FICO — Exceptional Franchise, Insufficient Return at $1,123

Research frozen as of July 31, 2026 | Decision memo dated August 19, 2026

This memo distills the original report and model. It does not incorporate new operating evidence or revise the frozen assumptions.

WATCH / NO POSITION

Base-case annualized return: 9.1% at a constant multiple, versus our 15% hurdle.

FICO is an exceptional franchise, but the expected per-share compounding from the reference price is insufficient. This is not a short thesis: the company retains substantial earnings power, and the downside is highly sensitive to the terminal multiple.

1. Decision and return math

Required return	→	Constant-multiple case	→	Formal Base
15.0%	→	**9.1%**	→	**5.25%**

TTM diluted EPS was approximately $34.47. Our Base case reaches $49.63 in FY2030.

At the unchanged 32.58× reference multiple, the implied FY2030 value is $1,616.95, producing a 9.1% annualized price return over 4.17 years. At our formal 28× Base multiple, the value is $1,389.72 and the return falls to 5.25%.

The 9.1% is not pure organic business growth. It includes revenue growth, modest margin and interest improvement, and a lower diluted share count. From the normalized FY2027 base, EPS and Owner FCF per share compound at approximately 6.7% through FY2030. No dividend is modeled.

The investment therefore fails our return requirement before assuming either competitive erosion or multiple compression.

2. Durable earnings power

FICO's FY2026 mortgage repricing created a durable step-up in earnings. Our Base case assumes that most of the new level holds, but does not treat the price increase itself as a recurring growth engine.

The durable earnings question is whether FICO can continue earning more per mortgage file without causing lenders to reduce the number of paid FICO pulls.

3. The load-bearing assumption

Acceptance of an alternative score does not automatically change lender payment behavior.

Our confidence is moderate, not high.

The evidence supports durability:

- FICO remains embedded in lender workflows and the GSE mortgage process.
- Mortgage royalties are generally earned when lenders pull the score, not when a loan is ultimately delivered.
- Current GSE acceptance of VantageScore does not itself remove existing credit-reporting requirements.
- No material paid-pull erosion had been disclosed at the research cutoff.

But the evidence is not conclusive:

- Free or bundled VantageScore access means the market has not yet produced a clean economic test.
- Absolute paid-pull data are not disclosed.
- Lender switching costs, the private-label securitization ecosystem and prior competitive challenges require deeper structural underwriting.

Mortgage architecture is the secondary operating assumption: broader bi-merge adoption could reduce the number of scores billed per loan. Buybacks support per-share results, but amplify the outcome rather than create the franchise economics.

4. What changes the view

The operating case would improve if another price increase were retained without paid-pull erosion, or if earnings moved materially above the Base path.

The downside case would strengthen if lenders discontinued paid FICO pulls, VantageScore-only production became economically meaningful, or mortgage architecture reduced scores billed per loan.

Price trigger: A sufficiently lower price could change the investment decision without changing the operating thesis.

Position disclosure: The author held a small long position in FICO as of the report's July 31, 2026 cutoff and continued to hold a small long position as of August 20, 2026. This personal holding is distinct from the report's WATCH / NO POSITION portfolio verdict.

Bottom line: FICO may remain an exceptional business, but its Base-case per-share compounding is not sufficient at the reference price. Until its conviction-adjusted return exceeds the next-best available opportunity, it belongs on the watchlist.

Prepared by Charlie Wang

FAIR ISAAC CORPORATION

The Reset and the Plateau

FLAGSHIP INVESTMENT REPORT

AUGUST 2026

Prepared by Charlie Wang

Contents

Evidence labels: [F] disclosed fact · [M] management or named-participant statement · [I] our derivation · [A] modeling assumption · [U] structurally unavailable.
Superscript numerals refer to the page's Sources and Notes.

P1

The Verdict

The verdict

FICO remains an exceptional business, but the risk/reward is unattractive at the current price. Our base case does not meet our return hurdle, while a change in mortgage-reporting architecture could create material downside without destroying the underlying franchise.

Our reference price is $1,122.97 at the close of July 31, 2026. [F]1 Trailing twelve-month earnings of $34.47 per share are spliced from filed statements rather than printed in any one of them, and the shares trade at 32.58 times trailing GAAP earnings. [I]1

The investment case fails first in the base case, not the bear case. At the current price, our base case offers only a 5.25% annualized return; even holding today's multiple unchanged raises that return to only about 9.1%, below our hurdle. That conclusion requires no bi-merge, no paid-pull erosion and no multiple compression.

Base-case fiscal 2030 earnings of $49.63 per share at 28 times give $1,389.72, an annualized return of 5.25 percent over our 4.17 year holding period. Bear-case earnings of $37.48 at 22 times give $824.56, a total return over the same period of minus 26.57 percent. [A]/[I]2 We set both gates as portfolio standards. The base case must return at least 15 percent annualized; it fails by a wide margin. The bear case must lose no more than 25 percent; it fails by 1.57 percentage points of return, and a relative improvement of roughly 2.14 percent in bear-case terminal value, terminal earnings per share or terminal multiple would close it. [I]2

The downside gate also rests heavily on the 22 times we chose. At a uniform 28 times, the bear case would be worth $1,049.44, only 6.55% below the reference price, and our downside gate would pass. That uniform reading is a sensitivity disclosure on the formal 22 times bear case, not a second bear case, and it changes neither the formal bear-case numbers nor the conclusion. [I]2

The earnings reset and plateau

The FY2026 mortgage repricing is already in the numbers. We expect most of the new level to hold, but not the growth rate that created it.

The reported quarter already contains the step. Scores segment revenue was $458.9 million in the June 2026 quarter against $324.3 million a year earlier, while segment operating income was $416.9 million against $284.7 million, a 91 percent segment margin. [F]3 Management attributes the increase primarily to a higher mortgage origination scores unit price. [F]3

The repricing raised the earnings base; it did not, by itself, create a new growth engine. Our base case assumes the new level holds, but mortgage revenue grows only modestly from here. Our base case does not require a meaningful mortgage-market recovery: origination volume normalizes around the current annualized run rate, while a stronger refinancing recovery or lock-in unwind remains an upside case.

The anchor is $1,128.0 million, the June 2026 quarter's mortgage revenue of $282 million mechanically annualized; it is a run rate, not fiscal 2026 revenue as reported for the full year. [I]4 Base-case fiscal 2030 mortgage revenue of $1,174.9 million sits 4.2 percent above that run-rate anchor in total, across the full modeled horizon, not per year. [I]4 The 5,960-thousand-loan Base volume center simply annualizes the Mortgage Bankers Association's 1,490-thousand estimate for the same calendar quarter. [F]/[A]4 It calibrates the model to current activity rather than to a recovery forecast.

E1 The Double Gate at the Reference Price

REFERENCE PRICE, JULY 31, 2026 [F]

$1,122.97

Holding period 4.17 years [A]
Trailing multiple 32.58× on TTM EPS $34.47 [I]

Base	$49.63 @ 28× [A] = $1,389.72	**5.25% annualized** [I]
Bear	$37.48 @ 22× [A] = $824.56	**−26.57% total return** [I]

GATE 1 Base hurdle: at least 15% annualized [A] — **Fail, by a wide margin**

GATE 2 Bear loss limit: no more than 25% [A] — **Fail by 1.57pp of return**

A relative improvement of about 2.14% in bear-case terminal value, terminal EPS or terminal multiple would close it: $38.28 or 22.47×.

The 15% hurdle and 25% loss limit are our own investment standards, not market conventions.

SENSITIVITY

At a uniform 28×, the bear case would be worth $1,049.44, only 6.55% below the reference price, and the downside gate would turn to a pass.

A sensitivity on the formal 22× bear case, not a second bear case.

With the terminal multiple held at today's 32.58×, the base case returns about 9.1% annualized. [I]

① The two gate results are stated side by side with their robustness: the return gate fails by a wide margin; the downside gate fails narrowly and rests on the 22× assumption.

② 1.57pp is a gap in return; about 2.14% is a relative improvement in bear-case terminal value, terminal EPS or terminal multiple — two different units.

Source: company filings and the report's frozen valuation model; reference price at the close of July 31, 2026.

SOURCES AND NOTES — P1

1 Reference price of **$1,122.97** at the close of **July 31, 2026** [F]. Trailing twelve-month earnings per share of **$34.47** is our splice of filed statements: trailing twelve-month net income of **$815,017 thousand** over a diluted share count of approximately **23,642 thousand**; the trailing GAAP multiple of **32.5782×** is the quotient of those two figures and is ours [I]. Carried from Act IV, P16.

2 Module four scenario model, carried unchanged: fiscal 2030 earnings per share of **$37.4801** bear and **$49.6328** base; terminal multiples of **22×** and **28×**; terminal values of **$824.56** and **$1,389.72**; holding period **4.167 years**; base-case annualized return **5.2476%**, displayed throughout as **5.25%**; bear-case total return **−26.5731%**; the constant-multiple cross-check of **9.1429%**, displayed as about **9.1%**; the **15%** return hurdle and **25%** downside limit, both our own standards [A]; the gate-two gap of **1.57 percentage points** of return and the pass thresholds of **$38.2831** or **22.4713×**, a relative improvement of roughly **2.14%** in bear-case terminal value, terminal earnings per share or terminal multiple; the uniform **28×** reading of **$1,049.44**, **−6.55%** against the reference price. Carried from Act IV, P16 and P17.

