

FAIR ISAAC CORP
Form 10-Q
July 30, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended June 30, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____
Commission File Number 1-11689

Fair Isaac Corporation
(Exact name of registrant as specified in its charter)

Delaware 94-1499887
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

181 Metro Drive, Suite 700 95110-1346
San Jose, California (Zip Code)
(Address of principal executive offices)
Registrant's telephone number, including area code: 408-535-1500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company

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Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock outstanding on July 17, 2015 was 31,137,873 (excluding 57,718,910 shares held by us as treasury stock).

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

FAIR ISAAC CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| | June 30, 2015 | September 30, 2014 |
|---|---------------------------------------|-----------------------|
| | (In thousands, except par value data) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 84,358 | \$ 105,075 |
| Accounts receivable, net | 147,304 | 155,295 |
| Prepaid expenses and other current assets | 37,428 | 28,157 |
| Total current assets | 269,090 | 288,527 |
| Marketable securities available for sale | 9,907 | 8,751 |
| Other investments | 10,958 | 11,033 |
| Property and equipment, net | 38,706 | 36,677 |
| Goodwill | 818,952 | 779,928 |
| Intangible assets, net | 51,269 | 47,914 |
| Deferred income taxes | 9,499 | 13,061 |
| Other assets | 7,746 | 6,407 |
| Total assets | \$ 1,216,127 | \$ 1,192,298 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 26,386 | \$ 22,000 |
| Accrued compensation and employee benefits | 36,648 | 56,650 |
| Other accrued liabilities | 29,623 | 36,235 |
| Deferred revenue | 54,260 | 56,519 |
| Current maturities on debt | 72,000 | 170,000 |
| Total current liabilities | 218,917 | 341,404 |
| Long-term debt | 576,000 | 376,000 |
| Other liabilities | 24,548 | 20,280 |
| Total liabilities | 819,465 | 737,684 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock [\$0.01 par value; 1,000 shares authorized; none issued and outstanding] | — | — |
| Common stock (\$0.01 par value; 200,000 shares authorized, 88,857 shares issued and 31,137 and 32,047 shares outstanding at June 30, 2015 and September 30, 2014, respectively) | 311 | 320 |
| Paid-in-capital | 1,140,768 | 1,129,317 |
| Treasury stock, at cost (57,720 and 56,810 shares at June 30, 2015 and September 30, 2014, respectively) | (2,039,050) | (1,936,095) |
| Retained earnings | 1,335,562 | 1,284,261 |
| Accumulated other comprehensive loss | (40,929) | (23,189) |
| Total stockholders' equity | 396,662 | 454,614 |
| Total liabilities and stockholders' equity | \$ 1,216,127 | \$ 1,192,298 |

See accompanying notes to condensed consolidated financial statements.

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FAIR ISAAC CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 (Unaudited)

| | Quarter Ended June 30, | | Nine Months Ended June 30, | |
|---------------------------------------|---------------------------------------|------------|---|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands, except per share data) | | | |
| Revenues: | | | | |
| Transactional and maintenance | \$ 144,695 | \$ 132,254 | \$ 414,788 | \$ 394,278 |
| Professional services | 37,998 | 38,522 | 111,142 | 107,427 |
| License | 26,673 | 26,834 | 80,095 | 65,710 |
| Total revenues | 209,366 | 197,610 | 606,025 | 567,415 |
| Operating expenses: | | | | |
| Cost of revenues * | 66,202 | 62,752 | 203,493 | 178,254 |
| Research and development | 25,610 | 23,240 | 72,588 | 61,022 |
| Selling, general and administrative * | 74,645 | 71,557 | 221,309 | 204,490 |
| Amortization of intangible assets * | 3,599 | 3,019 | 10,046 | 8,940 |
| Restructuring and acquisition-related | 2,256 | 621 | 2,256 | 4,281 |
| Total operating expenses | 172,312 | 161,189 | 509,692 | 456,987 |
| Operating income | 37,054 | 36,421 | 96,333 | 110,428 |
| Interest expense, net | (7,360 |) (7,051 |) (22,283 |) (21,276 |
| Other income (expense), net | 770 | 931 | Item 3 to Schedule 13D is amended, in pertinent part, as follows: | |

The Reporting Persons used an aggregate of approximately \$3,021,235 to purchase the additional Securities reported as beneficially owned in Item 5 since the most recent filing on Schedule 13D. GAMCO and Gabelli Funds used approximately \$2,356,216 and \$335,951, respectively, of funds that were provided through the accounts of certain of their investment advisory clients (and, in the case of some of such accounts at GAMCO, may be through borrowings from client margin accounts) in order to purchase the additional Securities for such clients. Teton used approximately \$329,068 of funds of investment advisory clients to purchase the additional Securities by it.

