FAIR ISAAC CORP
Form 10-Q
July 26, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
o 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 incorporation or organization)	(I.R.S. Employer Identification No.)
181 Metro Drive, Suite 700 San Jose, California	95110-1346
(Address of principal executive offices)	(Zip Code)

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 ý No o

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 ý No o

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

Large Accelerated Filer ý Accelerated Filer o

Non-Accelerated Filer o Smaller Reporting Company o

Emerging Growth Company o

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

The number of shares of common stock outstanding on July 13, 2018 was 29,144,337 (excluding 59,712,446 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, 2018	September 30, 2017
	(In thousands, except par value data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 119,929	$ 105,618
Accounts receivable, net	182,419	168,586
Prepaid expenses and other current assets	32,944	36,727
Total current assets	335,292	310,931
Marketable securities	16,930	13,791
Other investments	11,711	11,724
Property and equipment, net	51,517	40,703
Goodwill	802,041	804,414
Intangible assets, net	16,079	21,185
Deferred income taxes	40,536	47,204
Other assets	12,964	5,668
Total assets	$ 1,287,070	$ 1,255,620
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$ 25,509	$ 19,510
Accrued compensation and employee benefits	75,218	77,610
Other accrued liabilities	33,899	32,104
Deferred revenue	60,587	55,431
Current maturities on debt	202,000	142,000
Total current liabilities	397,213	326,655
Long-term debt	556,713	462,801
Other liabilities	38,500	39,627
Total liabilities	992,426	829,083
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 29,317 and 30,243 shares outstanding at June 30, 2018 and September 30, 2017, respectively)	293	302
Paid-in-capital	1,192,322	1,195,431
Treasury stock, at cost (59,540 and 58,614 shares at June 30, 2018 and September 30, 2017, respectively)	(2,515,207)	(2,301,097)
Retained earnings	1,690,330	1,598,395
Accumulated other comprehensive loss	(73,094)	(66,494)
Total stockholders’ equity	294,644	426,537
Total liabilities and stockholders’ equity	$ 1,287,070	$ 1,255,620

See accompanying notes.

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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,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Revenues:				
Transactional and maintenance	$195,491	$166,695	$565,348	$481,604
Professional services	43,209	43,871	131,913	128,698
License	20,805	20,420	55,423	68,662
Total revenues	259,505	230,986	752,684	678,964
Operating expenses:				
Cost of revenues *	78,390	69,793	231,268	211,921
Research and development	32,483	27,839	93,976	80,644
Selling, general and administrative *	98,685	84,089	286,038	255,534
Amortization of intangible assets *	1,571	3,365	5,043	9,997
Restructuring and acquisition-related	—	4,471	—	4,471
Total operating expenses	211,129	189,557	616,325	562,567
Operating income	48,376	41,429	136,359	116,397
Interest expense, net	(8,223)	(6,653)	(21,799)	(19,403)
Other income, net	1,588	555	1,940	128
Income before income taxes	41,741	35,331	116,500	97,122
Provision for income taxes	9,380	10,104	24,565	8,910
Net income	32,361	25,227	91,935	88,212
Other comprehensive income (loss):				
Foreign currency translation adjustments	(18,796)	10,395	(6,600)	2,137
Comprehensive income	$13,565	$35,622	$85,335	$90,349
Earnings per share:				
Basic	$1.09	$0.82	$3.07	$2.85
Diluted	$1.04	$0.78	$2.93	$2.73
Shares used in computing earnings per share:				
Basic	29,708	30,914	29,924	30,973
Diluted	31,161	32,224	31,341	32,340

* Cost of revenues and selling, general and administrative expenses exclude the amortization of intangible assets. See Note 4.
See accompanying notes.

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FAIR ISAAC CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except per share data)

	Common Stock						
	Shares	Par Value	Paid-in-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at September 30, 2017	30,243	$ 302	$ 1,195,431	$ (2,301,097)	$ 1,598,395	$ (66,494)	$ 426,537
Share-based compensation	—	—	54,631	—	—	—	54,631
Issuance of treasury stock under employee stock plans	433	4	(57,740)	17,356	—	—	(40,380)
Repurchases of common stock	(1,359)	(13)	—	(231,466)	—	—	(231,479)
Net income	—	—	—	—	91,935	—	91,935
Foreign currency translation adjustments	—	—	—	—	—	(6,600)	(6,600)
Balance at June 30, 2018	29,317	$ 293	$ 1,192,322	$ (2,515,207)	$ 1,690,330	$ (73,094)	$ 294,644

See accompanying notes.

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FAIR ISAAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended June 30, 2018			2017		
	(In thousands)					
Cash flows from operating activities:						
Net income	$	91,935		$	88,212	
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	22,329			27,427		
Share-based compensation	54,631			43,546		
Deferred income taxes	6,749			(2		)
Net gain on marketable securities	(635		)	—		
Provision for doubtful accounts, net	541			1,388		
Net loss on sales of property and equipment	28			26		
Changes in operating assets and liabilities:						
Accounts receivable	(15,571		)	25,605		
Prepaid expenses and other assets	(3,056		)	(26,171		)
Accounts payable	2,623			(5,432		)
Accrued compensation and employee benefits	(1,977		)	(8,317		)
Other liabilities	55			5,838		
Deferred revenue	5,437			19,303		
Net cash provided by operating activities	163,089			171,423		
Cash flows from investing activities:						
Purchases of property and equipment	(24,220		)	(14,792		)
Proceeds from sales of marketable securities	3,005			—		
Purchases of marketable securities	(5,509		)	—		
Purchase of cost method investees	—			(777		)
Net cash used in investing activities	(26,724		)	(15,569		)