3 FICO Form 10-Q, quarterly period ended **June 30, 2026**, filed **July 29, 2026**. Segment disclosures, for the quarter and for the nine months; quarterly attribution. Carried from Act I, P5.

4 Module three and module four base and bear builds, carried unchanged: the run-rate anchor of **$1,128.0m**, the June 2026 quarter's mortgage revenue of **$282m** mechanically annualized [I]; fiscal 2030 base-case mortgage revenue of **$1,174.9m**, **4.2%** above that anchor in total [I]; the volume center of **5,960 thousand loans**, built as **1,490** × **4** from the Mortgage Bankers Association's estimate for the second calendar quarter of 2026, [F] as an association estimate, with the annualization ours [A]; bear-case fiscal 2030 net income **4.31%** below trailing twelve-month net income and the diluted share count **11.98%** lower [I]. Carried from Act III, P13 and P15.

P2

Price and Valuation Calibers

The transmission risk

In the legacy channel underlying current revenue, FICO is paid when lenders pull scores; the model ultimately delivered to a government-sponsored enterprise (GSE) is a separate layer. Model-layer acceptance and lender payment behavior are separate steps. VantageScore adoption has not yet translated into visible paid-pull erosion, but today's subsidized dual-pull environment is not a full test of FICO's economics. Two of the three credit bureaus currently supply the competing score free or nearly free alongside a purchased FICO score, so lenders have not yet faced a clean economic choice. [F]1

The structural risk we can size most clearly is a reduction in the number of scores billed per loan; brand substitution remains important, but is harder to translate into revenue. We include partial bi-merge in the bear case to size its severity, not because it is necessarily the most likely outcome. A tri-merge file carries three scores and a bi-merge file two, so the revenue effect of a requirement change is arithmetic, while the key inputs behind brand substitution are not available in public disclosures. The Federal Housing Finance Agency states that including VantageScore 4.0 will not change the enterprises' current credit reporting requirements, and the disclosed record provides neither a reliable implementation date nor a basis for assigning probability. [F]1 Even in the bear case, fiscal 2030 net income is 4.31 percent below the trailing twelve months on a share count 11.98 percent lower; the downside is lost compounding, not franchise failure. [I]2

Valuation and capital allocation

The useful question is what the price is already asking fiscal 2030 to deliver. To earn 10 percent annualized from today's price, FY2030 base-case EPS would need to be 20.21 percent above our forecast, or the terminal multiple would need to reach 33.66 times. Reaching 15 percent would require EPS 44.67 percent above our forecast, or a terminal multiple of 40.51 times. [I]3 Each requirement is an or, not an and, and each is a gap in the fiscal 2030 level of earnings per share, not a growth rate. A 10 percent return remains attainable, including through a terminal multiple modestly above today's level. Our 15 percent hurdle requires a materially larger outcome.

Capital allocation narrows the room for error. On June 5, 2026 FICO drew a $1.5 billion unsecured term loan in full and entered a $1.5 billion accelerated share repurchase the same day. The matched timing and amount support our inference that the repurchase was debt-funded; the filing does not trace every borrowed dollar to it, and the final share count and average repurchase price settle in the fourth quarter of fiscal 2026. [F]/[I]4 Debt-funded repurchases reduce the share count and support per-share results, but the associated maturity concentration, roughly $1.76 billion falling inside a single month of 2028 on our arithmetic from the printed schedule, narrows the capital-allocation choices available at that date if the reset settles into a plateau. [I]4 That is reduced flexibility, not a default forecast.

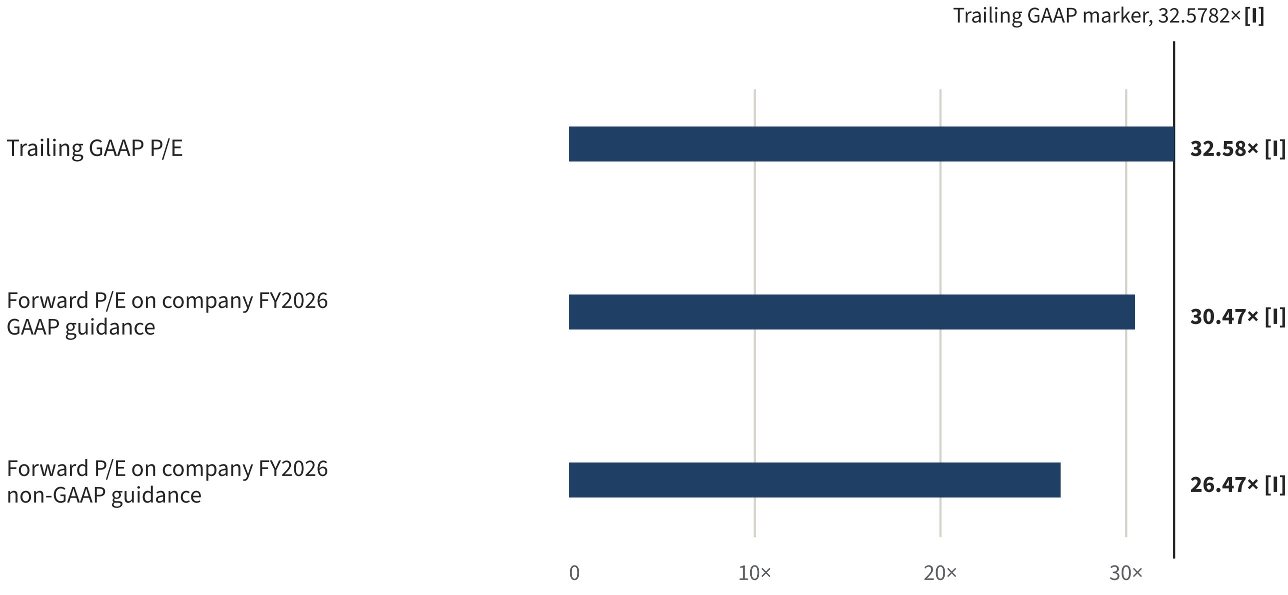
What would change our conclusion

Two changes would invalidate the operating path; the third would remove a downside mechanism from the investment case. The first is another material price increase that is retained in reported economics. The possibility is not abstract: the company has repriced materially in consecutive years, and a further retained increase would mean the base case is rebuilt, not defended. [F]5 The second is realized earnings materially above the Base path, which would fail the plateau judgment and the return verdict together. The third changes the downside case: formal cancellation of bi-merge, its decoupling from the score-model transition, a durable lender-choice regime, or sustained stagnation in VS-only deliveries would remove or materially weaken the modeled downside mechanism from the investment case. [F]1

Price is the remaining trigger. A lower share price would not prove this research wrong. It would make the same company produce a different investment conclusion at a lower price. The operating thesis would be unchanged; the investment conclusion would not.

We would not initiate a position at the reference price, and nothing here is a recommendation to express negative exposure. We would wait for the price or the facts to change, and the conclusion applies to the current price, not to the long-term quality of the company. The risk/reward is unattractive at the current price.

E2 The Multiple Caliber Spectrum



Directly supported calipers span 26.47×–32.58×; each is used only with its named denominator.

① 26.47× and 32.58× are the displayed endpoints of the retained caliber spectrum; 32.58× and 32.5782× are two authorized displays of one number.

② All three multiples share one numerator — the reference price $1,122.97 at the close of July 31, 2026 [F]; each denominator differs by caliber, as named on its bar.

Source: reference price at the close of July 31, 2026; company FY2026 guidance; the report's frozen TTM splice.

SOURCES AND NOTES — P2

1 Federal Housing Finance Agency, "Credit Scores" policy page, last updated **April 22, 2026**, for the credit reporting requirements statement and for the February 29, 2024 timetable amendment [F]. Bureau pricing and free bundling: Equifax investor material of **October 7, 2025** and product page of 2026, and; TransUnion Form 8-K Exhibit 99.2 of **April 28, 2026** [F]. Carried from Act II, P8, P9 and P10, and Act V, P22.

2 Module three and module four base and bear builds, carried unchanged: the run-rate anchor of **$1,128.0m**, the June 2026 quarter's mortgage revenue of **$282m** mechanically annualized [I]; fiscal 2030 base-case mortgage revenue of **$1,174.9m**, **4.2%** above that anchor in total [I]; the volume center of **5,960 thousand loans**, built as **1,490 × 4** from the Mortgage Bankers Association's estimate for the second calendar quarter of 2026, [F] as an association estimate, with the annualization ours [A]; bear-case fiscal 2030 net income **4.31%** below trailing twelve-month net income and the diluted share count **11.98%** lower [I]. Carried from Act III, P13 and P15.

3 Module four reverse-solve, carried unchanged: to reach **10%** annualized from **$1,122.97** over **4.167 years**, fiscal 2030 base-case earnings per share **20.21%** above our forecast, or a terminal multiple of **33.6575×**; to reach **15%**, earnings per share **44.67%** above forecast, or a terminal multiple of **40.5067×**. Both figures are gaps in the fiscal 2030 level of earnings per share, not growth rates. Carried from Act IV, P18.

