficacy of the score. Long way of saying not a lot of change.

Manav Patnaik - *Barclays Capital Inc. - Analyst*

Okay, fair enough.

And then, Will, if I can just ask you on the Software business, I think you're expecting ARR to be in the 30% and, now, we're talking 20%. Was there something in the quarter, timing-wise, bookings? Or can you just talk about if 20%, now, is the new growth rate we should be thinking about?

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

I'm glad you pointed it out. I wouldn't read too much into any particular quarter.

This quarter, we got dinged a little bit with foreign exchange. But, really, the biggest driver is the fact that it flows through from bookings and we had some weaker bookings in quarters in the past.

We haven't revised our view about the long-term growth trajectory for the Platform business, which is in the 30%, 30% or so. And so I wouldn't read too much into this quarter's number.

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

And, Manav, we actually do expect the ARR accelerates in the back half, even in the coming quarters. So we knew this was going to be a lighter quarter because, again, like Will said, the [lesser] bookings we had the first couple quarters last year. And then, we got hit by the FX, particularly in Brazil, that had a pretty significant impact this quarter.

Manav Patnaik - Barclays Capital Inc. - Analyst

Okay, thanks for that, guys.

Operator

Jason Haas, Wells Fargo.

Jason Haas - Wells Fargo & Company - Analyst

Hey. Good afternoon and thanks for taking my questions.

I'm [curious] to talk about how fiscal 1Q you came in versus your expectations? And the genesis of the question is I'm curious -- I know you're holding the guidance but I'm curious if it's any of (inaudible) conservative now than it was prior to the results of this quarter coming in?

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Well, I would say that we're not really surprised. As you know, we provide conservative guidance. And I think that our internal view on interest rates was more conservative than the general market view. And we built our guidance around that. So for us, no change to our guidance. And, really, no surprise in terms of what we're seeing right now.

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

And I would just add to that -- this, pretty much, came in according to our plan.

There's a lot of seasonality to the Scores business so if you look at it on a year-over-year basis versus the fourth quarter versus our first quarter, it makes a lot of sense.

What's farther out, in terms of the Q3 and Q4, is harder to know what's going to happen with the current rate environment. But we didn't expect a lot of things to happen this quickly.

So this pretty much came in in line with what we expected.

Jason Haas - Wells Fargo & Company - Analyst

Got it. That's helpful. Thank you.

I know we're pretty early to the start of the calendar year but I was curious if you could talk to -- any sense to the elasticity you're seeing, as you put in the new or started to put in the new prices for mortgage scores and, also, auto scores?

Thanks.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Well, it is very early. But you know that we have socialized the pricing for 2025. And everything's gone just as expected. No real issues.

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

We don't see, really, any elasticity [issues].

Jason Haas - Wells Fargo & Company - Analyst

That's great to hear. Thank you.

Operator

Faizah Ali, Deutsche Bank.

Faizah Ali - Deutsche Bank AG - Analyst

Hi. Thank you.

I wanted to follow up on the software question and your confidence in accelerating platform ARR back to 30%. Give us a bit more color on what's driving that confidence.

Do you expect increased usage? Is there a new business that you're expecting? Just a bit more color on where you're getting more traction.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Your question suggests the answer.

The usage, we obviously don't control. That part of the equation moves around and it depends on what the customers do. And so this particular quarter, we had lower usage.

In terms of predictability and do we have confidence in the rate accelerating back into to the 30% range, we do have that confidence and that's because of a direct flow-through from bookings. So we know what the bookings look like that will be driving the ARR growth in the future.

And so we have a high level of confidence.

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

There's a [timing-piece] between when something's booked and when it goes live. So we have advanced.

We can see when things will go live and at what point, then, they'll turn to ARR. So for the last few quarters, we had some pretty strong bookings. And we have a good idea of when those will go live and when the ARR will roll on.

So from that [piece], as Will said, the usage is harder to understand or the forecast. But the deals that we signed, we have a pretty good idea of when they're going to go live and what kind of ARR they will deliver.