Cash flows from financing activities:			
Proceeds from revolving line of credit	371,000		98,000
Payments on revolving line of credit	(480,000	)	(57,000	)
Proceeds from issuance of senior notes	400,000		—
Payments on senior notes	(131,000	)	—
Payments on debt issuance costs	(7,869	)	—
Proceeds from issuance of treasury stock under employee stock plans	2,492		13,112
Taxes paid related to net share settlement of equity awards	(42,872	)	(39,324	)
Dividends paid	—		(1,238	)
Repurchases of common stock	(229,540	)	(116,341	)
Net cash used in financing activities	(117,789	)	(102,791	)
Effect of exchange rate changes on cash	(4,265	)	1,678
Increase in cash and cash equivalents	14,311		54,741
Cash and cash equivalents, beginning of period	105,618		75,926
Cash and cash equivalents, end of period	$ 119,929		$ 130,667
Supplemental disclosures of cash flow information:			
Cash paid for income taxes, net of refunds	$ 9,975		$ 22,726
Cash paid for interest	$ 20,501		$ 18,847
Supplemental disclosures of non-cash investing and financing activities:			
Purchase of property and equipment included in accounts payable	$ 5,282		$ 2,470
Unsettled repurchases of common stock	$ 7,601		$ 4,177

See accompanying notes.

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FAIR ISAAC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Business

Fair Isaac Corporation

Incorporated under the laws of the State of Delaware, Fair Isaac Corporation ("FICO") is a provider of analytic, software and data management products and services that enable businesses to automate, improve and connect decisions. FICO provides a range of analytical solutions, credit scoring and credit account management products and services to banks, credit reporting agencies, credit card processing agencies, insurers, retailers, telecommunications providers, pharmaceutical companies, healthcare organizations, public agencies and organizations in other industries.

In these condensed consolidated financial statements, Fair Isaac Corporation is referred to as "FICO," "we," "us," "our," or "th Company."

Principles of Consolidation and Basis of Presentation

We have prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with the instructions to Form 10-Q and the applicable accounting guidance. Consequently, we have not necessarily included all information and footnotes required for audited financial statements. In our opinion, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments, except as otherwise indicated) necessary for a fair presentation of our financial position and results of operations. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with our audited consolidated financial statements and notes thereto presented in our Annual Report on Form 10-K for the year ended September 30, 2017. The interim financial information contained in this report is not necessarily indicative of the results to be expected for any other interim period or for the entire fiscal year.

The condensed consolidated financial statements include the accounts of FICO and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates

We make estimates and assumptions that affect the amounts reported in the financial statements and the disclosures made in the accompanying notes. For example, we use estimates in determining the collectability of accounts receivable; the appropriate levels of various accruals; labor hours in connection with fixed-fee service contracts; the amount of our tax provision and the realizability of deferred tax assets. We also use estimates in determining the remaining economic lives and carrying values of acquired intangible assets, property and equipment, and other long-lived assets. In addition, we use assumptions to estimate the fair value of reporting units and share-based compensation. Actual results may differ from our estimates.

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New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU No. 2015-14, “Deferral of the Effective Date”, which defers the effective date for ASU 2014-09 by one year. For public entities, the guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods), which means it will be effective for our fiscal year beginning October 1, 2018. Early adoption is permitted to the original effective date of December 15, 2016 (including interim reporting periods within those periods). In March 2016, the FASB issued ASU No. 2016-08, “Principal versus Agent Considerations (Reporting Revenue versus Net)”, which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. In April 2016, the FASB issued ASU No. 2016-10, “Identifying Performance Obligations and Licensing”, which reduces the complexity when applying the guidance for identifying performance obligations and improves the operability and understandability of the license implementation guidance. In May 2016, the FASB issued ASU No. 2016-12 “Narrow-Scope Improvements and Practical Expedients”, which amends the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. In December 2016, the FASB further issued ASU No. 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers”, which makes minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are intended to address implementation issues that were raised by stakeholders and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. These amendments have the same effective date as the new revenue standard.

We have established a cross-functional implementation team consisting of representatives across the organization to address the scope of work required to implement the recognition and disclosure requirements under the new standard. This cross-functional implementation team has developed a project plan, which includes evaluating customer contracts across the organization, developing policies, processes and tools to report financial results, and implementing and evaluating our internal controls over financial reporting that will be necessary under the new standard. We currently plan to adopt Topic 606 in the first quarter of our fiscal 2019 using the retrospective transition method. Our ability to adopt Topic 606 using the full retrospective method is dependent on system readiness, and the completion of our analysis of information necessary to restate prior period financial statements. As we continue to assess the new standard along with industry trends and additional interpretive guidance, we may adjust our implementation plan accordingly.

