FICO (NYSE: FICO)

Consilium Reports Equity Research

Executive Summary

Fair Isaac Corporation, better known as FICO, is one of the most economically powerful analytics companies in the financial system. Its flagship FICO Score has become deeply embedded in U.S. consumer lending, while its Software segment provides decisioning, analytics, fraud management, optimization, and customer-management technology to enterprises worldwide.

FICO generated approximately **$1.99 billion in revenue during fiscal 2025**, up 16% year over year. The Scores segment produced approximately **$1.17 billion**, representing 59% of revenue, while Software generated approximately **$822 million**, representing 41%. Scores operating margins were an exceptional **88%**, illustrating the economics of a standardized intellectual-property product with enormous distribution and limited incremental cost.

Momentum strengthened further during fiscal 2026. Third-quarter revenue reached **$674.2 million**, up 26% year over year. Scores revenue increased 41% to $458.9 million, driven primarily by higher mortgage origination score pricing, while Software revenue increased 2% to $215.3 million. Software annual recurring revenue increased 10%, and platform ARR rose 62%. Management subsequently raised full-year fiscal 2026 revenue guidance to **$2.53 billion**.

The investment thesis centers on one of the strongest economic moats in financial services. FICO's credit score has become an industry standard incorporated into underwriting models, regulatory frameworks, securitization markets, mortgage processes, lender policies, and consumer behavior. This embedded position gives FICO unusually strong pricing power.

At the same time, the company is attempting to build a second compounder through FICO Platform, which allows businesses to build, deploy, automate, and monitor sophisticated decisioning applications.

The central risk is also obvious: FICO's profitability and valuation increasingly depend on the durability of its pricing power in Scores. Regulatory scrutiny, alternative credit models, lender resistance, or structural changes to mortgage-score requirements could challenge that power.

Nevertheless, FICO remains one of the clearest examples of a financial-data monopoly-like franchise paired with a scalable enterprise software platform.

Why This Company Matters

FICO matters because its product helps determine who receives credit and at what price.

For decades, lenders have used FICO Scores to evaluate consumer credit risk across:

- Mortgages
- Credit cards
- Auto loans
- Personal loans
- Consumer finance
- Other lending products

The score effectively compresses a complicated credit history into a standardized number that financial institutions can use consistently.

That standardization created enormous value.

A lender does not need to construct a completely independent risk-scoring methodology every time it evaluates a consumer. FICO provides a common framework that has already been tested, validated, understood, and incorporated across the financial system.

The result is significant institutional inertia.

Banks understand the score.

Investors understand it.

Regulators understand it.

Consumers recognize it.

Mortgage institutions have historically relied on it.

Credit bureaus distribute it.

That combination makes FICO difficult to displace.

Investment Thesis

The FICO investment thesis rests on five major pillars.

1. Scores Is an Exceptional Economic Franchise

FICO's Scores segment produces extraordinary margins.

During fiscal 2025, Scores generated approximately $1.17 billion of revenue and $1.03 billion of segment operating income, equal to an approximately **88% operating margin**.

Very few public companies operate businesses with economics this strong.

Once the scoring models are developed, incremental score distribution requires relatively little additional cost.

2. Pricing Power Remains Significant

FICO has repeatedly increased prices for certain score products.

Fiscal 2026 provides a particularly clear demonstration. Third-quarter B2B Scores revenue increased 49%, driven primarily by a higher mortgage origination scores unit price.

The ability to increase pricing without causing widespread customer abandonment demonstrates the depth of FICO's competitive position.

3. FICO Is Embedded Across Financial Infrastructure

The FICO Score is not merely a consumer brand.

It is incorporated into:

- underwriting systems
- lender policy
- investor frameworks
- securitization
- mortgage workflows
- credit bureau products
- regulatory processes

Removing it would require substantial institutional change.

4. Software Provides a Second Growth Engine

FICO Software gives customers tools for fraud detection, decision automation, credit management, analytics, optimization, customer communications, and other mission-critical processes.