Faizah Ali - Deutsche Bank AG - Analyst

Understood. Thank you.

And the, just as a follow-up on the Scores business, I think you mentioned a higher volume in mortgage.

I'm curious if you can give us a bit more color on what you're expecting, in terms of volume across the vertical, for this year? What's embedded in the guide? Just given the fact that we have seen rates go back up between November --

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

I could ask you the same question about the future. We all have our crystal balls.

Really, we don't know what direction interest rates will go. We don't know when they'll come down. We don't know when the binds will come up as a result of them coming down.

I can tell you that our guidance was built around a view that rates would not come down much in 2025. And so far, things are playing out roughly the way we expected.

If rates come down in the back half of the year, that'll be a tremendous benefit for us. And if they don't, we're prepared for that and our guidance reflect that.

Faizah Ali - Deutsche Bank AG - Analyst

Understood. Thank you.

Operator

Surinder Thind, Jefferies.

Surinder Thind - Jefferies Group LLC - Analyst

Thank you.

Following up on the platform ARR question, it looks like it was mostly related to just as slow down in the NRR in particular clients.

So is the messaging here it was predominantly just usage and that things just slow down? How should we think about that? What percentage of revenues (inaudible) characterized? How much --

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

A lot of it is usage. You're absolutely right, a lot of its usage. But some of it is lower bookings that are now flowing through.

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

The [thing with] (inaudible) is usage. And we didn't have churn, we didn't have customers leaving.

We had some customers that -- for for for some of our products, the usage can vary quite a bit, quarter to quarter. In some cases, they might have turned some things down at the end of their calendar year to save some money, which happens from time to time.

So that's just seasonality around different pieces of some of what what their usage is. So that's really what drove that.

And we expect a lot of that returns to form and then, we also expect a lot of the new business that we've already sold will come live.

Surinder Thind - Jefferies Group LLC - Analyst

Got it.

So what it sounds like is if usage returns to normal, then there's a double bounce back effect here, right?

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Exactly.

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

Exactly.

Surinder Thind - Jefferies Group LLC - Analyst

Okay. Fair enough.

And then, in terms of just the FICO 10 T and the non-GSE usage adoption, can you talk a little bit more about that and, then, maybe contrast that with the delay at the FHFA, in terms of the timeline being suspended for implementation? Does a bifurcation in the market between Classic FICO and 10 T have any implications that we should be aware of from securitization and other considerations here, as we think about this longer term?

Because, obviously, it sounds like, on one path, there's a certain number of entities that are going down the path of 10 T. But then with conforming, we may not be going down that path.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

It's a very interesting question.

I think what you have to start with is that the FICO Classic Score, that's been in use for 25 years in the mortgage market, is a highly predictive score. It works really, really well. And it has, historically, provided the investor community with pretty good sense of what they're buying and the risk associated with it.

FICO 10 T is a little (inaudible) bit better. Some would say quite a bit better, some would say a little bit better.

I'm not sure it makes that much difference whether it's a little better or a lot better. It's better enough that we have customers who prefer it. I'm not sure that the answer you get from 10 T are very different from the Classic FICO Score so I don't imagine tremendous [adjud] in the investor community about which score is being used to secure [Kaiso's] portfolios.

I imagine they will both be used with no real issues.

Surinder Thind - Jefferies Group LLC - Analyst

Okay. Thank you, that's helpful.

Operator

Owen Lau, Oppenheimer.

Owen Lau - Oppenheimer & Co. Inc. - Analyst

Thank you for picking my question.

So going back to the ACV bookings, it was strong in the first quarter. Could you please talk about the pipeline and outlook of bookings over the next quarter or so? Do you expect this to, also, accelerate to drive high ARR, going forward?

Thanks.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Honestly, we have a strong pipeline. But, again, we will have volatility in that (technical difficulty) number.

There are some quarters that would be really good and some quarters that won't be as good because we don't have thousands of bookings.

We have a fairly small number. And some of them are pretty large and they can move from quarter to quarter.