Item 5. Interest In Securities Of The Issuer

Item 5 to Schedule 13D is amended, in pertinent part, as follows:

(a) The aggregate number of Securities to which this Schedule 13D relates is 1,383,844 shares, representing 12.89% of the 10,735,929 shares outstanding as reported in the Issuer's most recently filed Form 10-Q for the quarterly period ended May 26, 2018. The Reporting Persons beneficially own those Securities as follows:

| Name | Shares of Common Stock | % of Class of Common |
|---------------|---------------------------|-------------------------|
| GAMCO | 852,274 | 7.94% |
| Gabelli Funds | 275,500 | 2.57% |

| | | |
|----------------|---------|-------|
| Teton Advisors | 253,070 | 2.36% |
| GCIA | 3,000 | 0.03% |

Mario Gabelli is deemed to have beneficial ownership of the Securities owned beneficially by each of the foregoing persons. GCIA is deemed to have beneficial ownership of the Securities owned beneficially by G.research. AC, GBL and GGCP are deemed to have beneficial ownership of the Securities owned beneficially by each of the foregoing persons other than Mario Gabelli and the Foundation.

(b) Each of the Reporting Persons and Covered Persons has the sole power to vote or direct the vote and sole power to dispose or to direct the disposition of the Securities reported for it, either for its own benefit or for the benefit of its investment clients or its partners, as the case may be, except that (i) GAMCO does not have the authority to vote 135,250 of the reported shares, (ii) Gabelli Funds has sole dispositive and voting power with respect to the shares of the Issuer held by the Funds so long as the aggregate voting interest of all joint filers does not exceed 25% of their total voting interest in the Issuer and, in that event, the Proxy Voting Committee of each Fund shall respectively vote that Fund's shares, (iii) at any time, the Proxy Voting Committee of each such Fund may take and exercise in its sole discretion the entire voting power with respect to the shares held by such fund under special circumstances such as regulatory considerations, and (iv) the power of Mario Gabelli, AC, GBL, and GGCP is indirect with respect to Securities beneficially owned directly by other Reporting Persons.

(c) Information with respect to all transactions in the Securities which were effected during the past sixty days or since the most recent filing on Schedule 13D, whichever is less, by each of the Reporting Persons and Covered Persons is set forth on Schedule II annexed hereto and incorporated herein by reference.

(e) Not applicable.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: July 11, 2018

GGCP, INC.
MARIO J. GABELLI

By: /s/ David Goldman
David Goldman
Attorney-in-Fact

TETON ADVISORS, INC.
GABELLI FUNDS, LLC

By: /s/ David Goldman
David Goldman
General Counsel – Gabelli Funds, LLC
Counsel-Teton Advisors, Inc.

GAMCO INVESTORS, INC.

By: /s/ Kevin Handwerker
Kevin Handwerker
General Counsel & Secretary – GAMCO Investors, Inc.

ASSOCIATED CAPITAL GROUP, INC.
GAMCO ASSET MANAGEMENT INC.
GABELLI & COMPANY INVESTMENT ADVISERS, INC.

By: /s/ Douglas R. Jamieson
Douglas R. Jamieson
President & Chief Executive Officer – Associated Capital
Group, Inc.
President – GAMCO Asset Management Inc.
President – Gabelli & Company Investment Advisers, Inc.

Schedule I

Information with Respect to Executive
Officers and Directors of the Undersigned

Schedule I to Schedule 13D is amended, in pertinent part, as follows:

The following sets forth as to each of the executive officers and directors of the undersigned: his name; his business address; his present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted. Unless otherwise specified, the principal employer of each such individual is GAMCO Asset Management Inc., Gabelli Funds, LLC, Gabelli & Company Investment Advisers, Inc., G.research, LLC, Teton Advisors, Inc., Associated Capital Group, Inc. or GAMCO Investors, Inc., the business address of each of which is One Corporate Center, Rye, New York 10580, and each such individual identified below is a citizen of the United States. To the knowledge of the undersigned, during the last five years, no such person has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), and no such person was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which he was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities law or finding any violation with respect to such laws except as reported in Item 2(d) and (e) of this Schedule 13D.