We are continuing to assess the impact of adopting Topic 606 on our consolidated financial statements and believe the new standard will impact the following policies and disclosures:

- Timing of revenue recognition of license revenue on term licenses and transactional revenue on guaranteed minimum fees related to our on-premises software products. Under the new standard, we expect to recognize revenue when control of the license is transferred to the customer, rather than at the date payments become due and payable or ratably over the term of the contract required under the current standard;
- Presentation of contract balances. Under the new standard, when we enter into noncancellable contracts that provide unconditional rights to payment from our customers for services that we have not yet completed providing or services we will provide in the near future, we expect to present the unconditional rights as receivables, regardless of whether cash has been received from customers;
- Required disclosures including information about remaining transaction price and when we expect to recognize revenue; and
- Accounting for commissions under the new standard will result in the deferral of incremental commission costs for obtaining contracts.

We do not currently expect Topic 606 to have a significant effect on the timing of revenue recognition for our maintenance or professional services revenues, or SaaS contracts.

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In October 2016, the FASB issued ASU No. 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory” (“ASU 2016-16”). ASU 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The guidance is effective for fiscal years and interim periods beginning after December 15, 2017, which means it will be effective for our fiscal year beginning October 1, 2018. ASU 2016-16 should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings at the beginning of the period of adoption. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued. We do not believe that adoption of ASU 2016-16 will have a significant impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), which requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. ASU 2016-02 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018, which means it will be effective for our fiscal year beginning October 1, 2019. Early adoption is permitted. We are currently evaluating the timing of our adoption and the impact that the updated standard will have on our consolidated financial statements.

2. Fair Value Measurements

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The accounting guidance establishes a three-level hierarchy for disclosure that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities.

- Level 1 - uses unadjusted quoted prices that are available in active markets for identical assets or liabilities. Our Level 1 assets are comprised of money market funds and certain equity securities.
- Level 2 - uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data. We do not have any assets that are valued using inputs identified under a Level 2 hierarchy as of June 30, 2018 and September 30, 2017.
- Level 3 - uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation. We do not have any assets or liabilities that are valued using inputs identified under a Level 3 hierarchy as of June 30, 2018 and September 30, 2017.

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The following tables represent financial assets that we measured at fair value on a recurring basis at June 30, 2018 and September 30, 2017:

June 30, 2018	Active Markets for Identical Instruments (Level 1)	Fair Value as of June 30, 2018
	(In thousands)	
Assets:		
Cash equivalents (1)	$ 32,500	$ 32,500
Marketable securities (2)	16,930	16,930
Total	$ 49,430	$ 49,430

September 30, 2017	Active Markets for Identical Instruments (Level 1)	Fair Value as of September 30, 2017
	(In thousands)	
Assets:		
Cash equivalents (1)	$ 15,295	$ 15,295
Marketable securities (2)	13,791	13,791
Total	$ 29,086	$ 29,086

(1) Included in cash and cash equivalents on our condensed consolidated balance sheet at June 30, 2018 and September 30, 2017. Not included in these tables are cash deposits of $87.4 million and $90.3 million at June 30, 2018 and September 30, 2017, respectively.

(2) Represents securities held under a supplemental retirement and savings plan for senior management employees, which are distributed upon termination or retirement of the employees. Included in marketable securities on our condensed consolidated balance sheet at June 30, 2018 and September 30, 2017.

Where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing applies to our Level 1 investments. To the extent quoted prices in active markets for assets or liabilities are not available, the valuation techniques used to measure the fair values of our financial assets incorporate market inputs, which include reported trades, broker/dealer quotes, benchmark yields, issuer spreads, benchmark securities and other inputs derived from or corroborated by observable market data. This methodology would apply to our Level 2 investments. We have not changed our valuation techniques in measuring the fair value of any financial assets and liabilities during the period.

For the fair value of our derivative instruments and senior notes, see Note 3 and Note 7, respectively.

3. Derivative Financial Instruments

We use derivative instruments to manage risks caused by fluctuations in foreign exchange rates. The primary objective of our derivative instruments is to protect the value of foreign-currency-denominated receivable and cash balances from the effects of volatility in foreign exchange rates that might occur prior to conversion to their respective functional currencies. We principally utilize foreign currency forward contracts, which enable us to buy and sell foreign currencies in the future at fixed exchange rates and economically offset changes in foreign exchange rates. We routinely enter into contracts to offset exposures denominated in the British pound, Euro, and Singapore dollar.

Foreign-currency-denominated receivable and cash balances are remeasured at foreign exchange rates in effect on the balance sheet date with the effects of changes in foreign exchange rates reported in other income, net. The forward contracts are not designated as hedges and are marked to market through other income, net. Fair value changes in the forward contracts help mitigate the changes in the value of the remeasured receivable and cash balances attributable to

changes in foreign exchange rates. The forward contracts are short-term in nature and typically have average maturities at inception of less than three months.

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The following tables summarize our outstanding foreign currency forward contracts, by currency, at June 30, 2018 and September 30, 2017:

	June 30, 2018		
	Contract Amount		Fair Value
	Foreign Currency	US$	US$
	(In thousands)		
Sell foreign currency:			
Euro (EUR)	EUR 6,300	$7,344	$ —
Buy foreign currency:			
British pound (GBP)	GBP 6,963	$9,200	$ —
Singapore dollar (SGD)	SGD 8,326	$6,100	$ —

	September 30, 2017		
	Contract Amount		Fair Value
	Foreign Currency	US$	US$
	(In thousands)		
Sell foreign currency:			
Euro (EUR)	EUR 5,050	$5,968	$ —
Buy foreign currency:			
British pound (GBP)	GBP 9,341	$12,500	$ —

The foreign currency forward contracts were entered into on June 30, 2018 and September 30, 2017, respectively; therefore, their fair value was $0 on each of these dates.

