



Fair Isaac Large Call Buy into Weakness

Ticker/Price: FICO (\$245)

Analysis:

Fair Isaac (FICO) with 1,000 October \$280 calls being bought yesterday from \$36.50 up to \$39.00, size positioning. FICO recently had 1500 July \$360 calls bought for \$5.8M. Shares have been on a parabolic run since 2012 and pulling back to the 50% retracement of the move at \$222. FICO is also back at VPOC from the 2018/2019 run. The \$7.91B company trades 24.57X earnings, 6.6X sales, and 31.89X FCF with high-teens EPS growth. FICO expects 7.6% and 8% revenue growth the next two years driven by higher refinance activity as rates remain lower for longer. FICO will roll out their new "FICO Score 10" suite this summer which utilizes their new formula for credit scores, more advanced analytics and predictive power. FICO expects the new software will drive an upgrade cycle among lenders, especially if conditions worsen, as institutions look to more safely manage risk and control defaults in auto loans and mortgages. Analysts have an average target for shares of \$438. Baird with a \$450 PT in late January and Wells Fargo with a \$500 PT as Fair Isaac is still in the early stages of price realization while the introduction of FICO Score 10 and FICO Score 10T may signal a shift for banks from "financial inclusion" to "preparing for a downturn" that could drive demand for additional FICO Score products. Short interest is 2.5% and near multi-year lows. Hedge fund ownership rose 3.65% in Q4. Melvin Capital a buyer of a new \$215M stock position. FICO last had insider buying in November 2018 around \$190.57, a near \$1M buy.

Hawk Vision:



Hawk's Perspective: FICO is a quality name but like most is well below its 200 MA with little price support, so patience remains key.

Confidence Ranking: \$\$