The company is transitioning customers toward FICO Platform, its cloud-based decisioning architecture.

Platform ARR increased **62% year over year** as of June 30, 2026.

5. Capital Allocation Is Aggressive

FICO generates significant free cash flow and uses much of that capital to repurchase shares.

During fiscal 2025, the company repurchased approximately **$1.4 billion** of stock.

Shrinking the share count allows earnings per share to compound faster than net income if repurchases are executed at reasonable valuations.

Company Overview

Fair Isaac Corporation was founded in **1956** by mathematician Bill Fair and engineer Earl Isaac.

The company is headquartered in Bozeman, Montana and serves customers around the world.

FICO operates through two primary segments:

Scores

The Scores segment develops and distributes predictive credit-risk scores.

Its products include:

- FICO Scores sold to lenders
- mortgage-related scores
- credit-card scores
- auto lending scores
- insurance-related scoring
- consumer-facing scores
- myFICO products

Software

The Software segment provides analytics and enterprise decision-management solutions.

Major capabilities include:

- decision automation
- fraud detection
- optimization
- credit lifecycle management
- customer communications
- collections
- analytics

- AI-enabled decisioning
- cloud-based FICO Platform applications

Together, these businesses combine an extremely mature intellectual-property franchise with a more conventional software growth platform.

Company History

FICO was founded in 1956 when Bill Fair and Earl Isaac created a company focused on using mathematics and statistical techniques to improve business decisions.

The company became a pioneer in predictive analytics decades before data science became a mainstream corporate discipline.

Its most important development was the expansion of standardized consumer credit scoring.

FICO Scores gradually became widely adopted by lenders because they provided a consistent method for assessing the probability that a borrower would repay debt.

The company's importance increased as consumer lending expanded and financial institutions automated underwriting.

FICO went public in **July 1987** and later moved its listing to the New York Stock Exchange in 1996.

Over time, FICO expanded beyond credit scoring through software products focused on analytics, optimization, fraud detection, and automated decisioning.

Today, the company increasingly markets itself as a decision-intelligence company rather than merely a credit-score provider.

Products & Services

FICO Scores

The company's core product measures consumer credit risk.

FICO generates revenue when scores are used across lending and consumer-credit applications.

Mortgage Scores

Mortgage lenders purchase scores during underwriting.

This category has become particularly important because FICO can charge per-score fees on a large number of mortgage-related credit pulls.

Credit Card Scores

Card issuers use scores for:

- origination
- account management
- credit-line decisions
- portfolio monitoring

Auto Lending Scores

Auto lenders use specialized scoring products to evaluate borrowers.

Consumer Scores

Consumers can purchase FICO scores and monitoring services through myFICO and other channels.

FICO Platform

FICO Platform provides an enterprise architecture for building and deploying decisioning applications.

Customers can integrate:

- data
- rules
- optimization
- machine learning
- predictive analytics
- AI models

into automated decision workflows.

Fraud Solutions

FICO provides systems designed to detect payment fraud and suspicious behavior.

Customer Management

Banks use FICO technology for:

- collections
- credit-line management
- customer communications
- account treatment
- retention

Optimization

FICO uses mathematical optimization techniques to help customers determine the best action among large numbers of possible decisions.

Business Model

FICO operates two fundamentally different economic models.

Scores

Scores primarily behaves like an intellectual-property licensing business.

FICO develops scoring methodologies, while credit bureaus and other distribution partners provide scores to lenders and consumers.

FICO receives revenue each time its intellectual property is used.

This business has extremely low incremental costs.

That explains the segment's approximately 88% fiscal 2025 operating margin.

Scores revenue is driven by:

- pricing
- lending volumes
- mortgage originations
- credit inquiries
- consumer demand
- score adoption

Software

Software operates more like an enterprise software business.