Losses on derivative financial instruments are recorded in our condensed consolidated statements of income and comprehensive income as a component of other income, net, and consisted of the following:

	Quarter Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Losses on foreign currency forward contracts	$870	$ —	$251	$505

4. Goodwill and Intangible Assets

Amortization expense associated with our intangible assets, which has been reflected as a separate operating expense caption within the accompanying condensed consolidated statements of income and comprehensive income, consisted of the following:

	Quarter Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Cost of revenues	$628	$1,723	$1,949	$5,096
Selling, general and administrative expenses	943	1,642	3,094	4,901
	$1,571	$3,365	$5,043	$9,997

Cost of revenues reflects our amortization of completed technology and selling, general and administrative expenses reflects our amortization of other intangible assets. Intangible assets, gross were $111.7 million and $114.5 million as of June 30, 2018 and September 30, 2017, respectively.

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Estimated future intangible asset amortization expense associated with intangible assets existing at June 30, 2018 was as follows (in thousands):

Year Ended September 30,	
2018 (excluding the nine months ended June 30, 2018)	$1,546
2019	5,979
2020	3,648
2021	2,417
2022	2,272
Thereafter	217
	$16,079

The following table summarizes changes to goodwill during the nine months ended June 30, 2018, both in total and as allocated to our segments:

	Applications	Scores	Decision Management Software	Total
	(In thousands)			
Balance at September 30, 2017	$588,288	$146,648	$ 69,478	$804,414
Foreign currency translation adjustment	(2,195)	—	(178)	(2,373)
Balance at June 30, 2018	$586,093	$146,648	$ 69,300	$802,041

5. Composition of Certain Financial Statement Captions

The following table summarizes property and equipment, and the related accumulated depreciation and amortization, at June 30, 2018 and September 30, 2017:

	June 30, 2018	September 30, 2017
	(In thousands)	
Property and equipment	$159,534	$ 135,360
Less: accumulated depreciation and amortization	(108,017)	(94,657)
	$51,517	$ 40,703

6. Revolving Line of Credit

On May 8, 2018, we amended our credit agreement with a syndicate of banks, extending the maturity date of the unsecured revolving line of credit from December 30, 2019 to May 8, 2023, while reducing our borrowing capacity to $400 million with an option to increase it by another $100 million. Proceeds from the credit facility can be used for working capital and general corporate purposes and may also be used for the refinancing of existing debt, acquisitions and the repurchase of our common stock. Interest on amounts borrowed under the credit facility is based on (i) a base rate, which is the greater of (a) the prime rate, (b) the Federal Funds rate plus 0.500% and (c) the one-month LIBOR rate plus 1.000%, plus, in each case, an applicable margin, or (ii) an adjusted LIBOR rate plus an applicable margin. The applicable margin for base rate borrowings ranges from 0% to 0.875% and for LIBOR borrowings ranges from 1.000% to 1.875%, and is determined based on our consolidated leverage ratio. In addition, we must pay credit facility fees. The credit facility contains certain restrictive covenants including maintaining a maximum consolidated leverage ratio of 3.25, subject to a step up to 3.75 following certain permitted acquisitions; and a minimum fixed charge ratio of 2.50 through the maturity of our 2010 Senior Notes in July 2020, upon which maintaining a minimum interest coverage ratio of 3.00. The credit agreement also contains other covenants typical of unsecured facilities. As of June 30, 2018, we had $252.0 million in borrowings outstanding at a weighted average interest rate of 3.201%, of which $50.0 million was classified as a long-term liability and recorded in long-term debt within the accompanying condensed consolidated balance sheets. We were in compliance with all financial covenants under this credit facility as of June 30, 2018.

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7. Senior Notes

On May 7, 2008, we issued $275 million of senior notes in a private placement to a group of institutional investors (the “2008 Senior Notes”).

On July 14, 2010, we issued $245 million of senior notes in a private placement to a group of institutional investors (the “2010 Senior Notes”). The 2010 Senior Notes were issued in four series with maturities ranging from 6 to 10 years. The outstanding 2010 Senior Notes’ weighted average interest rate is 5.6% and the weighted average maturity is 9.8 years. The 2010 Senior Notes require interest payments semi-annually and contain certain restrictive covenants, including the maintenance of a maximum consolidated net debt to consolidated EBITDA ratio of 3.00 and a minimum fixed charge coverage ratio of 2.50. As of June 30, 2018, we were in compliance with all financial covenants.

On May 8, 2018, we issued $400 million of senior notes in a private offering to qualified institutional investors (the “2018 Senior Notes”, and with the 2008 Senior Notes and the 2010 Senior Notes, the “Senior Notes”). We have used the net proceeds to repay all the outstanding aggregate principal amount of the 2008 Senior Notes at maturity, as well as a portion of the outstanding balance on our revolving credit facility. The 2018 Senior Notes require interest payments semi-annually at a rate of 5.25% per annum and will mature on May 15, 2026. The purchase agreements for the 2008 and 2010 Senior Notes and the indenture for the 2018 Senior Notes contain certain covenants typical of unsecured obligations.