4 FICO Form 10-Q, quarterly period ended **June 30, 2026**, debt footnote and share repurchase disclosures: the **$1.5b** term loan drawn **June 5, 2026** and the **$1.5b** accelerated share repurchase entered the same day [F]; the debt funding of the repurchase is our inference from the matched date and amount, and the filing does not trace borrowed dollars to the repurchase [I]; final share count and average repurchase price settle in the fourth quarter of fiscal 2026 [F]. The roughly **$1.76b** falling inside a single month of 2028 is our arithmetic on the printed amortization schedule and maturity dates and would change if the company prepays or refinances [I]. Carried from Act IV, P19.

5 Royalty path, both rungs disclosed: **$3.50** stated by FICO in writing to the Consumer Financial Protection Bureau, **August 2, 2024**; **$4.95** for calendar 2025, FICO company website article, **November 6, 2024**, a company-published article and not an SEC filing. The two consecutive repricings referenced under the first change in the closing section are this disclosed path plus the reported June 2026 quarter of source [3]. Carried from Act I, P4, and Act V, P22.

Note Displayed figures are rounded; calculations use unrounded model outputs.

P3

The Royalty, Not the Score

FICO monetizes the score, not the credit report that carries it. In the legacy bureau channel it is paid for the use of the score. That payment is neither the end price of the report nor a claim on every downstream reuse of it.

Most commentary on FICO's mortgage economics conflates two prices: what a lender pays for a tri-merge credit report bundle, and what FICO receives for the score inside it.

The chain runs one way. FICO licenses its scoring model to the three national credit bureaus, Experian, TransUnion and Equifax, and collects a wholesale royalty each time a score is produced. The bureaus sell scores and reports to tri-merge resellers, who assemble the bundle a mortgage lender buys. The lender originates the loan and, for conforming production, delivers it to a government-sponsored enterprise (GSE).

FICO participates in one link. In the legacy bureau channel that underlies current mortgage revenue, it is paid a per-score wholesale royalty when a lender pulls a score. It does not set, receive, or share in the markups applied downstream.

Writing on its own website in November 2024, FICO stated that after its 2025 bureau-channel royalty change, "all amounts above $4.95 per score are collected and retained by the credit bureaus or their tri-merge resellers," and not by FICO. [F]1 The same article put the royalty at approximately 15 percent of an $80 to well over $100 tri-merge bundle. On the company's own calculation, measured against average total closing costs of $6,000, FICO's share of those closing costs was approximately two-tenths of one percent before the increase and would remain approximately two-tenths of one percent after it. [F]1

One bureau has confirmed the arrangement from its own side. TransUnion told investors in July 2026 that revenue was up 28 percent "inclusive of FICO price increases," which it labeled no-margin. [M]2 The statement is TransUnion's alone and cannot be extended to Experian or Equifax, and it carries no dollar amount from which FICO's unit price could be reverse-engineered. What it establishes, for that one bureau, is direction: the increase was passed through without a markup.

Under the legacy bureau arrangement, payment attaches to the pull, not to the loan. FICO told the Consumer Financial Protection Bureau in August 2024 that for downstream uses of a score already pulled, "FICO receives no incremental royalty beyond the per score amount collected for the origination use itself," and that the royalty is the same price for GSE-purchased mortgages as for any other. [F]3

Revenue follows usage immediately. FICO's accounting policy states that business-to-business scoring royalties are recognized "when the usage occurs." [F]4 There is no deferral and no backlog. A price change reaches reported revenue in the quarter it takes effect.

SOURCES AND NOTES

1 FICO, "FICO's Royalty Pricing, Role and Adoption in the Mortgage Industry," company website, signed Executive Vice President, Scores, **November 6, 2024**. Company-published article, not an SEC filing.

2 TransUnion, Form 8-K Exhibit 99.2, Q2 CY2026 investor presentation, **July 28, 2026**.

3 FICO comment letter to the Consumer Financial Protection Bureau, **August 2, 2024**, Docket No. CFPB-2024-0021, signed James M. Wehmann.

4 FICO Form 10-K, fiscal year ended **September 30, 2025**, revenue recognition policy.

E3 Where the Money Goes

1
FICO
Receives per-score wholesale royalty. 2025 bureau channel: $4.95 **[F]**

→

2
Credit bureaus
Experian · TransUnion · Equifax
Collect and retain all amounts above the royalty **[F]**

TransUnion only: states it passes the FICO increase through at no margin **[M]**

→

3
Tri-merge resellers
Assemble the three-bureau bundle. No disclosed intermediate markup amount

→

4
Mortgage lender
Buys the tri-merge bundle: $80 to well over $100 **[F]** . FICO royalty is approximately 15% of it **[F]**

→

5
GSE
Loan delivered. No incremental royalty to FICO under the legacy bureau arrangement **[F]**

FICO's own calculation against average total closing costs of $6,000: approximately two-tenths of one percent before the 2025 increase, and approximately the same after it. **[F]**

SCHEMATIC — NOT TO SCALE

① The no-margin statement is TransUnion's alone, as named on node 2; no equivalent statement exists for Experian or Equifax.

Source: FICO corporate blog, November 6, 2024; TransUnion investor deck, Q2 calendar 2026; FICO letter to the CFPB, August 2, 2024; FICO Form 10-K, fiscal 2025.

P4

The Price Path

Two rungs of the price ladder are the company's disclosures. The third is ours, it is conditional, and it covers a single quarter.

The repricing has a documented path.

Rung	Amount per score	What it is	Grade
2024 mortgage wholesale royalty	**$3.50**	Rate then in effect in the credit bureau channel, stated by FICO in writing to a federal regulator	[F]
2025 mortgage wholesale royalty	**$4.95**	Bureau-channel rate card for **calendar** 2025. Bureaus notified October 30, 2024; publicly disclosed November 6, 2024	[F]
Implied realized price, **FY2026 Q3**	**$9.2 to $9.7**	**Our conditional derivation for the quarter ended June 30, 2026.** Not a FICO price and not a rate card	[I]

The first two rungs are disclosed, not estimated. FICO wrote to the Consumer Financial Protection Bureau in August 2024 that "the wholesale royalty currently collected by FICO from a CRA for mortgage originations is only $3.50 per score." [F]1 Three months later it published the next rung itself: "On October 30, 2024, we notified the credit bureaus that, for 2025, FICO's wholesale royalty will be $4.95 per score for mortgage originations." [F]2

The two documents close on each other. In the same November article FICO wrote that after the change, any increase greater than $1.45 per score is set by others who distribute the scores. [F]2 That $1.45 is the 2025 bureau-channel rate of $4.95 less the 2024 rate of $3.50. The issuer's own arithmetic confirms the $3.50 base recorded three months earlier in a different document filed through a different channel. This is the company's reconciliation, not ours.

The November article is a signed piece on FICO's own website, not an SEC filing. It is first-party evidence of what FICO said and the price it set, but it does not carry the liability standard of a filed document.

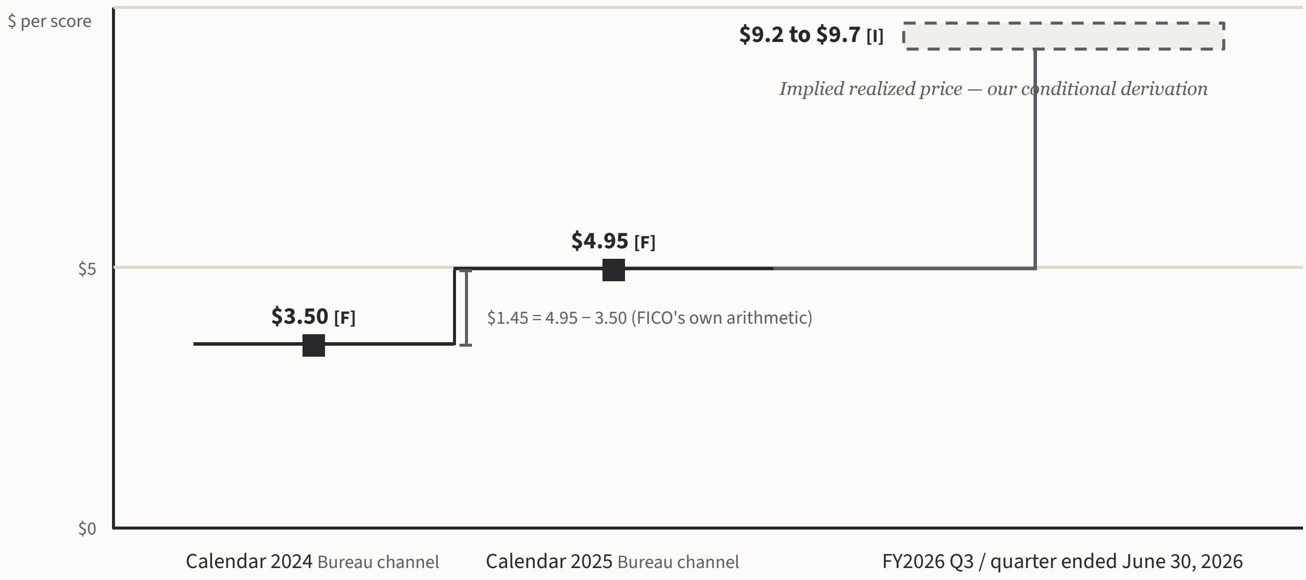
Two qualifications travel with the 2025 royalty figure. The first is calendar. It is the rate card for **calendar** 2025, never a realized average for a fiscal year. FICO's fiscal 2025 began on October 1, 2024, and its first quarter was still priced at $3.50.