Revenue comes from:

- SaaS subscriptions
- on-premises software
- usage-based fees
- maintenance
- licenses
- professional services

Fiscal 2025 Software revenue included approximately **$740 million of on-premises and SaaS software revenue** and approximately **$82 million of professional services revenue**.

FICO is increasingly emphasizing recurring cloud-based platform revenue.

Revenue Breakdown

FICO generated approximately **$1.991 billion** in fiscal 2025 revenue.

Scores

Revenue: $1.169 billion

Approximately **59% of total revenue**.

Revenue increased 27% from fiscal 2024.

Growth was primarily driven by higher B2B scores revenue, including pricing and mortgage activity.

Software

Revenue: $822 million

Approximately **41% of total revenue**.

Software revenue increased approximately 3% during fiscal 2025.

Within Software:

On-premises and SaaS software: approximately $740 million
Professional services: approximately $82 million

The revenue mix has increasingly shifted toward Scores because Scores has grown much faster than Software.

In fiscal 2023, Scores represented approximately 51% of revenue.

By fiscal 2025, it represented approximately 59%.

That shift has significantly improved consolidated profitability.

Customer Analysis

FICO primarily sells to sophisticated institutional customers.

Important categories include:

- banks
- credit unions
- mortgage lenders
- credit card issuers
- auto lenders
- insurers
- fintech companies
- telecommunications companies
- retailers
- healthcare organizations
- government entities

The company's customer relationships are unusually durable because its products often sit inside high-stakes operational workflows.

A large bank does not casually change its underwriting model.

Models require:

- validation
- historical testing
- compliance review
- operational integration
- risk governance
- board oversight
- regulatory review

This makes institutional switching significantly more complex than purchasing ordinary software.

Consumers also indirectly reinforce FICO's position because the term “FICO Score” has become synonymous with credit scoring in the United States.

Brand recognition therefore reinforces institutional adoption.

Industry Overview

FICO operates across two industries:

- credit-risk analytics
- enterprise decision software

Credit scoring is highly concentrated.

The three largest U.S. credit bureaus—Equifax, Experian, and TransUnion—collect credit information, while FICO provides the scoring methodology used to interpret much of that information.

This structure gives FICO an unusual position.

It does not need to maintain the underlying credit bureau itself.

Instead, it owns the analytical standard.

The enterprise decisioning market is far more competitive.

Organizations increasingly require technology that can combine:

- machine learning
- artificial intelligence
- rules engines
- data
- optimization
- analytics

to automate business decisions.

FICO Platform competes within this broader decision-intelligence market.

Competitive Landscape

FICO faces different competitors across its two segments.

Scores Competition

The most significant alternative scoring system is **VantageScore**, which was created by Equifax, Experian, and TransUnion.

FICO also faces competition from:

- proprietary bank models
- alternative-data models
- fintech underwriting algorithms
- specialized credit-risk providers
- machine-learning systems

The key competitive battle is not whether another company can mathematically produce a useful credit score.

Many can.

The key issue is whether an alternative can achieve the institutional acceptance, historical validation, regulatory recognition, and market familiarity of FICO.

That is substantially harder.

Software Competition

Software competition includes:

- SAS
- Experian
- NICE
- Pegasystems
- Salesforce
- Palantir
- cloud vendors
- specialized fraud platforms
- internal enterprise technology teams

Software therefore possesses a weaker moat than Scores.

FICO's advantage is its expertise in high-value decisioning and financial risk.

Economic Moat

FICO possesses one of the strongest moats among financial-data companies.

Industry Standardization

FICO Score has become deeply standardized.

Once an industry organizes underwriting and regulation around a particular metric, replacing that standard becomes difficult.

Switching Costs

Lenders have decades of historical data tied to FICO Scores.

Changing models can require significant redevelopment and validation.

Brand Recognition

Consumers understand the FICO brand.

This creates unusual consumer awareness for a product primarily sold business-to-business.