So there's still a lot of interest in these products. We still have a strong pipeline. But it's hard to put hard numbers out there about what we expect in the next couple quarters.

We think we'll have a good year for bookings. But every year, every quarter, there's some volatility in that. But, again, we put up two quarters that we're really happy with -- the last two quarters -- and that's going to have an impact, as we move through the year, in terms of ARR.

Owen Lau - Oppenheimer & Co. Inc. - Analyst

Got it.

And then, on the expense side, could you please add more color on that?

I think you mentioned expense will go up from here. And in the third quarter, there will be FICO World. Any more color you can add in terms, let's say, how much increase from the first quarter, [runway] from here?

Thanks.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

It's not all that significant. And if you've put together a model with the guidance we gave you, there's no change to that.

But there's some things that are non-recurring. FICO World's adds probably \$5 million to \$6 million in our third quarter that we won't see yet in our second quarter. So there are things like that that come along from time to time but we won't have any material step-function type expenses increases throughout the year.

Owen Lau - Oppenheimer & Co. Inc. - Analyst

Thanks so much.

Operator

Kyle Peterson, Needham.

Kyle Peterson - Needham & Company - Analyst

Thanks for taking the questions.

I want to start off on capital allocation. It does seem like you, guys, did amp up the buyback in January when the stocks are -- the pullbacks.

Should we think about you, guys, having the appetite to continue to do that if the stock continues to be [of-highs] despite the results you, guys, have put up?

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Look, you know our view. You know our view on this. We think FICO stocks great value at \$1,800 or \$1,900 or \$2,000, \$2,100, as we did in the last quarter.

And in the fullness of time, we're sure we'll be vindicated. We're not really market timers. We try to be in the market all the time, with regular purchases to use up our cash flow and maintain our leverage at a comfortable level.

That said, when the stocks dips, we do sometimes size up our purchases. And we have a lot open on the authorization so that we have the ability to do that, should we choose to ramp up.

So a long way of saying we believe in the stock. We think it's a pretty good value, where it is. And, yes, we have appetite for more.

Kyle Peterson - *Needham & Company - Analyst*

Okay. That's really helpful.

And maybe just a follow up, on the guide. I think looking at from when you, guys, last reported to no, obviously you, guys, are reiterating the guide, it does look like the mortgage environment seems a little worse.

Could you walk us through -- did you, guys, just have maybe a more conservative assumption than the market had in November when you, guys, guided? Or are there any other offsets or moving pieces we should be mindful of that helped offset incremental mortgage softness?

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

I think it's really a combination of two things.

One is I think we did have a more conservative view, less optimistic view of the future of rates, several months ago when we put together the guidance, than the market.

Certainly, at the time we put our guidance out there, people anticipated a lot more rate cuts in '25 than we're likely to get. That is part of it.

And then, I would say on top of that, you have a management team that always wants to hit its numbers. And so we're conservative and we'll do our best estimate and then, we'll haircut it to make sure we come in.

So it's both those things. We had a more conservative view and then, we added conservatism on top of that.

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

Kyle, this is pretty consistent, right?

If we did the same thing last year, if you look back, we guided numbers and people expected in '24, multiple rate cuts that never happened.

So we plan for a situation where -- we're not going to count on something that hasn't happened yet. So we did the same thing here. Frankly, we're probably -- so far, our first-quarter mortgage probably did better than what we had in our guidance because we were so conservative.

So if you plan that way and you guide that way, it gives you a little bit of upside even when things are not as rosy as what the world thinks they might turn out to be.

Kyle Peterson - *Needham & Company - Analyst*

Okay, it's really helpful color. Thank you.

Operator

George Tong, Goldman Sachs.

George Tong - *The Goldman Sachs Group, Inc. - Analyst*

Good afternoon.

With your card and personal loan revenues, they were down 3% year over year in the quarter. Can you talk about, then, the trends that drove this decline?

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

It's what you see in the industry, right? There's a little bit of a pullback in consumer lending.

We also have the -- underneath our numbers, you might see some mix shifts so some of the users that are paying a little higher unit cost might be harder hits in some of the bigger operators that are paying a lower unit cost.