The second is channel. In the 2025 bureau channel, $4.95 is a wholesale royalty per score with nothing attached. In the Direct License Program performance model announced on October 1, 2025, a $4.95 per-score royalty carries a funded loan fee of $33 per borrower per score when a scored loan closes. [F]3 Same figure, different product, different payer. They do not belong on the same historical price path. When compared in the DLP appendix, each is separately labeled by channel and calendar year.

We estimate the implied realized price in fiscal Q3 2026, the quarter ended June 30, at roughly $9.2 to $9.7 per mortgage origination score. The estimate is ours, and it is conditional on three inputs holding together: the 2025 bureau-channel base of $4.95 [F], mortgage origination scores revenue up approximately 97 percent year on year [M], and unit volume up in the low single digits [M]. [I]4 Move any one of them and the implied price moves with it. FICO has not publicly disclosed the calendar-2026 wholesale royalty applicable to the legacy credit-bureau channel, and no filed document contains this range or the two management inputs that produce it.

The precise point inside the range matters less than the size of the step. None of our downstream conclusions depends on selecting a midpoint.

E4 The Price Path and Its Evidence Grades



① Evidence grades are drawn on the chart: the [F] positions are solid markers; the [I] position is an open, dashed range band — two deliberately different treatments.

② The third position is a range, not a point. Its axis label is FY2026 Q3 / quarter ended June 30, 2026. It is not a FICO price, not a rate card, and not a fiscal-year realized price.

③ The range is a conditional derivation from three inputs: the 2025 bureau-channel base $4.95 [F]; mortgage origination scores revenue up approximately 97% year on year [M]; low-single-digit unit volume growth [M].

④ The DLP price of $4.95 + $33 effective October 1, 2025 is not on this axis — the same number belongs to a different product and channel.

⑤ $4.95 is the calendar-2025 rate card. FICO's fiscal 2025 began October 1, 2024, with its first quarter still at $3.50 — $4.95 is not a fiscal-2025 average price.

⑥ FICO's own arithmetic — $1.45 = 4.95 − 3.50 — independently confirms the $3.50 base from the CFPB letter.

⑦ FICO has not publicly disclosed the calendar-2026 wholesale royalty applicable to the legacy credit-bureau channel.

Source: FICO letter to the CFPB, August 2, 2024; FICO corporate blog, November 6, 2024; FICO fiscal Q3 2026 earnings call, two independently produced transcript versions; the report's conditional derivation.

SOURCES AND NOTES — P4

1 FICO comment letter to the Consumer Financial Protection Bureau, **August 2, 2024**, Docket No. CFPB-2024-0021.

2 FICO company website article, **November 6, 2024.**

3 FICO, Direct License Program launch press release, **October 1, 2025.**

4 **Implied realized price, FY2026 Q3, quarter ended June 30, 2026:** our conditional derivation, Module 2. Three inputs. First, the 2025 bureau-channel base of $4.95, [F], per source [2] above. Second, mortgage origination scores revenue up approximately 97% year on year, [M]. Third, low-single-digit unit volume growth, [M]. The second and third inputs are prepared remarks by FICO's Chief Financial Officer on the FY2026 Q3 earnings call, **July 29, 2026**, present and mutually consistent in two independently produced transcript versions of the same earnings call. Neither figure appears in the Form 10-Q or in the earnings press release for the same quarter. The remarks reference an accompanying investor presentation, but no page of that deck can be tied to these two statements from the materials held locally. The derivation is conditional on all three inputs together and is not carried by disclosed inputs alone. It is an estimate of what was realized in one quarter, not a legacy bureau-channel price FICO has published for calendar 2026.

P5

The Reset in the Printed Numbers

This is not guidance, not an outlook, and not a change in definition. It is a quarter that has already been reported.

The FY2026 mortgage repricing is already in the numbers. We expect most of the new level to hold, but not the growth rate that created it.

Scores segment, quarter ended June 30 [F]1

$000	FY2026	FY2025	Change
Segment revenue	458,897	324,309	+134,588
Segment operating income	416,886	284,711	+132,175
Segment operating margin	91%	88%	+3pp

Scores segment, nine months ended June 30 [F]1

$000	FY2026	FY2025	Change
Segment revenue	1,238,404	857,023	+381,381
Segment operating income	1,117,215	753,452	+363,763
Segment operating margin	90%	88%	+2pp

Scores segment revenue rose by $134.6 million in the June 2026 quarter, and segment operating income rose by $132.2 million. The near-total conversion of incremental revenue into operating profit establishes the low marginal cost of the revenue, not whether the increase came from price or volume.

Management's own language carries the attribution, and it is not hedged. The quarterly discussion states that the rise in business-to-business scores revenue was "primarily attributable to a higher mortgage origination scores unit price." [F]2 The nine-month discussion widens the attribution to "both a higher unit price and an increase in volume of mortgage origination scores."

[F]2 Business-to-business scores accounted for approximately 98 percent of the quarterly Scores increment, $131.6 million of $134.6 million. [I]3

The nine-month figures show that the increase is not confined to a single reporting period. Across the nine months, revenue is higher by $381.4 million and segment operating income by $363.8 million. That is an aggregate. It says nothing about how the increase was distributed across the three individual quarters, and we do not read a per-quarter pattern into it.

The reset is no longer the open question. Its durability is.

SOURCES AND NOTES

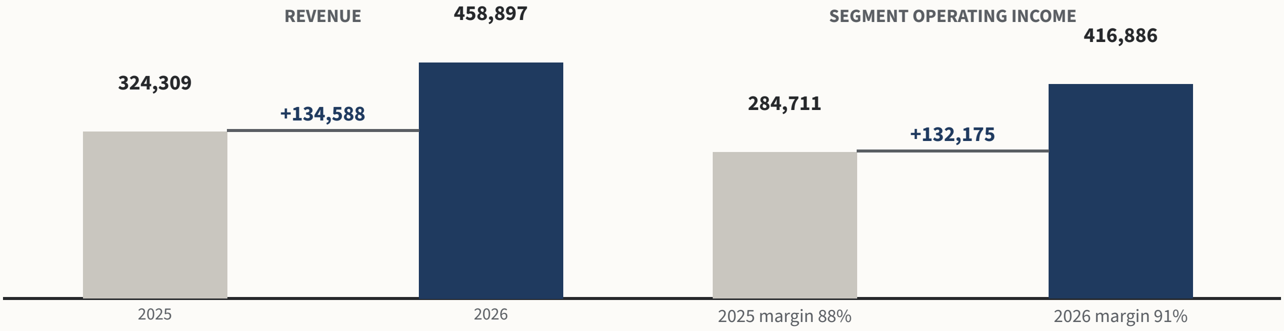
1 FICO Form 10-Q, quarterly period ended **June 30, 2026**, filed **July 29, 2026**. Segment disclosures, for the quarter and for the nine months; segment composition at note 11.

2 Same filing, management's discussion and analysis, for the quarterly attribution and for the nine-month attribution.

3 Business-to-business share of the quarterly increment: our derivation from the amounts printed, $131.6 million of $134.6 million.

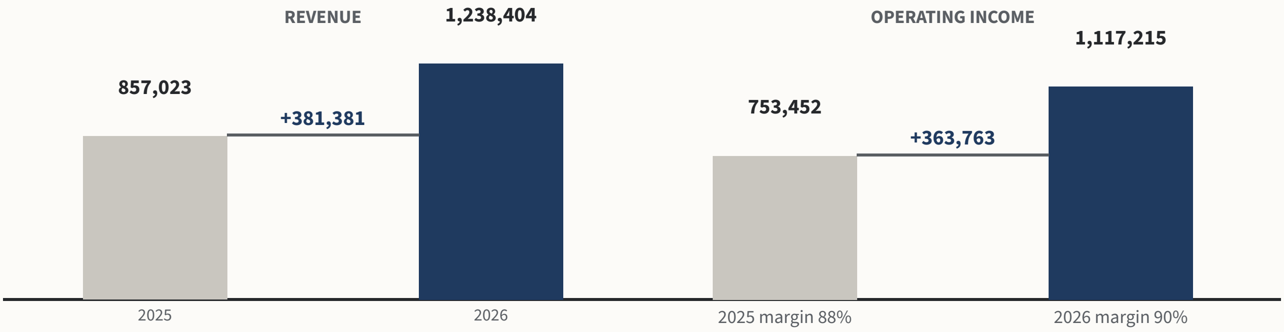
E5 The Reset in the Printed Numbers

Panel A — Quarter ended June 30, $000 [F]



Business-to-business share of the quarterly Scores increment: approximately 98% **[I]**

Panel B — Nine months ended June 30, $000 [F]



Nine-month aggregate; it carries no information about the distribution across individual quarters.

① The approximately 98% [I] is business-to-business's share of the quarterly Scores revenue increment ($131.6m of $134.6m) — a share of the increment, not a margin.