The following table presents the carrying amounts and fair values for the Senior Notes at June 30, 2018 and September 30, 2017:

	June 30, 2018		September 30, 2017	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	(In thousands)			
The 2008 Senior Notes	$—	$—	$131,000	$134,250
The 2010 Senior Notes	113,000	114,966	113,000	119,106
The 2018 Senior Notes	400,000	402,000	—	—
Debt issuance costs	(6,287)	(6,287)	(199)	(199)
Total	$506,713	$510,679	$243,801	$253,157

We measure the fair value of the Senior Notes based on Level 2 inputs, which include quoted market prices and interest rate spreads of similar securities.

8. Restructuring Expenses

There were no restructuring expenses during the quarter and nine months ended June 30, 2018.

During both the quarter and nine months ended June 30, 2017, we incurred net charges totaling $4.5 million consisting of $1.7 million in facilities charges associated with vacating excess leased space in San Rafael and $2.8 million in employee separation costs due to the elimination of 79 positions throughout the Company. Cash payment for all the facilities charges will be paid by the end of our fiscal 2020. Cash payment for all the employee separation costs were paid before the end of the second quarter of fiscal 2018.

The following table summarizes our restructuring accruals related to facility closures and employee separation charges. The current portion and non-current portion is recorded in other accrued liabilities and other liabilities, respectively, within the accompanying condensed consolidated balance sheets. The balance for all the facilities charges will be paid by the end of fiscal 2020.

	Accrual at September 30, 2017	Cash Payments	Accrual at June 30, 2018
	(In thousands)		
Facilities charges	$8,120	$(2,152)	$5,968
Employee separation	185	(185)	—

	8,305	$(2,337)	5,968
Less: current portion	(3,077)		(3,720)
Non-current	$5,228		$2,248

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9. Income Taxes

Effective Tax Rate

The effective income tax rate was 22.5% and 28.6% during the quarters ended June 30, 2018 and 2017, respectively, and 21.1% and 9.2% during the nine months ended June 30, 2018 and 2017, respectively. The provision for income taxes during interim quarterly reporting periods is based on our estimates of the effective tax rates for the full fiscal year. The effective tax rate in any quarter can also be affected positively or negatively by adjustments that are required to be reported in the specific quarter of resolution.

The effective tax rate for the nine months ended June 30, 2018 was significantly impacted by recording the impact of the Tax Cuts and Jobs Act (the "Tax Act"), enacted on December 22, 2017 by the U.S. government. The Tax Act makes broad and complex changes to the U.S. tax code that will affect our fiscal year ended September 30, 2018, including, but not limited to, (1) reducing the U.S. federal corporate tax rate and (2) requiring a one-time transition tax on certain un-repatriated earnings of foreign subsidiaries that is payable over eight years.

The Tax Act reduces the federal corporate tax rate to 21.0% effective January 1, 2018. In accordance with Section 15 of the Internal Revenue Code, we will utilize a blended rate of 24.5% for our fiscal 2018 tax year, by applying a prorated percentage of the number of days prior to and subsequent to the January 1, 2018 effective date. We recorded provisional charges for the re-measurement of the deferred tax assets of $5.6 million to our income tax expense related to long-term deferred tax assets and $4.4 million related to short-term deferred tax assets during the nine months ended June 30, 2018.

The Deemed Repatriation Transition Tax (the "Transition Tax") is a tax on previously untaxed accumulated earnings and profits ("E&P") of certain of our foreign subsidiaries. To determine the amount of the Transition Tax, we must determine, in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. As of June 30, 2018, we were able to make a reasonable estimate and recorded a provisional Transition Tax obligation of $4.9 million.

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under FASB Accounting Standards Codification ("ASC") 740, "Accounting for Income Taxes" ("ASC 740"). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate to be included in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provision of the tax laws that were in effect immediately before the enactment of the Tax Act. While we are able to make reasonable estimates of the impact of the reduction in corporate rate and the deemed repatriation transition tax, the final impact of the Tax Act may differ from these estimates, due to, among other things, changes in our interpretations and assumptions, additional guidance that may be issued by the I.R.S., and actions we may take. We are continuing to gather additional information to determine the final impact.

The total unrecognized tax benefit for uncertain tax positions is estimated to be $5.2 million and $6.5 million at June 30, 2018 and September 30, 2017, respectively. We recognize interest expense related to unrecognized tax benefits and penalties as part of the provision for income taxes in our condensed consolidated statements of income and comprehensive income. We have accrued interest of $0.4 million related to unrecognized tax benefits as of June 30, 2018 and September 30, 2017.

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10. Earnings per Share

The following table presents reconciliations for the numerators and denominators of basic and diluted earnings per share ("EPS") for the quarters and nine-month periods ended June 30, 2018 and 2017:

	Quarter Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Numerator for diluted and basic earnings per share:				
Net Income	$32,361	$25,227	$91,935	$88,212
Denominator - share:				
Basic weighted-average shares	29,708	30,914	29,924	30,973
Effect of dilutive securities	1,453	1,310	1,417	1,367
Diluted weighted-average shares	31,161	32,224	31,341	32,340
Earnings per share:				
Basic	$1.09	$0.82	$3.07	$2.85
Diluted	$1.04	$0.78	$2.93	$2.73

We exclude the options to purchase shares of common stock in the computation of the diluted EPS where the exercise price of the options exceeds the average market price of our common stock as their inclusion would be antidilutive. There were no options excluded for each of the quarters ended June 30, 2018 and 2017. There were approximately 7,000 and 11,000 options excluded for the nine months ended June 30, 2018 and 2017, respectively.

