



FEATURED OPTIONS RADAR REPORT



Bulls Target Fair Isaac at the 200-MA as Software Transition Takes Shape

Ticker/Price: FICO (\$475)

Analysis:

Fair Isaac (FICO) buyer of 1000 December \$500 calls for \$36.80 to \$38.50 on 5/13 with shares back at the 200-day MA and follows the June \$520/\$560 call spreads bought on 5/4 for \$12. FICO still has 3000 December \$480 calls in open interest from 2/17 as well, a \$16.5M position. FICO shares are back at the 200-day MA and a big volume node from February while channel support from the October lows supports a move back to \$540+. The \$13.35B company trades 35.6X earnings, 10X sales, and 29X FCF. FICO is coming off of a strong quarter as they continue to move more business towards their subscription model and licenses for on-premise software. Their Scores business was up 31% Y/Y with strength in B2B and mortgage originations, although an area where they'll face tougher comps in the 2H when the refi boom started. FICO launched a big strategy shift last year to build out and expand their Decision Management software platform with eyes on becoming the leader in business analytic tech. They're shedding a lot of non-core businesses during the transition to sharpen their focus and expanding their API to more users to build out a more expansive partner program. Analysts have an average target for shares of \$535 with a Street High \$570. Needham positive in January citing the company's dominant market position and attractive margin profile in the Scores business that he expects to fuel double digit earnings growth over the next several years. Deutsche Bank with a Buy rating for shares and noting that they are the dominant consumer credit scoring business in the U.S., leveraged by 90%-plus of the leading financial institutions and with strong pricing power. Short interest is 1.7%. Hedge fund ownership rose 3.75%. Melvin Capital adding 500K shares and now with 1.5M, a nearly \$700M position.

Hawk Vision:



Hawk's Perspective: FICO is a favorite name that's in the midst of a major shift into more SaaS offerings and likely a long-term winning strategy; I'd like to see it carve out a bit of a base on the 200-MA here but like it versus the March lows for a move back above \$500

Confidence Ranking: \$\$