GAMCO Investors, Inc.
Directors:

Edwin L. Artzt
Former Chairman and Chief Executive Officer
Procter & Gamble Company
900 Adams Crossing
Cincinnati, OH 45202

Raymond C. Avansino
Chairman & Chief Executive Officer
E.L. Wiegand Foundation
165 West Liberty Street
Reno, NV 89501

Leslie B. Daniels
Director
c/o GAMCO Investors, Inc.
One Corporate Center
Rye, NY 10580

Mario J. Gabelli
Chief Executive Officer and Chief Investment Officer of GGCP, Inc.
Chairman & Chief Executive Officer of GAMCO Investors, Inc.
Executive Chairman & Chief Executive Officer of Associated Capital Group, Inc.
Director/Trustee of all registered investment companies advised by Gabelli Funds, LLC.

Elisa M. Wilson
Director
c/o GAMCO Investors, Inc.
One Corporate Center
Rye, NY 10580

Eugene R. McGrath
Former Chairman and Chief Executive Officer
Consolidated Edison, Inc.
4 Irving Place
New York, NY 10003

Robert S. Prather
President & Chief Executive Officer
Heartland Media, LLC
1843 West Wesley Road
Atlanta, GA 30327

Officers:

Mario J. Gabelli
Chairman and Chief Executive Officer

Henry G. Van der Eb
Senior Vice President

Bruce N. Alpert
Senior Vice President

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Agnes Mullady Senior Vice President
Kevin Handwerker Executive Vice President, General Counsel and Secretary

GAMCO Asset Management
Inc.

Directors:

Douglas R. Jamieson
Regina M. Pitaro
William S. Selby

Officers:

Mario J. Gabelli Chief Executive Officer and Chief Investment Officer – Value Portfolios
Douglas R. Jamieson President, Chief Operating Officer and Managing Director
David Goldman General Counsel, Secretary & Chief Compliance Officer

Gabelli Funds, LLC

Officers:

Mario J. Gabelli Chief Investment Officer – Value Portfolios
Bruce N. Alpert Executive Vice President and Chief Operating Officer
Agnes Mullady President and Chief Operating Officer – Open End Fund Division
David Goldman General Counsel

Gabelli Foundation, Inc.

Officers:

Mario J. Gabelli Chairman, Trustee & Chief Investment Officer
Elisa M. Wilson President
Marc Gabelli Trustee
Matthew R. Gabelli Trustee
Michael Gabelli Trustee

MJG-IV Limited Partnership

Officers:

Mario J. Gabelli General Partner

GGCP, Inc.

Directors:

Mario J. Gabelli
Chief Executive
Officer and Chief
Investment
Officer of GGCP,
Inc.
Chairman &
Chief Executive
Officer of
GAMCO
Investors, Inc.
Executive
Chairman &
Chief Executive
Officer of
Associated
Capital Group,
Inc.
Director/Trustee
of all registered
investment
companies
advised by
Gabelli Funds,
LLC.

Marc Gabelli
President – GGCP,
Inc.

Matthew R. Gabelli
Vice President –
Trading
G.research, Inc.
One Corporate
Center
Rye, NY 10580

Michael Gabelli
President & COO
Gabelli &
Partners, LLC
One Corporate
Center
Rye, NY 10580

Frederic V. Salerno Chairman

Former Vice
Chairman and
Chief Financial
Officer
Verizon
Communications

Vincent S. Tese Executive
Chairman – FCB
Financial Corp

Officers:

Mario J. Gabelli Chief Executive
Officer and Chief
Investment
Officer
Marc Gabelli President
Vice President,
Silvio A. Berni Assistant
Secretary and
Controller

GGCP Holdings LLC

Members:

GGCP, Inc. Manager and
Member
Mario J. Gabelli Member

Teton Advisors, Inc.

Directors:

Stephen G. Bondi

Nicholas F. Galluccio Chairman of the Board

Vincent J. Amabile Chief Executive Officer and President

John Tesoro

Officers:

Nicholas F. Galluccio See above

Michael J. Mancuso Chief Financial Officer

Tiffany Hayden Secretary

Associated Capital Group, Inc.

Directors:

Mario J. Gabelli
Chief Executive Officer and Chief Investment Officer of GGCP, Inc.
Chairman & Chief Executive Officer of GAMCO Investors, Inc.
Executive Chairman of Associated Capital Group, Inc.
Director/Trustee of all registered investment companies advised by Gabelli Funds, LLC.

Richard L. Bready
Former Chairman and Chief Executive Officer
Nortek, Inc.
50 Kennedy Plaza
Providence, RI 02903

Marc Gabelli
President – GGCP, Inc.