11. Segment Information

We are organized into the following three operating segments, each of which is a reportable segment, to align with internal management of our worldwide business operations based on product offerings.

- Applications. This segment includes pre-configured decision management applications designed for a specific type of business problem or process — such as marketing, account origination, customer management, fraud, collections and insurance claims management — as well as associated professional services. These applications are available to our customers as on-premises software, and many are available as hosted, software-as-a-service ("SaaS") applications through the FICO® Analytic Cloud.
- Scores. This segment includes our business-to-business scoring solutions, our myFICO® solutions for consumers and associated professional services. Our scoring solutions give our clients access to analytics that can be easily integrated into their transaction streams and decision-making processes. Our scoring solutions are distributed through major credit reporting agencies, as well as services through which we provide our scores to clients directly.
- Decision Management Software. This segment is composed of analytic and decision management software tools that clients can use to create their own custom decision management applications, our new FICO® Decision Management Suite, as well as associated professional services. These tools are available to our customers as on-premises software or through the FICO® Analytic Cloud.

Our Chief Executive Officer evaluates segment financial performance based on segment revenues and segment operating income. Segment operating expenses consist of direct and indirect costs principally related to personnel, facilities, consulting, travel and depreciation. Indirect costs are allocated to the segments generally based on relative segment revenues, fixed rates established by management based upon estimated expense contribution levels and other assumptions that management considers reasonable. We do not allocate broad-based incentive expense, share-based compensation expense, restructuring expense, amortization expense, various corporate charges and certain other income and expense measures to our segments. These income and expense items are not allocated because they are not considered in evaluating the segment's operating performance. Our Chief Executive Officer does not evaluate the financial performance of each segment based on its respective assets, nor capital expenditures where depreciation amounts are allocated to the segments from their internal cost centers as described above.

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The following tables summarize segment information for the quarters and nine-month periods ended June 30, 2018 and 2017:

	Quarter Ended June 30, 2018				
	Applications	Scores	Decision Management Software	Unallocated Corporate Expenses	Total
	(In thousands)				
Segment revenues:					
Transactional and maintenance	$93,598	$90,716	$ 11,177	$—	$195,491
Professional services	34,173	505	8,531	—	43,209
License	13,847	884	6,074	—	20,805
Total segment revenues	141,618	92,105	25,782	—	259,505
Segment operating expense	(107,228)	(16,374)	(35,151)	(31,922)	(190,675)
Segment operating income (loss)	$34,390	$75,731	$ (9,369)	$ (31,922)	68,830
Unallocated share-based compensation expense					(18,883)
Unallocated amortization expense					(1,571)
Operating income					48,376
Unallocated interest expense, net					(8,223)
Unallocated other income, net					1,588
Income before income taxes					$41,741
Depreciation expense	$3,682	$130	$ 1,321	$ 215	$5,348

	Quarter Ended June 30, 2017				
	Applications	Scores	Decision Management Software	Unallocated Corporate Expenses	Total
	(In thousands)				
Segment revenues:					
Transactional and maintenance	$87,443	$68,376	$ 10,876	$—	$166,695
Professional services	35,990	487	7,394	—	43,871
License	10,349	651	9,420	—	20,420
Total segment revenues	133,782	69,514	27,690	—	230,986
Segment operating expense	(95,357)	(14,013)	(31,312)	(26,724)	(167,406)
Segment operating income (loss)	$38,425	$55,501	$ (3,622)	$ (26,724)	63,580
Unallocated share-based compensation expense					(14,315)
Unallocated amortization expense					(3,365)
Unallocated restructuring and acquisition-related					(4,471)
Operating income					41,429
Unallocated interest expense, net					(6,653)
Unallocated other income, net					555
Income before income taxes					$35,331
Depreciation expense	$3,931	$239	$ 1,196	$ 331	$5,697

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	Nine Months Ended June 30, 2018				
	Applications	Scores	Decision Management Software	Unallocated Corporate Expenses	Total
	(In thousands)				
Segment revenues:					
Transactional and maintenance	$284,441	$245,934	$ 34,973	$ —	$565,348
Professional services	107,542	1,465	22,906	—	131,913
License	37,743	2,531	15,149	—	55,423
Total segment revenues	429,726	249,930	73,028	—	752,684
Segment operating expense	(316,886)	(48,673)	(98,917)	(92,175)	(556,651)
Segment operating income (loss)	$112,840	$201,257	$ (25,889)	$ (92,175)	196,033
Unallocated share-based compensation expense					(54,631)
Unallocated amortization expense					(5,043)
Operating income					136,359
Unallocated interest expense, net					(21,799)
Unallocated other income, net					1,940
Income before income taxes					$116,500
Depreciation expense	$11,459	$432	$ 4,024	$ 737	$16,652

	Nine Months Ended June 30, 2017				
	Applications	Scores	Decision Management Software	Unallocated Corporate Expenses	Total
	(In thousands)				
Segment revenues:					
Transactional and maintenance	$258,337	$190,256	$ 33,011	$ —	$481,604
Professional services	102,971	2,002	23,725	—	128,698
License	41,576	2,071	25,015	—	68,662
Total segment revenues	402,884	194,329	81,751	—	678,964
Segment operating expense	(294,608)	(41,816)	(91,549)	(76,580)	(504,553)
Segment operating income (loss)	$108,276	$152,513	$ (9,798)	$ (76,580)	174,411
Unallocated share-based compensation expense					(43,546)
Unallocated amortization expense					(9,997)
Unallocated restructuring and acquisition-related					(4,471)
Operating income					116,397
Unallocated interest expense, net					(19,403)
Unallocated other income, net					128
Income before income taxes					$97,122
Depreciation expense	$11,758	$741	$ 3,524	$ 1,021	$17,044