Historical Data

FICO scores have been used across multiple credit cycles.

This historical performance makes the methodology attractive to risk managers.

Regulatory and Institutional Acceptance

FICO's long-standing use throughout the mortgage and banking systems strengthens the moat.

Intellectual Property

FICO owns scoring methodologies, analytics expertise, patents, and software technology.

Distribution

Relationships with credit bureaus create efficient distribution across the financial ecosystem.

The moat is strongest in Scores and significantly weaker in Software.

Management & Capital Allocation

Will Lansing serves as FICO's chief executive officer.

Management has focused heavily on:

- Scores monetization
- FICO Platform adoption
- margin expansion
- recurring software revenue
- share repurchases

Capital allocation is unusually aggressive.

Rather than paying a significant dividend or pursuing large-scale acquisition programs, FICO has historically returned substantial amounts of cash through buybacks.

During fiscal 2025, the company repurchased approximately **0.8 million shares for $1.4 billion**.

That strategy can produce powerful EPS growth because FICO combines:

- rising net income
- extremely strong free cash flow
- declining share count

However, repurchases also create valuation risk.

Buying back stock at extremely high valuation multiples can destroy some shareholder value even if the underlying company remains excellent.

Management's willingness to monetize Scores aggressively has also attracted controversy.

From a shareholder perspective, pricing demonstrates exceptional economic power.

From a customer and regulatory perspective, continued large price increases could eventually increase pressure for alternatives.

Financial Analysis

FICO's financial transformation has been dramatic.

Revenue increased from:

Fiscal 2023: approximately $1.514 billion
Fiscal 2024: approximately $1.718 billion
Fiscal 2025: approximately $1.991 billion

Fiscal 2025 revenue increased **16%**.

Operating income reached approximately **$925 million**, up 26% year over year.

Net income reached approximately **$652 million**, up 27%.

Diluted EPS increased 30% to **$26.54**.

Operating cash flow reached approximately **$779 million**.

The Scores segment is responsible for much of the margin expansion.

Fiscal 2025 Scores operating income reached approximately **$1.026 billion** on $1.169 billion of revenue.

Software produced approximately **$248 million** of operating income on $822 million of revenue.

Fiscal 2026 has accelerated further.

Third-quarter revenue increased 26% to **$674.2 million**.

GAAP net income reached **$237.2 million**, and diluted EPS reached **$10.45**.

Free cash flow reached approximately **$370 million** for the quarter.

Management raised fiscal 2026 guidance to:

Revenue: $2.53 billion
GAAP Net Income: $850 million
GAAP EPS: $36.86
Non-GAAP EPS: $42.43

The financial profile is exceptional.

The major question is how long the current rate of Scores pricing growth can continue.

Growth Drivers

Scores Pricing

Pricing remains the single most powerful near-term earnings driver.

Because Scores carries extremely high incremental margins, price increases disproportionately increase operating income.

Mortgage Activity

Higher mortgage origination and refinancing volumes create additional score transactions.

A housing-market recovery could therefore increase Scores volumes.

FICO Score 10T

FICO is pushing adoption of newer scoring models.

As of July 2026, FICO reported that more than **70 mortgage lenders** had adopted or were using FICO Score 10T in some capacity.

New score generations help maintain technological relevance.

FICO Platform

The company is consolidating decisioning tools onto FICO Platform.

Platform ARR grew **62% year over year** as of June 2026.

If this growth persists, Software could eventually reaccelerate.

Artificial Intelligence

AI increases demand for sophisticated decisioning systems.

FICO can combine AI with:

- rules
- analytics
- optimization
- risk management
- governance

Its positioning around responsible and explainable AI may be particularly relevant in regulated industries.

Fraud Detection

Increasing digital payments and online financial activity create greater need for real-time fraud detection.

International Expansion

FICO serves customers across dozens of countries and can expand scoring and software products internationally.

Cross-Selling

Existing banking relationships give FICO opportunities to sell software products alongside scoring relationships.