② Panel A and Panel B are different measurement periods — one quarter and a nine-month aggregate — shown as two separate charts, each on its own scale.

③ All other printed values and both margin pairs are as reported, in thousands of dollars [F].

Source: FICO Form 10-Q for the quarter and nine months ended June 30, 2026 (fiscal Q3 2026).

P6

Is the Level Durable?

The level is better supported than the growth rate. Its support is a company statement about its own history, and that history was broken by the event under analysis.

FICO's own account of its pricing history is the strongest support available for the level, and it is weaker now than when the company wrote it. In the November 2024 article the company called the 2025 royalty "our fourth royalty change in the mortgage industry throughout our nearly 30-year history, apart from customary adjustments for inflation." [M]1 On that history, large mortgage royalty changes are rare and ordinary years follow inflation. The fiscal 2026 increase would be the fifth, arriving one year after the fourth, so the pattern being cited was broken by the event under analysis. Our base case still assumes mean reversion to modest inflationary increases. That is our judgment, not a pattern confirmed by the company's most recent pricing action.

The record has a gap. What is printed is a quarter that happened, not a price committed to for the future. Our expectation that most of the level holds is a judgment, resting in part on the absence of any disclosed move the other way, which in a channel this opaque is weak support.

The structural pressure on the level is easier to see, and it intensified this year. The three credit bureaus were 63 percent of total revenue in the June 2026 quarter against 54 percent a year earlier. [F]2 On a nine-month basis, 60 percent against 51 percent. [F]2 In fiscal 2025 as a whole they were 51 percent of revenue, up from 45 percent and 41 percent in the two preceding years. [F]3 Those are three different calibers of the same relationship, and all three move the same way. Each of the three major credit bureaus individually accounted for more than 10 percent of FICO's consolidated revenue in both the current and prior-year quarter. Separately, the number of customers representing at least 10 percent of consolidated receivables increased from two to three. [F]2

The repricing worked by extracting materially more revenue from three customers, and two of those three are already supplying a competing score at a price near zero. Nothing in the record shows them resisting collection. TransUnion's own account is that it remits the increase at no margin, which for that one bureau places the incremental economics with FICO and leaves TransUnion with limited direct incentive to defend FICO's royalty level. Experian and Equifax have made no comparable statement, and we do not infer the same posture for them.

We therefore separate durability from repeatability. The evidence is sufficient to treat the reset as the base-case starting level, but not as a recurring rate of increase.

The 2023 Bull Case: What It Got Right, and What Remains

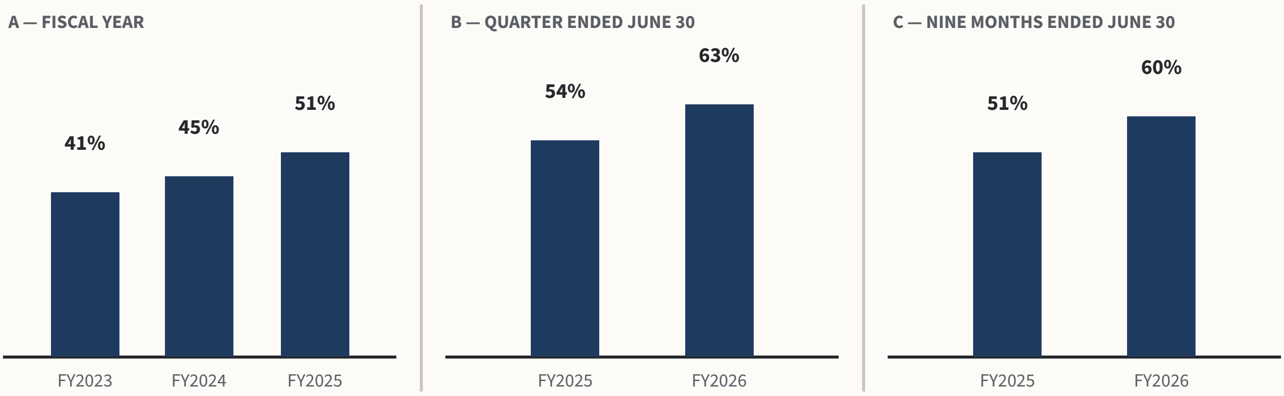
In May 2023, Dev Kantesaria of Valley Forge Capital Management set out the long-standing bull case for FICO on the Business Breakdowns podcast: that FICO was a toll collector on a standard embedded in the mortgage industry's workflow, and that it had for years charged far less than that position was worth.[4]

The subsequent record largely vindicates that thesis. A bureau-channel wholesale royalty that moved from $3.50 in 2024 to $4.95 in 2025, and then to an implied realized price of roughly $9.2 to $9.7 in the June 2026 quarter on our conditional estimate, without visible paid-pull erosion in disclosed results, is the correction of long-run under-monetization. It is consistent with the fiscal 2026 increase holding rather than triggering immediate substitution, and it is part of why we treat the new level as more durable than the growth rate that produced it.

Our question is therefore not whether Kantesaria's 2023 thesis was right about long-run under-monetization. On the disclosed record it largely was. It is how much of that future value has already been pulled into the current earnings base.

E6 Customer Concentration, Three Calibers

Combined share of consolidated revenue from the three credit bureaus **[F]**



Each of the three bureaus individually exceeded 10% of consolidated revenue in each period shown in B and C **[F]**

Customers at ≥10% of consolidated receivables: two at September 30, 2025; three at June 30, 2026 **[F]**

① The three charts are three different measurement calibers, drawn as three separate charts, each on its own axis; the two 51% values are different measurements, not one point.

② Revenue share and the receivables count use different denominators and are never combined; the receivables count is not attributed to named customers.

Source: FICO Form 10-K, fiscal 2025; FICO Form 10-Q, fiscal Q3 2026.

SOURCES AND NOTES — P6

1 FICO company website article, **November 6, 2024.** [M], a company characterization of its own history, published on its own site.

2 FICO Form 10-Q, quarterly period ended **June 30, 2026**, concentration of revenue and receivables. The filing states the revenue concentration against consolidated revenue and the receivables count against consolidated receivables. It does not identify the customers behind the receivables count.

3 FICO Form 10-K, fiscal year ended **September 30, 2025.**

4 Business Breakdowns, episode 111, "FICO: A High Score Business," guest Dev Kantesaria, Valley Forge Capital Management, host Zack Fuss, **May 2023.** Audio at `youtube.com/watch?v=33NBOf-cHNY`. Episode identity, guest, and subject verified against the publisher's episode listing. **No verbatim quotation is taken from this source.** Kantesaria is an outside investor with no affiliation to FICO. His view is presented here as an outside-investor perspective. It is not factual evidence, it is not company guidance, and it carries no evidence grade in this report.

P7 (1 OF 2)

The Six Gates

A competing score does not become a FICO revenue loss in one step. It has to clear six gates. Four of them have moved. The two that cost FICO money have not been observed to move.

Most of the disagreement about FICO's mortgage franchise comes from compressing an institutional process into a single question: is VantageScore taking share? For a competing score to reduce FICO's revenue, a regulator has to approve it, the enterprises' systems have to accept it, lenders have to adopt it, loans have to be delivered carrying it, lenders have to stop paying for a FICO pull, and that decision has to reach FICO's income statement. Each step has its own evidence and its own way of failing to happen.

We read each gate on a four-state scale rather than as open or closed: has opened, has partially opened, has not been observed to open, and not measurable from disclosed data. State answers whether something has happened. The evidence grade beside it answers how confident we are that it happened. They are separate questions and we do not merge them.

#	Gate	State	Basis	Grade
①	Regulatory approval	**has opened**	FHFA has directed the enterprises to permit approved lenders to choose between two models on an interim basis	[F]
②	System availability	**has partially opened**	Fannie Mae: available to "a limited number of approved lenders"; Freddie Mac disclosure field effective with December 2025 pools	[F]
③	Lender adoption	**has partially opened**	TransUnion reports VantageScore 4.0 in approximately 30% of its mortgage credit pulls; caliber not convertible	[M]
④	Actual GSE delivery	**has partially opened**	TransUnion reports Freddie Mac took delivery of $10M of VantageScored loans	[M]
⑤	Lenders stop paying for FICO pulls	**has not been observed to open**	Management reports no volume loss; the company does not disclose absolute pull volume	[M]
⑥	FICO revenue loss	**has not been observed to open**	Segment revenue at a record; the counterfactual is not observable	[F] / [U]

The first two gates are documented. FHFA is directing the enterprises to permit approved lenders, on an interim basis, to choose between Classic FICO and VantageScore 4.0 for loans sold to the enterprises. [F]1 Fannie Mae's most recent quarterly filing states that VantageScore 4.0 "is currently available for loans delivered to Fannie Mae by a limited number of approved lenders." [F]2 Freddie Mac's Disclosure Guide carries a credit score model field whose VantageScore 4.0 enumeration is effective beginning with pools issued in December 2025. [F]3 The field proves the plumbing exists and produces no volume figure.