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12. Contingencies

We are in disputes with certain customers regarding amounts owed in connection with the sale of certain of our products and services. We also have had claims asserted by former employees relating to compensation and other employment matters. We are also involved in various other claims and legal actions arising in the ordinary course of business. We record litigation accruals for legal matters which are both probable and estimable. For legal proceedings for which there is a reasonable possibility of loss (meaning those losses for which the likelihood is more than remote but less than probable), we have determined we do not have material exposure on an aggregate basis.

13. Subsequent Events

In July 2018, our Board of Directors approved a new stock repurchase program following the completion of a similar program that was approved in October 2017. The new program is open-ended and authorizes repurchases of shares of our common stock up to an aggregate cost of $250.0 million in the open market or in negotiated transactions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

Statements contained in this report that are not statements of historical fact should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, certain statements in our future filings with the Securities and Exchange Commission ("SEC"), in press releases, and in oral and written statements made by us or with our approval that are not statements of historical fact constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenue, income or loss, expenses, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other statements concerning future financial performance; (ii) statements of our plans and objectives by our management or Board of Directors, including those relating to products or services, research and development, and the sufficiency of capital resources; (iii) statements of assumptions underlying such statements, including those related to economic conditions; (iv) statements regarding business relationships with vendors, customers or collaborators, including the proportion of revenues generated from international as opposed to domestic customers; and (v) statements regarding products, their characteristics, performance, sales potential or effect in the hands of customers. Words such as "believes," "anticipates," "expects," "intends," "targeted," "should," "potential," "goals," " and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those described in Part II, Item 1A, Risk Factors. The performance of our business and our securities may be adversely affected by these factors and by other factors common to other businesses and investments, or to the general economy. Forward-looking statements are qualified by some or all of these risk factors. Therefore, you should consider these risk factors with caution and form your own critical and independent conclusions about the likely effect of these risk factors on our future performance. Such forward-looking statements speak only as of the date on which statements are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events or circumstances. Readers should carefully review the disclosures and the risk factors described in this and other documents we file from time to time with the SEC, including our reports on Form 8-K to be filed by us in fiscal 2018.

OVERVIEW

We use analytics to help businesses automate, improve and connect decisions across their enterprise, an approach we commonly refer to as decision management. Our predictive analytics, which includes the industry-standard FICO® Score, and our decision management systems leverage the use of big data and mathematical algorithms to predict consumer behavior and power hundreds of billions of customer decisions each year. We help thousands of companies in over 100 countries use our decision management technology to target and acquire customers more efficiently, increase customer value, reduce fraud and credit losses, lower operating expenses, and enter new markets more profitably. Most leading banks and credit card issuers rely on our solutions, as do insurers, retailers, telecommunications providers, pharmaceutical companies, healthcare organizations, public agencies and organizations in other industries. We also serve consumers through online services that enable people to purchase and understand their FICO® Scores, the standard measure of consumer credit risk in the U.S., and empower them to manage their financial health. Most of our solutions address customer engagement, including customer acquisition, customer onboarding, customer servicing and management, and customer protection. We also help businesses improve noncustomer decisions such as transaction and claims processing. Our solutions enable users to make decisions that are more precise, consistent and agile, and that systematically advance business goals. This helps our clients to reduce the cost of doing business, increase revenues and profitability, reduce losses from risks and fraud, and increase customer loyalty.

We derive a significant portion of our revenues from clients outside the U.S. International revenues accounted for 33% and 34% of total consolidated revenues for the quarters ended June 30, 2018 and 2017, respectively, and 33% and 35% of total consolidated revenues for the nine months ended June 30, 2018 and 2017, respectively. A significant portion of our revenues are derived from the sale of products and services within the banking (including consumer

credit) industry, and 87% and 74% of our revenues were derived from within this industry during the quarters ended June 30, 2018 and 2017, respectively, and 85% and 74% of our revenues were derived from within this industry during the nine months ended June 30, 2018 and 2017, respectively. In addition, we derive a significant share of revenues from transactional or unit-based software license fees, transactional fees derived under credit scoring, data processing, data management and SaaS subscription services arrangements, and annual software maintenance fees. Arrangements with transactional or unit-based pricing accounted for 75% and 72% of our revenues during the quarters ended June 30, 2018 and 2017, respectively. Arrangements with transactional or unit-based pricing accounted for 75% and 71% of our revenues during the nine months ended June 30, 2018 and 2017, respectively.

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We continue to drive growth in our Scores segment. Scores revenue increased 32% to $92.1 million during the quarter ended June 30, 2018 from $69.5 million during the quarter ended June 30, 2017, and 29% to $249.9 million during the nine months ended June 30, 2018 from $194.3 million during the nine months ended June 30, 2017. Scores operating income increased 36% to $75.7 million during the quarter ended June 30, 2018 from $55.5 million during the quarter ended June 30, 2017, and 32% to $201.3 million during the nine months ended June 30, 2018 from $152.5 million during the nine months ended June 30, 2017. For our Applications and Decision Management Software segments, our cloud business continues to grow both in the absolute dollar value and as a percentage of revenues as we pursue our cloud-first strategy. During the quarter ended June 30, 2018, cloud revenues accounted for $58.1 million, or 35% of non-Scores revenues, compared to $51.2 million, or 32% during the quarter ended June 30, 2017. During the nine months ended June 30, 2018, cloud revenues accounted for $177.6 million, or 35% of non-Scores revenues, compared to $151.1 million, or 31% during the nine months ended June 30, 2017.