Risks & Challenges

Regulatory Pressure

FICO's pricing power may eventually attract stronger regulatory attention.

Because credit scores are embedded in mortgage and financial systems, significant price increases can become politically sensitive.

VantageScore

The primary structural competitive threat is broader adoption of VantageScore.

If mortgage agencies, regulators, banks, and investors become comfortable using competing scores, FICO's pricing power could weaken.

Mortgage Dependence

Mortgage volumes can fluctuate sharply with interest rates and housing activity.

Pricing Backlash

FICO's strongest advantage may also create its greatest risk.

Aggressive price increases encourage customers to search for alternatives.

Software Competition

The Software segment competes in a crowded market containing many highly capitalized technology companies.

Artificial Intelligence

AI could strengthen FICO's software products, but it could also make sophisticated credit analytics easier for competitors to build.

Valuation Risk

FICO shares have historically traded at premium earnings multiples.

Even excellent operating performance may produce poor investment returns if valuation compresses significantly.

Debt and Buybacks

Heavy share repurchases can increase leverage.

Repurchasing shares at elevated valuations creates capital-allocation risk.

Model Risk

Scoring systems must remain predictive across changing economic conditions and consumer behaviors.

A deterioration in model performance could damage FICO's reputation.

SWOT Analysis

Strengths

- Dominant credit scoring brand
- Extremely high Scores margins
- Exceptional pricing power
- Embedded institutional relationships
- Strong free cash flow
- High switching costs
- Extensive historical validation
- Strong software capabilities
- Powerful consumer brand recognition

Weaknesses

- Heavy dependence on Scores economics
- Software growth has been comparatively modest
- Aggressive share repurchases
- Exposure to mortgage activity
- Limited diversification relative to larger data companies
- Increasing regulatory scrutiny

Opportunities

- FICO Score 10T
- Mortgage normalization
- FICO Platform
- Artificial intelligence
- Fraud management
- International expansion
- Alternative data
- Decision automation
- SaaS adoption

Threats

- VantageScore
- regulatory intervention
- lender resistance to pricing
- fintech underwriting models
- artificial intelligence competitors
- mortgage weakness
- valuation compression
- new regulatory credit-scoring frameworks

Bull Case

In the bull case, FICO's Scores franchise remains effectively indispensable.

Financial institutions continue accepting higher pricing because the operational and regulatory cost of switching remains greater than the cost of FICO's fees.

FICO Score 10T strengthens the company's position in mortgage lending.

Mortgage volumes recover, providing a combination of higher units and higher prices.

Scores margins remain near extraordinary historical levels.

Meanwhile, FICO Platform becomes a major enterprise decisioning platform.

Platform ARR continues growing at double-digit or substantially higher rates, allowing Software growth to reaccelerate.

AI increases demand for governed, explainable decision systems rather than commoditizing FICO technology.

Free cash flow expands dramatically.

Management continues repurchasing shares, producing EPS growth well above revenue growth.

Under this scenario, FICO remains one of the highest-quality compounders in the financial technology sector.

Base Case

In the base case, FICO retains its dominant scoring position but pricing growth gradually moderates.

Scores revenue continues expanding through a combination of modest volume growth, price increases, and adoption of newer score products.

VantageScore gains some share but fails to materially disrupt FICO's core lender relationships.

Software grows at a mid-single-digit rate, while FICO Platform gradually becomes a larger portion of the segment.

Operating margins remain exceptionally strong.

Free cash flow continues rising.

Share repurchases reduce the share count and support double-digit EPS growth.

The company remains a superior business, though investment returns become more dependent on starting valuation.

Bear Case

In the bear case, FICO's pricing strategy accelerates adoption of competitors.

Regulators or housing agencies increase support for VantageScore or alternative credit models.

Large lenders begin negotiating more aggressively or redesigning underwriting systems to reduce dependence on FICO.

Mortgage volumes remain weak.