Gates three and four have moved on evidence of a different quality. TransUnion told investors in July 2026 that VantageScore 4.0 was "included in ~30% of mortgage credit pulls vs. <5% at start of the year," [M]4 and in April 2026 that Freddie Mac "took delivery of $10M of VantageScored loans; expected to securitize soon," with 21 lenders in the initial program. [M]5 Both gates therefore rest primarily on disclosure by a market participant with a direct commercial interest in the outcome, and we have not identified an independent GSE-market quantification in the public disclosures reviewed. The states are what we observe; the grades are how far we would push them.

Gates five and six are where the money is, and they are where the evidence stops. Management said in July 2026 that it is not seeing volume loss. [M]6 No disclosed loan-level series allows an outside observer to verify paid FICO pulls, so that statement cannot be tested against anything. Gate six is harder still: the quantity that matters is the revenue FICO would have earned in a world without VantageScore, and that counterfactual is not observable from disclosed data. [U] Segment revenue is at a record, which establishes the level and says nothing about the difference. The two blanks are also not equivalent. Gate five's blank could be filled by a future disclosure. Gate six's blank is structural, and absence of evidence is the weaker signal there.

"Has not been observed to open" is not the same as "has been proven closed." We use only the former.

The chain is not a conveyor. Nothing about gates one through four compels gate five, because the two sit at different layers of the transaction.

SOURCES AND NOTES

1 Federal Housing Finance Agency, "Credit Scores" policy page, last updated **April 22, 2026.**

2 Fannie Mae Form 10-Q, quarter ended **June 30, 2026.**

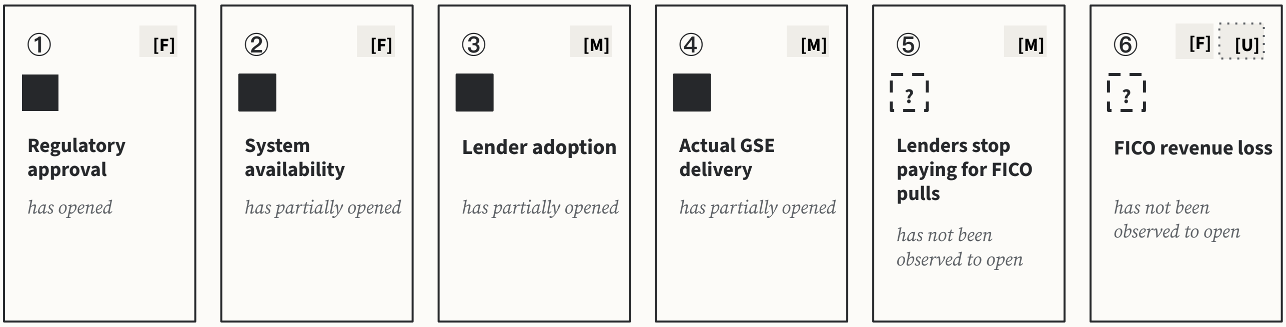
3 Freddie Mac Disclosure Guide v6.2, effective **April 1, 2026**, field SS-089.

4 TransUnion, Form 8-K Exhibit 99.2, Q2 CY2026 investor presentation, **July 28, 2026.**

5 TransUnion, Form 8-K Exhibit 99.2, Q1 CY2026 investor presentation, **April 28, 2026**, page 20.

6 FICO fiscal Q3 2026 earnings call, **July 29, 2026.**

E7 The Six Gates



Dashed connectors: transmission is not automatic.

STATE SCALE has opened · has partially opened · ? has not been observed to open · not measurable from disclosed data

The four states are a fixed scale; not measurable from disclosed data is drawn even though no gate currently uses it. State and evidence grade are separate axes, encoded separately.

Gate ⑥ carries two grades because two quantities are involved — the disclosed result [F] and the counterfactual [U] — not a new grade; the state is unchanged.

SCHEMATIC — NOT TO SCALE

① Gate ③: the reported adoption share is inflated by free bundling; it is a whole-book measure with no GSE-channel caliber; TransUnion describes 2026 as a "transitional year".

② Gate ④: the statement is TransUnion's, not Freddie Mac's disclosure; the $10M figure proves channel use, not scale; "expected to securitize" is an expectation; the slide's later removal is registered, not read as a retraction.

③ Gate ⑤: no absolute paid-pull volume is disclosed.

④ Gate ⑥: the disclosed result carries [F]; the counterfactual — what revenue would have been absent the policy change — is structurally unavailable [U].

Source: FHFA Credit Scores policy page; Fannie Mae Form 10-Q; Freddie Mac single-family disclosure guide; TransUnion investor materials; FICO fiscal Q3 2026 earnings call.

P8

Delivery Is Not Payment

VantageScore adoption has not yet translated into visible paid-pull erosion, but today's subsidized dual-pull environment is not a full test of FICO's economics.

The measured part of the picture comes first. No material paid-pull erosion is visible in disclosed results so far. Asked in July 2026 whether volume was being lost, FICO's chief executive answered "no, we are not, which suggests that they're pulling both scores," and described VantageScore as "additive to the market, makes the market bigger." [M]4 The window is one quarter, the statement is qualitative, and the company does not publish absolute mortgage pull volume, so what is disclosed is management's reading rather than a series an outside party can test.

That result follows from when FICO is paid. Under the legacy bureau arrangement FICO earns a royalty when a lender pulls a score, and its accounting policy recognizes that royalty "when the usage occurs." [F]1 Nothing is earned at delivery. Which scoring model an enterprise receives on a loan file belongs to the delivery layer. Whether a lender bought a FICO score earlier in the life of that same file belongs to the payment layer. The share of loans delivered to the enterprises carrying a VantageScore is therefore not a series FICO is paid on, and movement in it is not by itself movement in FICO's revenue. FHFA states that the inclusion of VantageScore 4.0 credit scores "will not change the Enterprises' current credit reporting requirements," [F]3 so a lender that adds a VantageScore is adding rather than substituting, unless it separately decides to stop pulling FICO. That decision is a matter of lender policy, which currently runs in FICO's favor and is not a property of the system.

The durability of that arrangement is a different question, and FICO has answered part of it. Writing to the Consumer Financial Protection Bureau in August 2024, the company stated that "even for mortgages sold to the GSEs, many (if not most) FICO Score pulls conducted by lenders are not strictly required." [F]2 The characterization is FICO's own, and it is hedged: many, possibly most, not all. That leaves scope for lender policy to reduce them without any rule changing, so an absence of erosion today is not evidence of long-run rigidity.

One widely circulated number needs to be read correctly. A footnote in Fannie Mae's quarterly filing for the period ended June 30, 2026 states that loans for which FICO scores were unavailable and loans delivered with a VantageScore 4.0 credit score "collectively represented less than 0.5%" of single-family conventional business volume or guaranty book. [F]5 That is a truncation threshold on a combined category, not a measurement of VantageScore-only delivery volume.

The paid-pull and revenue-loss gates have not been observed to open. That reading was produced under conditions in which lenders are taking both scores. Equifax and TransUnion are subsidizing the incremental cost of taking VantageScore alongside FICO, and both currently disclose free-bundling terms through the end of 2026. [F] Under those terms, the incremental price of taking both scores remains negligible, so lenders have not yet faced a clean economic choice.

The current evidence is favorable to FICO, but not yet decisive.

SOURCES AND NOTES

1 FICO Form 10-K, fiscal year ended **September 30, 2025**, revenue recognition policy.

2 FICO comment letter to the Consumer Financial Protection Bureau, **August 2, 2024**, Docket No. CFPB-2024-0021, signed James M. Wehmann.

3 Federal Housing Finance Agency, "Credit Scores" policy page, last updated **April 22, 2026**.

4 FICO fiscal Q3 2026 earnings call, **July 29, 2026**.

5 Fannie Mae Form 10-Q, quarter ended **June 30, 2026**, footnote 6.

Note The Equifax and TransUnion free-bundling terms named in the closing paragraph are documented and sourced on P9; no new source is introduced here.

E8 **Delivery Is Not Payment**

Delivery layer

Which scoring model the enterprise receives on the loan file

FHFA interim choice: approved lenders may deliver on either model [F]

Fannie Mae: available to a limited number of approved lenders [F]

Freddie Mac: credit score model disclosure field SS-089 [F]

FHFA: inclusion of VantageScore 4.0 will not change the Enterprises' current credit reporting requirements [F]

Transmission is conditional on lender behavior — not automatic

Payment layer

Which pulls the lender paid FICO for, and when

Royalty recognized "when the usage occurs" [F]

FICO: "many (if not most) FICO Score pulls conducted by lenders are not strictly required" [F]

Management reports no volume loss [M]

SCHEMATIC — NOT TO SCALE

① The FHFA statement sits between the layers as a governing condition, not as a flow.

② The observation window is one quarter; the statement is qualitative; no disclosed series sits behind it; the mechanism it relies on — lender's choice — is a policy that currently exists, not a property of the system.

Source: FICO 10-K revenue recognition policy; FICO letter to the CFPB, August 2, 2024; FHFA Credit Scores policy page; FICO fiscal Q3 2026 earnings call; Fannie Mae Form 10-Q.

P9

What the Bureaus Are Doing

Someone else is currently paying for the test. Two of the three bureaus are supplying VantageScore 4.0 at no charge to customers who buy the incumbent score, and one of them says it earns nothing on FICO's price increase.

