

FAIR ISAAC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	<u>March 31,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 108,966	\$ 106,426
Accounts receivable, net	307,307	297,427
Prepaid expenses and other current assets	67,398	51,853
Total current assets	<u>483,671</u>	<u>455,706</u>
Marketable securities and investments	21,138	21,865
Property and equipment, net	59,491	53,027
Operating lease right-of-use-assets	87,142	-
Goodwill and intangible assets, net	815,827	817,681
Other assets	84,863	85,169
	<u>\$ 1,552,132</u>	<u>\$ 1,433,448</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 87,911	\$ 55,572
Accrued compensation and employee benefits	68,507	106,240
Deferred revenue	114,406	111,016
Current maturities on debt	209,000	218,000
Total current liabilities	<u>479,824</u>	<u>490,828</u>
Long-term debt	738,632	606,790
Operating lease liabilities	77,485	-
Other liabilities	42,040	46,063
Total liabilities	<u>1,337,981</u>	<u>1,143,681</u>
Stockholders' equity	214,151	289,767
	<u>\$ 1,552,132</u>	<u>\$ 1,433,448</u>

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

	Quarter Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Revenues:				
Transactional and maintenance	\$ 240,702	\$ 211,779	\$ 461,076	\$ 405,972
Professional services	47,905	50,555	91,930	91,363
License	19,364	15,900	53,469	43,155
Total revenues	<u>307,971</u>	<u>278,234</u>	<u>606,475</u>	<u>540,490</u>
Operating expenses:				
Cost of revenues	88,139	85,568	178,897	161,634
Research & development	39,439	37,684	78,382	73,110
Selling, general and administrative	103,465	104,930	215,486	205,188
Amortization of intangible assets	1,202	1,503	2,998	3,005
Restructuring and acquisition-related	-	-	3,104	-
Total operating expenses	<u>232,245</u>	<u>229,685</u>	<u>478,867</u>	<u>442,937</u>
Operating income	75,726	48,549	127,608	97,553
Other expense, net	(13,262)	(8,575)	(23,249)	(20,423)
Income before income taxes	62,464	39,974	104,359	77,130
Income tax provision (benefit)	4,176	6,593	(8,850)	3,742
Net income	<u>\$ 58,288</u>	<u>\$ 33,381</u>	<u>\$ 113,209</u>	<u>\$ 73,388</u>
Basic earnings per share:	<u>\$ 2.00</u>	<u>\$ 1.15</u>	<u>\$ 3.89</u>	<u>\$ 2.53</u>
Diluted earnings per share:	<u>\$ 1.94</u>	<u>\$ 1.10</u>	<u>\$ 3.76</u>	<u>\$ 2.42</u>
Shares used in computing earnings per share:				
Basic	<u>29,194</u>	<u>29,074</u>	<u>29,109</u>	<u>29,017</u>
Diluted	<u>29,985</u>	<u>30,259</u>	<u>30,076</u>	<u>30,297</u>

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

	Six Months Ended	
	March 31,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 113,209	\$ 73,388
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,535	15,786
Share-based compensation	45,933	42,336
Changes in operating assets and liabilities	(66,649)	(36,624)
Other, net	13,831	1,760
Net cash provided by operating activities	121,859	96,646
Cash flows from investing activities:		
Purchases of property and equipment	(13,166)	(10,644)
Net activity from marketable securities	(1,847)	(2,129)
Other, net	55	-
Net cash used in investing activities	(14,958)	(12,773)
Cash flows from financing activities:		
Proceeds from revolving line of credit	156,000	138,000
Payments on revolving line of credit	(377,000)	(80,000)
Proceeds from issuance of senior notes	350,000	-
Proceeds from issuances of common stock	23,216	12,850
Taxes paid related to net share settlement of equity awards	(97,000)	(48,470)
Repurchases of common stock	(148,008)	(119,723)
Other, net	(7,552)	-
Net cash used in financing activities	(100,344)	(97,343)
Effect of exchange rate changes on cash	(4,017)	332
Increase (decrease) in cash and cash equivalents	2,540	(13,138)
Cash and cash equivalents, beginning of period	106,426	90,023
Cash and cash equivalents, end of period	\$ 108,966	\$ 76,885