Operating income increased 17% to $48.4 million for the quarter ended June 30, 2018 from $41.4 million during the quarter ended June 30, 2017 and as a result, net earnings increased 28% to $32.4 million from $25.2 million. Operating income increased 17% to $136.4 million for the nine months ended June 30, 2018 from $116.4 million for the nine months ended June 30, 2017, and net earnings increased 4% to $91.9 million from $88.2 million primarily due to the increase in operating income, partially offset by the income tax expense related to enactment of the Tax Cuts and Jobs Act.

We continue to enhance stockholder value by returning cash to stockholders through our stock repurchase program. During the quarter and nine months ended June 30, 2018, we repurchased approximately 0.6 million shares at a total repurchase price of $106.9 million and 1.4 million shares at a total repurchase price of $231.5 million, respectively. As of June 30, 2018, we had $55.1 million remaining under our then-current stock repurchase program.

Bookings

Management uses bookings as an indicator of our business performance. Bookings represent contracts signed in the current reporting period that generate current and future revenue streams. We consider contract terms, knowledge of the marketplace and experience with our customers, among other factors, when determining the estimated value of contract bookings.

Bookings calculations have varying degrees of certainty depending on the revenue type and individual contract terms. Our revenue types are transactional and maintenance, professional services and license. Our estimate of bookings is as of the end of the period in which a contract is signed, and we do not update initial booking estimates in future periods for changes between estimated and actual results. Actual revenue and the timing thereof could differ materially from our initial estimates. The following paragraphs discuss the key assumptions used to calculate bookings and the susceptibility of these assumptions to variability.

Transactional and Maintenance Bookings

We calculate transactional bookings as the total estimated volume of transactions or number of accounts under contract, multiplied by the contractual rate. Transactional contracts generally span multiple years and require us to make estimates about future transaction volumes or number of active accounts. We develop estimates from discussions with our customers and examinations of historical data from similar products and customer arrangements. Differences between estimated bookings and actual results occur due to variability in the volume of transactions or number of active accounts estimated. This variability is primarily caused by the following:

- The health of the economy and economic trends in our customers’ industries;
- Individual performance of our customers relative to their competitors; and
- Regulatory and other factors that affect the business environment in which our customers operate.

We calculate maintenance bookings directly from the terms stated in the contract.

Professional Services Bookings

We calculate professional services bookings as the estimated number of hours to complete a project multiplied by the rate per hour. We estimate the number of hours based on our understanding of the project scope, conversations with customer personnel and our experience in estimating professional services projects. Estimated bookings may differ from actual results primarily due to differences in the actual number of hours incurred. These differences typically

result from customer decisions to alter the mix of FICO and customer services resources used to complete a project.

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License Bookings

Licenses are sold on a perpetual or term basis and bookings generally equal the fixed amount stated in the contract.

Bookings Trend Analysis

	Bookings	Bookings Yield (1)		Number of Bookings over $1 Million	Weighted-Average Term (2)
	(In millions)				(Months)
Quarter Ended June 30, 2018	$ 119.9	14	%	15	28
Quarter Ended June 30, 2017	$ 95.5	19	%	14	29
Nine Months Ended June 30, 2018	$ 303.8	27	%	37	NM[a]
Nine Months Ended June 30, 2017	$ 283.0	34	%	40	NM[a]

(1) Bookings yield represents the percentage of revenue recognized from bookings for the periods indicated.

(2) Weighted-average term of bookings measures the average term over which bookings are expected to be recognized as revenue.

(a) NM - Measure is not meaningful as our estimate of bookings is as of the end of the period in which a contract is signed, and we do not update our initial booking estimates in future periods for changes between estimated and actual results.

Transactional and maintenance bookings were 43% and 39% of total bookings for the quarters ended June 30, 2018 and 2017, respectively. Professional services bookings were 46% and 43% of total bookings for the quarters ended June 30, 2018 and 2017, respectively. License bookings were 11% and 18% of total bookings for the quarters ended June 30, 2018 and 2017, respectively.

Transactional and maintenance bookings were 41% and 37% of total bookings for the nine months ended June 30, 2018 and 2017, respectively. Professional services bookings were 47% and 45% of total bookings for the nine months ended June 30, 2018 and 2017, respectively. License bookings were 12% and 18% of total bookings for the nine months ended June 30, 2018 and 2017, respectively.

RESULTS OF OPERATIONS

Revenues

The following tables set forth certain summary information on a segment basis related to our revenues for the quarters and nine-month periods ended June 30, 2018 and 2017:

Segment	Quarter Ended June 30,		Percentage of Revenues				Period-to-Period Change	Period-to-Period Percentage Change	
	2018	2017	2018		2017				
	(In thousands)						(In thousands)		
Applications	$141,618	$133,782	55	%	58	%	$ 7,836	6	%
Scores	92,105	69,514	35	%					