But 3% is in line with what you're seeing in the industry. I think that, typically, is a lighter quarter, anyway. And I think there's there's been a conservativeness among the banks, in terms of lending -- we've seen that in multiple verticals.

George Tong - *The Goldman Sachs Group, Inc. - Analyst*

Got it. That's helpful color.

And then, going back to the Software business. You mentioned seeing lower platform usage in the quarter, can you talk more about some of the key catalysts that can drive higher usage levels?

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

It depends customer by customer. What we saw in some cases, in this quarter, was that the [CCS] that's on platform, it was just less usage. And that could be a number of different things.

Some cases, like I said, sometimes they might reduce usage over the holidays if they don't think there's as much receptiveness to some of those messages or in some cases, they might be pulling back a little bit to save a little bit of money on some things.

It depends on the customer. But, typically, there is some seasonality to that business.

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

And George, remember the [CCS] (inaudible) has a collection of use case and a fraud use case. That varies differently as you grow out the year and different customers have -- some of them have collections, some of them fraud, some of them have both.

So those all play factors in how the usage might go back up.

George Tong - *The Goldman Sachs Group, Inc. - Analyst*

Got it. Helpful. Thank you.

Operator

Jeff Mueller, Robert W. Baird.

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

Thank you. Good afternoon.

Can you just help us understand the typical timeline for mapping ACV bookings into ARR? I get that there's this usage component but are the Q1, Q2 of '24 ACV bookings flowing into ARR now? Or just, like, what's the typical timing?

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

It varies. But, typically, it's at least six months and it's probably more like 9 to 12 month before they're implemented and up-and-running.

So the fact that we had, in the last year -- early last year -- lighter bookings, that means that you're going to have less new stuff coming on the line, right now. And then, that's the result of the bookings that we had last year.

So the bookings that we've done in the last couple of quarters, that bodes well for the latter half of this year, in terms of more ARR growth.

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

Okay --

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

The six- to nine-month lag between the two.

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

Got it.

And the ARR FX headwind, I think you said it was 3 points to platform. Was that year over year or sequential?

I know you've been asked this a million different ways but can you help -- well, if we can get that -- us with any quantification of how much of the platform revenue is driven by usage? Or what it did, sequentially that, the ARR sequential trend for platform is just a pretty striking change?

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

(inaudible) currency basis. So if we had not had changes to the FX, we would have had an extra 3% of ARR this quarter versus last year.

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

Okay Thank you.

Operator

Ashish Sabadra, RBC

Ashish Sabadra - RBC Capital Markets - Analyst

Thanks for taking my question.

I have two clarifying questions. First one on the B2B, when we look at the mortgage auto and card origination revenue, those improved year on year compared to fourth quarter but the overall B2B revenue moderated.

So I was just wondering if you can comment on what caused that softness? Is it pre-screening or some other revenue stream there, within B2B scores?

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Are you talking about Q3 to -- or Q4 to Q1? You're talking about sequentially?

Ashish Sabadra - RBC Capital Markets - Analyst

Yeah. Or if you look at on your growth. Sorry.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Can you maybe restate the question? I'm not sure what question --

Year on year was all up.

Ashish Sabadra - RBC Capital Markets - Analyst

Yeah. So if I look at mortgage origination, those improved from 95% growth to 110%. Auto improved, card improved.

But if I look at B2B revenue growth, it was up, pretty robust, on year on year but the growth moderated from 38% year on year in fourth quarter to 30% in the first quarter.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

The 30%? Again, what's the question? I'm not sure what numbers you're talking about.

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

There's a significant piece of the business that's not originations, right?

Those pieces don't grow anywhere near as fast as some of the origination pieces do.

Ashish Sabadra - RBC Capital Markets - Analyst

That's helpful.

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

The total B2B was up 30% year over year. A lot of the pieces grew very rapidly. But a lot of things like the pre-screen business, the account management business, and some of the international pieces are not growing that rapidly.

