

MITUXA

Beyond the obvious

FICO - What Is Pricing Power Worth When Customers Have a Choice?

Research | September 14, 2026 | NYSE: FICO | USD

Investment Snapshot

MITUXA rating: WATCHLIST for new purchases. Investment horizon: 3-5 years. Risk: elevated valuation and financial execution risk. Conviction: moderate.

FICO remains worth following for the quality of its business. The investment question is how much to pay for earnings supported by price increases and share repurchases as competition gains access to the mortgage market.

Our fixed reference price is **\$985.39, the September 11 closing price**. This is not a live quote for September 14. [Reference price](#).

Working central valuation range: \$1,050-\$1,130. The implied discount is approximately 6%-13%. Requiring a 25% margin of safety places our reassessment range at **\$790-\$850**, provided the thesis remains intact. These are MITUXA estimates, not consensus forecasts, guarantees, or automatic buy levels.

The Business and the Problem It Solves

Founded in 1956 by Bill Fair and Earl Isaac, FICO has been led by Will Lansing since 2012. Its origins lie in applying quantitative methods to business decisions. [History and leadership](#).

Scores provides credit risk assessments. Software helps businesses execute decisions, manage risk, and combat fraud. The customer benefit is better decision-making at scale. [Business description](#).

MITUXA view: a credit model's value includes trust, validation, and integration into operating processes. A bank must assess the full cost of switching: adapting workflows, testing outcomes, and accepting responsibility for different decisions. That friction can protect an established position, but it does not eliminate competition.

The Obvious: A Profitable Business

Reported - quarter ended June 2026:

Metric	Result
Revenue	\$674.2 million; +26%
Scores revenue	\$458.9 million; +41%
Software revenue	\$215.3 million; +2%
GAAP net income	\$237.2 million
GAAP EPS	\$10.45

Higher mortgage score prices were the main B2B growth driver. **Management's fiscal 2026 guidance:** revenue of \$2.53 billion and GAAP EPS of \$36.86. These are forecasts, not realized results. [Official results](#).

Beyond the Obvious: Defending Distribution

Direct licensing allows resellers to calculate and distribute scores. FICO reported agreements with resellers representing approximately 60% of U.S. mortgage volume. Commercial reach does not equal volume already converted to the program. [Investor presentation, page 8](#).

MITUXA hypothesis: changing distribution could increase FICO's share of the economics without proportionately increasing the customer's final bill. This offers another way to defend pricing power. Evidence should emerge through revenue per transaction, channel usage, and customer retention.

The central question is whether FICO can preserve economic value when customers gain a choice. Lasting leadership can coexist with a loss of exclusivity. Valuation must nevertheless account for that change.

Software: Real Growth Through a Transition

Management indicates platform annual recurring revenue growth in the mid-30% range excluding migrations. Expansion therefore extends beyond moving customers from legacy products. [Investor presentation, page 20](#).

MITUXA view: the platform could become a meaningful second growth engine. Shareholder value depends on whether new customers and use cases offset the decline in older products and the cost of commercial expansion. We do not automatically assign a high-growth software multiple to the entire segment.

Financial Quality and Capital Discipline

Over the nine months, free cash flow reached \$750 million, stock-based compensation \$142 million, and repurchases \$3.046 billion. The carrying value of debt in June was \$5.582 billion, against \$305 million in cash and investments. [Financial statements](#).

MITUXA assessment: cash generation is a strength, but repurchases exceeding internally generated funds shift risk onto the balance sheet. A prudent model should fund future buybacks from cash available after business needs, without assuming continued debt expansion. Equity compensation is an economic cost and should not disappear from valuation simply because it is a non-cash adjustment.

Competition: What Has Changed

On September 9, the FHFA expanded VantageScore 4.0 availability to all Fannie Mae- and Freddie Mac-approved lenders for eligible loans, removing the requirement for specific prior approval. The alternative has become more accessible operationally. [FHFA - Credit Scores](#).

This does not establish an equivalent loss of FICO revenue. Adoption speed, pricing, the use of multiple models, and FICO's commercial response will determine the impact. Nor do we consider universal model superiority established by any competitor's marketing materials.