Scores pricing growth slows dramatically.

Software fails to produce enough growth to offset weakening Scores economics.

At the same time, FICO continues repurchasing expensive shares, reducing capital efficiency.

Valuation multiples contract as investors conclude that Scores no longer deserves monopoly-like expectations.

Under this scenario, earnings could remain profitable and substantial while shareholder returns deteriorate significantly.

Long-Term Outlook

FICO's long-term future depends on whether being the industry standard remains more important than being the cheapest scoring solution.

Today, the answer appears to be yes.

Financial markets value consistency.

Banks value historical validation.

Regulators value proven methodologies.

Investors value comparable risk measures.

Consumers recognize the FICO brand.

All of these factors reinforce one another.

That creates tremendous durability.

However, standards can change.

FICO therefore cannot rely exclusively on institutional inertia.

It must continue improving its scoring methodologies while demonstrating that newer models such as FICO Score 10T provide superior predictive performance.

Software is equally important strategically.

A successful FICO Platform transition would give the company another source of recurring growth and reduce dependence on Scores.

The most attractive long-term outcome is therefore not merely continued credit-score pricing.

It is FICO becoming the central decision-intelligence layer for financial institutions.

That would combine one of the strongest financial-data franchises in existence with a scalable enterprise software platform.

Consilium Scorecard

Business Quality: 9.5/10

The Scores business is among the highest-quality economic franchises in the public market.

Economic Moat: 9.5/10

Institutional standardization, switching costs, historical data, brand recognition, and regulatory integration create formidable barriers.

Growth Potential: 8.5/10

Pricing, Score 10T, mortgage normalization, FICO Platform, AI, and international expansion provide substantial growth opportunities.

Financial Strength: 9.5/10

FICO produces exceptional margins, free cash flow, and earnings growth.

Management & Capital Allocation: 8.5/10

Management has monetized the Scores franchise extremely effectively and aggressively reduced the share count, though high-priced buybacks deserve scrutiny.

Risk Profile: 7.5/10

Regulation, VantageScore, pricing backlash, mortgage exposure, and valuation represent meaningful risks.

Long-Term Durability: 9/10

FICO remains deeply embedded in the financial system, although continued dominance cannot be assumed indefinitely.

Overall Consilium Score: 9.0/10

Final Conclusion

FICO is one of the rare companies where the economic moat is visible directly in the income statement.

Fiscal 2025 Scores margins of approximately 88% reveal the underlying reality: FICO owns an intellectual-property product that the financial system considers important enough to purchase repeatedly despite extremely low incremental production costs.

That is an extraordinary business.

Fiscal 2026 has only strengthened the argument.

Third-quarter revenue increased 26%, Scores revenue increased 41%, free cash flow reached approximately $370 million, and management increased annual revenue guidance to $2.53 billion.

The most important question is not whether FICO has pricing power.

It clearly does.

The question is how aggressively the company can exercise that power before customers, competitors, or regulators successfully push back.

This tension defines the investment.

Every major price increase creates tremendous near-term shareholder value while simultaneously strengthening the incentive for the financial system to develop alternatives.

For now, the moat remains exceptionally strong.

FICO's scale, brand, historical validation, lender integration, and regulatory position make displacement difficult.

Software provides additional optionality. FICO Platform's rapid ARR growth suggests the company may eventually create a meaningful second growth engine that is less dependent on credit scoring.

FICO therefore represents an unusual combination: a monopoly-like financial-data franchise, extraordinary margins, powerful free cash flow, aggressive capital returns, and a developing enterprise software platform.

The company deserves one of the highest business-quality scores in the Consilium universe.

The principal caution is valuation and the sustainability of Scores pricing.

The business can remain outstanding even when the stock does not offer an attractive entry point.

For long-term investors, FICO should therefore be viewed as a premier compounder whose competitive moat is exceptional—but whose success has become sufficiently visible that price discipline remains essential.

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