So those pieces can fluctuate. If we have a one-time license event with a foreign customer, that might drive a few extra percent of growth in that one quarter. But we didn't have anything particularly like that this year, for this quarter.

Ashish Sabadra - RBC Capital Markets - Analyst

Okay, that's helpful.

Just from a modeling perspective, we were trying to better understand if there are any other puts-and-takes to be cognizant of as we look for the rest of the year.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

There's always some little, not always, but a lot of (inaudible) we have.

One-time license deals that could be a few million dollars and some of those could add a couple percent here or there. But those are hard to predict -- when they're going to happen.

So, really, the most predictable or most modelable numbers to look at are probably around originations. And those have a bigger impact.

Ashish Sabadra - RBC Capital Markets - Analyst

That's very helpful color.

And maybe just a quick one on B2C. It's good to see that inflection and growth there.

I was wondering if you could talk about some of the trends that you're seeing on MyFICO and how should we think about the growth, going forward?

Thanks.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

Obviously, we had some really, really strong growth, right during the all the refi boom that was happening. And then, we had a lot of difficult comps and, now, we're seeing that we've cleared those.

We've done some investing. We talked about this on the call last quarter. We're doing some investing on the B2C side. We're doing some different marketing programs. And we think there's a lot of room for growth there.

It takes some time to do that. But we're excited about our our myFICO business, certainly. And we're investing in that and we hope to see more growth throughout this year.

Ashish Sabadra - *RBC Capital Markets - Analyst*

That's very helpful color. Thanks.

Operator

Alexander Hess, J.P. Morgan.

Alexander Hess - *JPMorgan Chase & Co. - Analyst*

This is Alex, with JPMorgan.

So your guide implies about 15% year-on-year revenue growth, which is about -- where, at a consolidated level, you win in 1Q. Stable from that perspective.

But you, guys, flag that it's conservative and that you, guys, are confident in the guide.

So maybe just thinking outside of mortgage price, are there any new revenue streams that you would call out? I know it's another question on the guide but everybody's trying to square where this confidence comes from.

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

I think, outside of pricing, there's a lot of -- even in terms of some of the volume assumptions we have. There were some really rough quarters last year, in terms of volumes that should, if not, do much better.

We think they'll probably be more of a return to normal. So there's a lot of areas we have -- without going into detail -- where we're pretty confident that we were not going to have any trouble clearing our guidance for the rest of the year.

Alexander Hess - *JPMorgan Chase & Co. - Analyst*

Got it. Understood.

And then, just on the FX side. Can you dimension what the impact was to revenues, specifically on the software and consolidated side?

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

It was all on the software side, essentially. It was in a few particular currencies but I think it was around (inaudible)

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

I'll look for it.

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

We have to get back to that. I don't have the exact number.

Alexander Hess - JPMorgan Chase & Co. - Analyst

Understood. Thank you, all.

Operator

Simon Clinch, Redburn Atlantic.

Simon Clinch - Redburn Atlantic - Analyst

Hi, everyone. Thanks for taking my question.

I wanted to cycle back to the GSEs. There's been some discussion about the potential for the GSEs when they -- should they go private to start employing some cash flow modeling, internally, for their own credit scoring capabilities.

And I was wondering: one, how would that work, first of all? And would FICO still play a part in that scenario, if it were to happen?

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

I don't know how that would work. It's hard for me to imagine these entities going away from the FICO Score.

We have a mortgage system in the United States, which is the envy of the world. And the risks are well understood by the investors. The securitization market works a dream.

And and so it's just very hard for me to imagine them moving away from the FICO Score, which is so effective for supporting the analytics in that market.

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

And frankly, they wouldn't be mutually exclusive, right? They would be complementary.

Simon Clinch - Redburn Atlantic - Analyst

Okay.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

It's always been the case that [Fannie and Freddie] have their own models. It's not just the score, right?

Simon Clinch - Redburn Atlantic - Analyst

Understood. Okay. That's useful. Thank you.

And just a quick question, just on (inaudible). Could you give us an indication of the magnitude of volume growth that you did see in the quarter?