Equifax has published two prices. The quoted price was $4.50 in October 2025, while the company's 2026 product page lists $1 through 2027. [F]1 The October 2025 investor material described $4.50 as running through the end of 2027 and as over 50 percent below the FICO price. The product page describes $1 as committed through the end of 2027, and states that Equifax is offering free VantageScore 4.0 credit scores throughout 2026 to all customers who purchase the legacy score, meaning FICO. [F]1 No first-party announcement of when or how often the price changed has been located, so we draw no path between the two observations.

TransUnion has done the same thing at a different number. It markets what it calls the industry's first 99-cent VantageScore 4.0 pricing, on multi-year terms, and supplies the score at no charge through the end of 2026 to customers who purchase the FICO score. [F]2 Experian has made no comparable disclosure that we have identified, and it carries no row in the comparison below.

Equifax has stated the motive plainly. Its investor material says it expects "aggressive FICO pricing to accelerate conversions to VantageScore 4.0." [M]1 These are not neutral distributors. They are the counterparties who absorbed the 2025 increase, and one of them is publicly treating FICO's pricing as the reason its alternative will win.

TransUnion described the FICO-related increase as a no-margin pass-through. [M]3 For TransUnion alone that implies limited direct incentive to defend FICO's royalty level, because it does not share in the increase. The statement is TransUnion's own, covers TransUnion's own economics, and carries no dollar amount; Experian and Equifax have made no comparable disclosure, and nothing here supports a claim about the channel as a whole.

Free bundling makes the current dual-pull evidence economically inconclusive. The disclosed results still show no displacement of FICO pulls, and the present environment cannot distinguish between a market in which lenders need a FICO score and a market in which taking a second score costs almost nothing. The scheduled expiration of two bureaus' currently disclosed free-bundling terms at the end of 2026 is the first observable checkpoint, not the date on which a clean economic test necessarily begins. If the subsidy is extended or replaced with token pricing, the dual-pull environment will remain economically distorted, and Equifax's $1 through 2027 and TransUnion's 99 cents are already close enough to token pricing to do that. The model assigns no value to that date; it remains a monitoring and falsification trigger.

SOURCES AND NOTES

1 Equifax investor material, "Mortgage Scores Update," **October 7, 2025.** Equifax product page, copyright **2026.**

2 TransUnion, Form 8-K Exhibit 99.2, Q1 CY2026 investor presentation, **April 28, 2026,** page 20.

3 TransUnion, Form 8-K Exhibit 99.2, Q2 CY2026 investor presentation, **July 28, 2026.**

E9 Competitive Pricing and Bundling

BUREAU	CONFIRMED MORTGAGE-SCORE PRICING	BUNDLING
Equifax	**$4.50** — quoted October 7, 2025; described as over 50% below the FICO price; through end of 2027 **[F]**	Free VantageScore 4.0 throughout 2026 to all customers who purchase the legacy score **[F]**
	$1 — on the 2026 product page, committed through 2027 **[F]**	
TransUnion	**99 cents** — described as the industry's first 99-cent VantageScore 4.0 pricing; multi-year **[F]**	Free VantageScore 4.0 through end of 2026 to customers who purchase the FICO score **[F]**

Experian carries no row: no comparable disclosure identified.

① Equifax stated motive [M]: it expects aggressive FICO pricing to accelerate conversions to VantageScore 4.0.

② TransUnion states it passes the FICO increase through at no margin [M] — the statement is TransUnion's alone.

③ The two Equifax prices are two separate confirmed observations; no change date between them is disclosed, and no interval, slope or elapsed-day count is drawn.

Source: Equifax mortgage-scores announcement, October 7, 2025; Equifax product page, 2026; TransUnion investor decks, calendar 2026.

P10

Bi-merge: The Largest Quantifiable Mechanism

The structural risk we can size most clearly is a reduction in the number of scores billed per loan; brand substitution remains important, but is harder to translate into revenue.

We include partial bi-merge in the bear case to size its severity, not because it is necessarily the most likely outcome.

A tri-merge file carries three credit reports and three scores. A bi-merge file carries two. If the requirement changes, the number of FICO scores billed on an affected conforming loan falls by one third. That is arithmetic, not a forecast, and it does not depend on any lender preferring one brand over another.

Our bear case applies the change to half of the affected population, producing a bureau index of 0.8333, built as 50% × 2/3 + 50% × 1. [A] A universal bi-merge world would produce 0.6667, which we carry only as a sensitivity outside the core bear case.

We assume maximum overlap between paid-pull erosion and bi-merge, applying only the larger of the two losses rather than adding them. [I] The $897.1 million result is not produced by stacking paid-pull erosion on top of bi-merge. Within the modeled paid-pull range, partial bi-merge is the binding constraint. The FY2030 bureau index of 0.8333 sits below the paid-pull range of 0.85 to 0.90 at every point, which is why the core bear case is insensitive to the paid-pull assumption across that range. [I]

The institutional record cuts in two directions. Bi-merge is not a current requirement: FHFA states that the inclusion of VantageScore 4.0 credit scores "will not change the Enterprises' current credit reporting requirements (e.g., tri-merge/bi-merge credit reporting)," and for now "the Enterprises will not accept scores from multiple models on a given loan at the time of loan delivery." [F]1 But the same agency announced on February 29, 2024 that it had amended the proposed implementation timeline to align the bi-merge credit reporting requirement with the transition from the Classic FICO model, tying the two changes in this act to each other. [F]1 That timetable has already been amended once. It can be amended again, deferred, or withdrawn, and we have no basis for assigning a probability to bi-merge implementation.

Brand substitution cannot be sized with the same precision as the bi-merge arithmetic, because paid FICO pulls per funded loan and the GSE-channel VantageScore-only share are not available in the public disclosures reviewed. [U]

Within our specified paid-pull range, the terminal mortgage downside in the core bear case is therefore driven by partial bi-merge.

SOURCES AND NOTES

1 Federal Housing Finance Agency, "Credit Scores" policy page, last updated **April 22, 2026**, and 183.

Note The `min(P, BureauIndex)` rule is a Fréchet upper bound: it assumes maximum overlap between the two loss mechanisms, so the same lost pull is never counted twice. It is adopted to prevent double-counting and is not a claim that the two risks are tightly correlated. Bureau index construction, the combination rule, and the FY2030 bear-case mortgage revenue of $897.1m are carried unchanged from the module four scenario build.

E10 Tri-merge to Bi-merge Arithmetic

INDEX CONSTRUCTION

Tri-merge — three scores per loan [F]

Index 1.0000 — the current requirement

Partial bi-merge — core bear [A]

50% of loans × 2/3	50% of loans × 1

50% × 2/3 + 50% × 1 = 0.8333

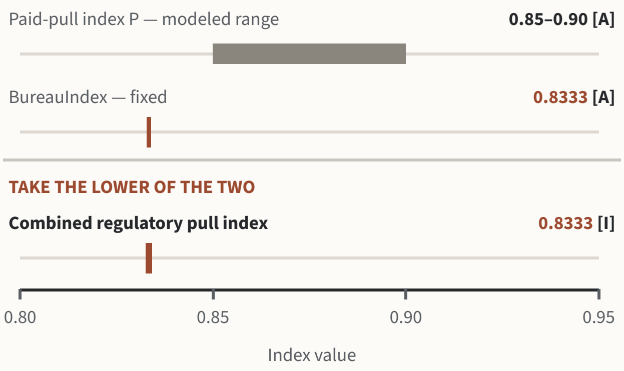
Universal bi-merge — sensitivity only [A]

Two of three scores on every loan → 0.6667. Outside the core bear case.

> CombinedRegulatoryPullIndex = min(P, BureauIndex) [I]
> *The maximum-overlap rule, adopted to avoid double-counting.*

SCHEMATIC — NOT TO SCALE

THE LOWER INPUT WINS — DATA-BOUND



Because 0.8333 is lower than every value in 0.85–0.90, BureauIndex binds across the full modeled paid-pull range.

> Core Bear FY2030 mortgage revenue remains $897.1m [I] throughout that paid-pull range.

① The constructions quantify severity conditional on the described pull structures; they carry no probability and no implementation date.

② The universal bi-merge index 0.6667 is a sensitivity reference only and sits outside the core bear case, which uses 0.8333.

③ Within the modeled paid-pull range 0.85–0.90 the bureau index 0.8333 binds at every point; the combination rule takes the lower of the two indices, never their product or sum.

④ The maximum-overlap rule is known in the technical literature as the Fréchet upper bound.

Source: FHFA Credit Scores policy page; the report's frozen bear-case construction.

P11

The Direct License Program

DLP is best viewed as an unproven defensive option. It could reduce FICO's dependence on bureau distribution and narrow the price gap available to competing scores, but slow execution and unresolved unit economics keep it out of our base-case growth assumptions.

On October 1, 2025 FICO announced a program allowing tri-merge resellers to calculate and distribute FICO Scores directly, under two alternative pricing models: a performance model charging $4.95 per score plus a funded loan fee of $33 per borrower per score when a FICO-scored loan closes, or a per-score model at $10 per score, which FICO identified as "the average price previously charged by credit bureaus." [F]1

What makes the program defensive is structural. It bypasses the layer at which the bureaus calculate and distribute the score, reducing FICO's dependence on bureau markups and giving it more direct control over distribution and pricing, narrowing the price umbrella a competing score can shelter under, and providing an alternative distribution path if the legacy channel comes under pressure.