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

	Quarter Ended		Six Months Ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Applications revenues:				
Transactional and maintenance	\$ 97,789	\$ 97,074	\$ 196,626	\$ 194,239
Professional services	35,134	35,981	69,157	67,443
License	7,356	8,760	26,674	27,792
Total applications revenues	<u>\$ 140,279</u>	<u>\$ 141,815</u>	<u>\$ 292,457</u>	<u>\$ 289,474</u>
Scores revenues:				
Transactional and maintenance	\$ 127,610	\$ 102,363	\$ 235,056	\$ 187,184
Professional services	819	901	1,083	1,602
License	719	1,139	8,147	1,300
Total scores revenues	<u>\$ 129,148</u>	<u>\$ 104,403</u>	<u>\$ 244,286</u>	<u>\$ 190,086</u>
Decision Management Software revenues:				
Transactional and maintenance	\$ 15,303	\$ 12,342	\$ 29,394	\$ 24,549
Professional services	11,952	13,673	21,690	22,318
License	11,289	6,001	18,648	14,063
Total decision management software revenues	<u>\$ 38,544</u>	<u>\$ 32,016</u>	<u>\$ 69,732</u>	<u>\$ 60,930</u>
Total revenues:				
Transactional and maintenance	\$ 240,702	\$ 211,779	\$ 461,076	\$ 405,972
Professional services	47,905	50,555	91,930	91,363
License	19,364	15,900	53,469	43,155
Total revenues	<u>\$ 307,971</u>	<u>\$ 278,234</u>	<u>\$ 606,475</u>	<u>\$ 540,490</u>

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

	Quarter Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
GAAP net income	\$ 58,288	\$ 33,381	\$ 113,209	\$ 73,388
Amortization of intangible assets	1,202	1,503	2,998	3,005
Restructuring and acquisition-related	-	-	3,104	-
Stock-based compensation expense	22,788	20,482	45,933	42,336
Income tax adjustments	(6,045)	(5,594)	(12,807)	(11,813)
Excess tax benefit	(11,925)	(2,501)	(33,943)	(15,734)
Non-GAAP net income	<u>\$ 64,308</u>	<u>\$ 47,271</u>	<u>\$ 118,494</u>	<u>\$ 91,182</u>
GAAP diluted earnings per share	\$ 1.94	\$ 1.10	\$ 3.76	\$ 2.42
Amortization of intangible assets	0.04	0.05	0.10	0.10
Restructuring and acquisition-related	-	-	0.10	-
Stock-based compensation expense	0.76	0.68	1.53	1.40
Income tax adjustments	(0.20)	(0.18)	(0.43)	(0.39)
Excess tax benefit	(0.40)	(0.08)	(1.13)	(0.52)
Non-GAAP diluted earnings per share	<u>\$ 2.14</u>	<u>\$ 1.56</u>	<u>\$ 3.94</u>	<u>\$ 3.01</u>
Free cash flow				
Net cash provided by operating activities	\$ 61,494	\$ 47,789	\$ 121,859	\$ 96,646
Capital expenditures	(6,667)	(4,170)	(13,167)	(10,644)
Free cash flow	<u>\$ 54,827</u>	<u>\$ 43,619</u>	<u>\$ 108,692</u>	<u>\$ 86,002</u>

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

About Non-GAAP Financial Measures

To supplement the consolidated GAAP financial statements, the company uses the following non-GAAP financial measures: non-GAAP net income, non-GAAP EPS, and free cash flow. Non-GAAP net income and non-GAAP EPS exclude the impact of amortization expense, share-based compensation expense, restructuring and acquisition-related, excess tax benefit, and adjustment to tax valuation allowance items. Free cash flow excludes capital expenditures and dividends paid. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

Management uses these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain items that may not be indicative of recurring business results including significant non-cash expenses. We believe management and investors benefit from referring to these non-GAAP financial measures in assessing our performance when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to historical performance and liquidity as well as comparisons to our competitors' operating results. We believe these non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key measures used by management in its financial and operating decision-making.