Valuation: Two Perspectives and Their Limits

1. Earnings per Share Over Three Years

We start with forecast GAAP EPS of \$36.86. The formula is $\text{EPS} \times (1 + \text{growth})^3 \times \text{terminal P/E}$, discounted at 10% annually over three years. Interim distributions are excluded. We do not subtract debt again: earnings already reflect financing costs.

MITUXA assumption	Annual EPS growth	Terminal P/E	Approximate present value
Adverse	-5%	20×	\$475
Working central case	12%	27×	\$1,050
Favorable	20%	32×	\$1,531

These are illustrative scenarios, not assigned probabilities or consensus-validated forecasts. The short horizon and terminal multiple carry considerable weight. The adverse case combines weaker earnings with a lower valuation multiple; it is not a market floor.

To justify a present value of \$1,314-the minimum needed for a 25% discount at the reference price-EPS would need to grow approximately 16.5% annually with a terminal P/E of 30×

 under the same assumptions. That is possible, but requires strong execution and a sustained valuation premium.

2. Sum of the Parts

Over the latest four quarters, reported segment operating profit totaled \$1.390 billion for Scores and \$232 million for Software. Corporate expenses and stock-based compensation totaled \$375 million. [Investor presentation, page 28](#).

We allocate those costs in proportion to revenue, leaving approximately \$1.147 billion and \$100 million respectively. The one-off restructuring charge is excluded. This allocation is ours and changes each segment's contribution. We apply EV/EBIT multiples, subtract \$5.278 billion of net debt, and divide by 22.703 million weighted-average diluted shares as an approximation. Rent remains in expenses; we do not additionally capitalize lease liabilities. Balance sheet and share data: [SEC](#).

MITUXA sensitivity	Scores	Software	Value per share
Cautious	20×	18×	\$858
Intermediate	25×	22×	\$1,128
Favorable	30×	26×	\$1,398

The multiples are analytical choices, not verified peer medians. We assign Scores a premium for its competitive position and profitability. This method does not project earnings deterioration as the first model's adverse case does, so the extremes are not directly comparable. The period-end share count and allocation of shared costs also introduce uncertainty.

Valuation conclusion: the previous \$1,500 estimate is compatible with favorable assumptions but is not sufficiently supported as a base case. The \$1,050-\$1,130 central range is a decision reference with moderate conviction, not a precise estimate of intrinsic value.

What Could Invalidate the Thesis?

Risk	Evidence to monitor	Decision implication
Competitive erosion	Persistent usage losses and pricing concessions	Reassess normalized earnings and the Scores premium
Insufficient software transition	Platform growth fails to improve segment revenue and profit	Reduce the expected contribution from the second growth engine
Aggressive capital allocation	Debt rises without proportionate cash generation	Require a wider margin and limit modeled buyback benefits
Credit contraction	Lower activity over several quarters	Separate cyclical weakness from customer losses

We do not assign numerical probabilities without empirical support. The combination of pricing pressure, insufficient software progress, and reduced buyback capacity would be particularly damaging.

MITUXA Investment Decision and Signals

WATCHLIST for new purchases at the stated reference price. The central case does not demonstrate a 25% margin of safety. A decline into the \$790-\$850 range would trigger reassessment; it would not guarantee a Buy rating, because business value can change too.

The previous Buy classification relied on a \$1,500 fair value estimate and a \$1,125 purchase ceiling. This review changes our confidence in that valuation. It does not mean the business has lost its quality or, by itself, establish a reason for existing shareholders to sell.

Reconsidering Buy above the stated range would require evidence of higher sustainable earnings and cash generation, effective direct distribution, software expansion, and debt discipline. Our recommendation is to move Signals from Buy to Watchlist on this basis. The rating above is the conclusion of this research report.

Methodology and Reference Dates

Financial data through June 2026; July management guidance; regulatory context reviewed on September 14. Reported identifies company results; guidance identifies management forecasts; MITUXA identifies our assumptions and opinions. No analyst consensus was used. The valuation range does not replace a detailed cash-flow model or comprehensive peer comparison. Our conclusion is prudent: the required margin has not been demonstrated; overvaluation has not been established with certainty.

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