Douglas R. Jamieson
President and Chief Executive Officer

Bruce Lisman
Former Chairman - JP Morgan – Global Equity Division

Daniel R. Lee
Chief Executive Officer
Full House Resorts, Inc.
4670 South Ford Apache Road, Suite 190
Las Vegas, NV 89147

Salvatore F. Sodano
Vice Chairman of the Board

Frederic V. Salerno
See above

Officers:

Mario J. Gabelli
Executive Chairman

Douglas R. Jamieson
President and Chief Executive Officer

Francis J. Conroy
Interim Chief Financial Officer

Kevin Handwerker
Executive Vice President, General Counsel and Secretary

David Fitzgerald
Assistant Secretary

Gabelli & Company Investment Advisers,
Inc.

Directors:

Douglas R. Jamieson

Officers:

Douglas R. Jamieson Chief Executive Officer and President

Kevin Handwerker Executive Vice President, General Counsel and Secretary

David Fitzgerald Assistant Secretary

G.research, LLC

Officers:

Cornelius V. McGinity President

Maria Gigi Controller and Financial Operations Principal

Bruce N. Alpert Vice President

Douglas R. Jamieson Secretary

Kevin Handwerker Assistant Secretary

David Fitzgerald Assistant Secretary

Josephine D. LaFauci Chief Compliance Officer

SCHEDULE II
 INFORMATION WITH RESPECT TO
 TRANSACTIONS EFFECTED DURING THE PAST SIXTY DAYS OR
 SINCE THE MOST RECENT FILING ON SCHEDULE 13D (1)

| DATE | SHARES PURCHASED SOLD(-) | AVERAGE PRICE(2) |
|------|-----------------------------|---------------------|
|------|-----------------------------|---------------------|

COMMON STOCK-BASSETT FURNITURE INDUSTRIES, INC.

GAMCO ASSET MANAGEMENT INC.

| | | |
|---------|--------|---------|
| 7/10/18 | 2,000 | 27.3000 |
| 7/10/18 | 5,500 | 27.3259 |
| 7/09/18 | 300 | 27.6000 |
| 7/09/18 | 1,000 | 27.7000 |
| 7/06/18 | 2,900 | 27.6043 |
| 7/06/18 | 15,000 | 27.5973 |
| 7/05/18 | 399 | 27.9500 |
| 7/03/18 | 101 | 27.9500 |
| 7/03/18 | 1,000- | 27.8000 |
| 7/03/18 | 4,000 | 27.9895 |
| 7/02/18 | 1,365 | 27.5000 |
| 7/02/18 | 1,000 | 27.2750 |
| 6/29/18 | 500 | 27.6560 |
| 6/29/18 | 15,735 | 27.5249 |
| 6/29/18 | 8,000 | 27.7938 |
| 6/28/18 | 5,000 | 27.3094 |
| 6/28/18 | 4,000 | 27.1949 |
| 6/28/18 | 3,000 | 26.7057 |
| 6/28/18 | 14,300 | 27.0795 |
| 6/28/18 | 2,000 | 27.0375 |
| 6/28/18 | 500 | 26.9700 |
| 6/28/18 | 2,000- | 27.4000 |
| 6/22/18 | 800 | 27.3875 |
| 6/20/18 | 200- | *DO |
| 6/20/18 | 500 | 27.5400 |
| 6/19/18 | 700- | *DO |
| 6/19/18 | 1,000 | 27.9822 |

TETON ADVISORS, INC

| | | |
|---------|-------|---------|
| 7/02/18 | 4,600 | 27.3935 |
| 6/28/18 | 3,300 | 27.4288 |
| 6/28/18 | 4,121 | 27.3094 |

GABELLI FUNDS, LLC.

GABELLI SMALL CAP GROWTH FUND

| | | |
|---------|--------|---------|
| 7/09/18 | 10,000 | 27.6000 |
|---------|--------|---------|

GABELLI GO ANYWHERE TRUST

| | | |
|---------|-------|---------|
| 6/28/18 | 1,700 | 27.3094 |
|---------|-------|---------|

GAMCO ALL CAP VALUE

| | | |
|---------|-----|---------|
| 6/28/18 | 500 | 27.0500 |
|---------|-----|---------|

(1) UNLESS OTHERWISE INDICATED, ALL TRANSACTIONS WERE EFFECTED ON THE NASDAQ GLOBAL SECURITIES MARKET.

(2) PRICE EXCLUDES COMMISSION.

(*) RESULTS IN CHANGE OF DISPOSITIVE POWER AND BENEFICIAL OWNERSHIP.