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

No. We don't detail out all that. But you can look at reporting that comes from mortgage bankers and other groups to see what those numbers look like.

Simon Clinch - Redburn Atlantic - Analyst

Okay. Thanks very much.

Operator

Scott Wurtzel, Wolfe Research.

Scott Wurtzel - Wolfe Research - Analyst

Good afternoon. Thank you for taking my questions.

I just wanted to go back to the Software business. It sounds like you're pretty positive on the forward pipeline but if you can dimensionalize how the broader demand environment looks, now, that we've turned the calendar to 2025?

Budgets are reset. Just characterize, maybe, the demand environment and how budgets are looking, relative last year.

Thanks.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

We don't see a tremendous amount of change in appetite for our products from a demand side.

Years ago, our point solution applications were under more budget pressure where the kinds of things that sometimes got deferred.

I think that the strategic nature of the platform transcends that. And so, not that we're not affected by the fiscal environment of our customers but it is a high-level decision. It is strategic for our customers. And so we have not experienced a lot of slowdown there.

Scott Wurtzel - Wolfe Research - Analyst

That's helpful.

And then just a quick clarification. Just on the on the scores margins. It's all a step down there, quarter over quarter, year over year, with notable uptick year over year in expenses.

Just wondering if you can give a little bit of context around that. Was there anything to do with mix? Anything around that would be helpful.

Will Lansing - Fair Isaac Corp. - Chief Executive Officer

No, there's a little bit more spend on the B2C side. So the B2C side has a different cost structure and we're inducing -- we're doing a little bit of investment there and doing some things to -- in terms of marketing.

Scott Wurtzel - *Wolfe Research - Analyst*

Great. Thanks, guys.

Operator

Matthew O'Neill, FT Partners.

Matthew O'Neill - *FT Partners - Analyst*

Hi. Good afternoon. Thanks so much for taking my question.

A lot of good questions ask and answer. In particular, on the guide and outlook for the remainder of the year.

So I think maybe we could spend a moment or two digging in further on the press release out today. On the study done with Affirm and maybe give us a little bit more of a view on the longer-term integration of buy now, pay later into the FICO modeling and how that may develop and and and so forth.

Thank you.

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

Buy now, pay later, as you know, is popular and growing. The bureaus don't have consistent treatment and in terms of how they use it. Is their (inaudible) and understanding the consumer (inaudible) behavior on buy now, pay later? Absolutely.

And so we've been working with Affirm, with their data and ours, to see how we can extract a little more prediction out of incorporating the buy now, pay later data, along with other elements of the credit file and into the FICO Score.

In the future, we will be doing that. We're pretty excited about it. Any time you can bring alternative data data that hasn't, historically, resided in the credit file to the decision, you're going to get a better decision.

And so for us, this is an opportunity for our customers. It's a great thing. It's early days still. I don't think that we have maturity around how the data will be handled across the bureaus. And so we're working on that.

Matthew O'Neill - *FT Partners - Analyst*

Got it. Thank you so much.

As a quick follow up, have any other players in the space volunteered for the invitation in the press release?

Will Lansing - *Fair Isaac Corp. - Chief Executive Officer*

We've been working with Affirm for quite a while.

Matthew O'Neill - *FT Partners - Analyst*

Got it. Thanks, again.

Operator

Thank you. I'm not showing any further questions in the queue.

I'd like to turn the call over to David for the closing remarks.

David Singleton - *Fair Isaac Corp. - Vice President - Investor Relations*

Thank you.

I'll just comment on -- Alex asked a question about FX's impact on revenues.

So the number was \$3 million for total revenue. It's about 1% of total revenue or about 1.5% of Software revenue.

But, overall, thanks everyone for attending the earnings call today.

Please stay tuned to fico.com and LinkedIn to keep up to date on the latest news, as we kick into our FICO World Event.

Thank you very much.

Operator

Goodbye.

Thank you for your participation during today's conference.

This does conclude the program. You may now disconnect. Everyone, have a great day.

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