Execution has been slow. TransUnion reported no customer shift in 2026 from bureau-calculated FICO scores to reseller-calculated scores under the Direct License Program, said the program adds operational complexity for resellers, and that "profitability per pull is similar regardless of TransUnion or reseller calculating the FICO score." [M]2 That is one bureau's position for one year, from an interested party.

The comparison with the legacy channel turns on the number of FICO scores billed per funded loan, and our work carries two implied calibration values for it, derived from different denominators by different methods. That exercise is anchored to the CY2025 legacy royalty, and the two calibrations produce opposite answers, leaving the direction of DLP's unit-economic effect unresolved. [U] The calibration detail and Exhibit E11 are in the appendix.

Public disclosures do not establish whether DLP raises or lowers FICO's unit revenue relative to the legacy channel, and FICO has not disclosed a CY2026 legacy-channel rate card against which that comparison could be completed. We therefore exclude it as a source of modeled upside or downside, and carry it as a defensive option that has not yet been proven.

SOURCES AND NOTES

1 FICO press release, "FICO Announces Mortgage Direct License Program," **October 1, 2025.**

2 TransUnion, Form 8-K Exhibit 99.2, Q2 CY2026 investor presentation, **July 28, 2026.**

Note The $4.95 in the Direct License Program is that program's list price. The $4.95 discussed in Act I is the calendar 2025 wholesale royalty in the legacy credit-bureau channel. The figures are identical; the product, the channel and the payment structure are not.

P12

From Step to Slope

The repricing raised the earnings base; it did not, by itself, create a new growth engine.

A repricing can resemble a growth rate for a comparison period. Scores segment revenue rose by $134.6 million in the June 2026 quarter, and the quarterly discussion attributes the rise in business-to-business scores revenue primarily to a higher mortgage origination scores unit price. [F]1 That is a change in level. The unusual mortgage growth rate in fiscal 2026 is produced primarily by that one-time step in price, and a price does not repeat by staying where it is. Once the new price sits on both sides of the comparison, the same price contributes nothing further, and the slope depends again on volume, on inflation-style increases, and on other sources of growth.

The shape of the slope after the step is the part we take from the company's own account of its history. FICO called the 2025 royalty its "fourth royalty change in the mortgage industry throughout our nearly 30-year history, apart from customary adjustments for inflation." [M]2 A company that reprices four times in thirty years and otherwise follows inflation is a company whose ordinary year is a modest one, and a modest ordinary year is what our base case assumes once the step is behind it. The same record is what fiscal 2026 damaged, because the fifth change arrived immediately after the fourth, and rarity is the one property a pattern loses the moment it is repeated. We keep the modest slope and hold it with less support than the thirty-year count on its own would suggest.

A step is earned once. A slope has to be re-earned every year. Fiscal 2026 produced a step.

SOURCES AND NOTES

1 FICO Form 10-Q, quarterly period ended **June 30, 2026**, filed **July 29, 2026**. Segment amounts; management's attribution of the increase.

2 FICO company website article, **November 6, 2024.** [M], a company characterization of its own history, published on its own site.

P13

The Base Case Path

The repricing raised the earnings base; it did not, by itself, create a new growth engine. Our base case assumes the new level holds, but mortgage revenue grows only modestly from here.

Our base case does not require a meaningful mortgage-market recovery: origination volume normalizes around the current annualized run rate, while a stronger refinancing recovery or lock-in unwind remains an upside case.

The mortgage line of the model runs on one expression: `CommonExposureRevenue = Anchor × VolumeIndex × BureauIndex`. [A] The anchor is the fiscal 2026 third-quarter mortgage revenue of $282 million annualized, $1,128.0 million. [I]1 That is a mechanical annualization of one reported quarter, not fiscal 2026 revenue as reported for the full year; every percentage in this act measured against the anchor is measured against that run rate.

Base-case fiscal 2030 mortgage revenue is $1,174.9 million against that anchor. [I]1 That is a 4.2 percent increase across the full modeled horizon, not a 4.2 percent annual growth rate. It is a level, and the franchise question is whether the level holds rather than how fast it compounds.

The volume caliber behind the base case

Base-case fiscal 2030 origination volume is 5,960 thousand loans, which sets `VolumeIndex` at 1.0000. [A]2 The construction is 1,490 thousand loans × 4 = 5,960 thousand loans. The 1,490 thousand is the Mortgage Bankers Association's count for the second calendar quarter of 2026, the same calendar quarter as FICO's fiscal 2026 third quarter; it is an association estimate and not a FICO disclosure. [F]3 We center the volume denominator on the same calendar quarter as the revenue anchor so that the two run-rate measures share a period.

That center is a run-rate calibration, not a fiscal 2030 forecast of the mortgage market. [A] It holds volume where the business is currently running, so the earnings path can be read with no refinancing recovery in it and the lock-in effect still in place. A stronger recovery is not denied by the model; it sits in the upside. A moderate upside reference with the lock-in effect partly unwinding is 6,250 thousand loans and a `VolumeIndex` of 1.0487, carried as a reference point rather than a scenario. [A]2

Volume is not a variable this model can ignore. Ten percent more volume on the anchor is $112.8 million of revenue and, at the 90 percent incremental margin applied to the change alone, $101.5 million of operating profit. [I]1 That is what a recovery would add, and the base case underwrites none of it.

Base-case fiscal 2030 earnings per share is $49.63. [I]1 At the current price, that flatter path does not meet our return hurdle.

SOURCES AND NOTES

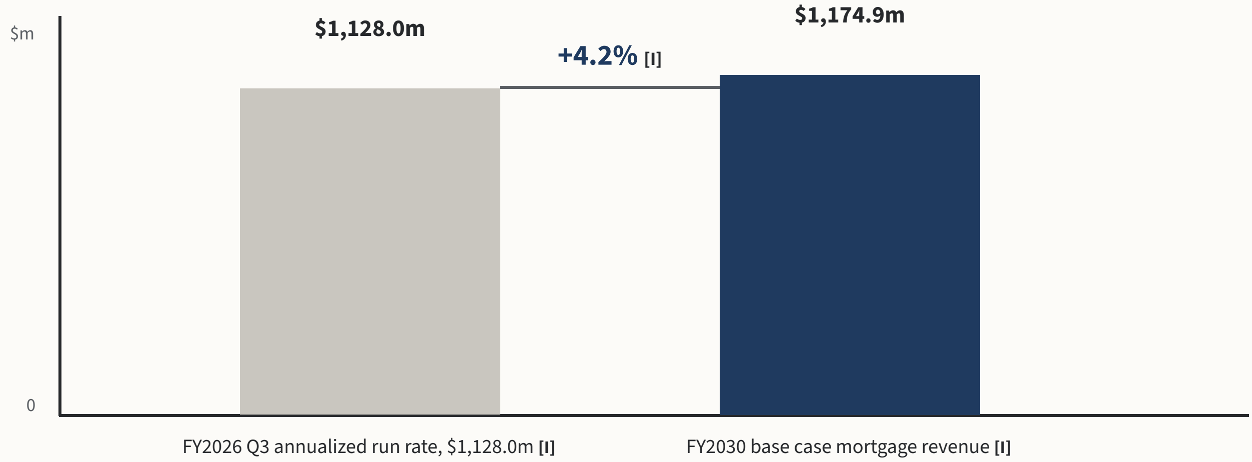
1 Module four base case build, carried unchanged: FY2026 Q3 mortgage revenue of $282m annualized to the $1,128.0m run-rate anchor; FY2030 base-case mortgage revenue of $1,174.9m; the single injection point and the 90 percent `IncrementalMargin_Base`; base-case FY2030 earnings per share of $49.6328, an exact-layer value displayed in the body as $49.63.

2 Module three volume build: the FY2030 base center of 5,960 thousand loans and the moderate upside reference of 6,250 thousand loans; parameter card 01 v2 for the 1,490 thousand loan base period and the identity linking the volume denominator to the revenue anchor.

3 Mortgage Bankers Association, **Mortgage Finance Forecast**, vintage **July 22, 2026**. Total 1- to 4-Family originations, second calendar quarter of 2026, **1,490 thousand loans**. The table's loan counts exclude second mortgages and home equity loans. [F] as an association estimate for that calendar quarter; it is not a FICO disclosure of loan counts, and FICO does not disclose the loan count underlying its own reported quarter.

Note The 4.2 percent on this page is measured against the FY2026 Q3 mechanical annualized run rate of $1,128.0m and never against FY2026 full-year revenue as reported. `VolumeIndex` is a macroeconomic modeling assumption and is not a FICO-specific judgment.

E12 Base Case Revenue Bridge



+4.2% — measured against the run-rate anchor; an increase across the full modeled horizon, not an annual growth rate

> CommonExposureRevenue = Anchor × VolumeIndex × BureauIndex **[A]**

① The anchor is a mechanical annualization of one reported quarter: $282m × 4. It is a run rate, not fiscal 2026 revenue as reported for the full year.

② The 4.2 percent is measured against that run-rate anchor.

Source: the report's frozen base-case model; FY2026 Q3 mortgage revenue as reported.

E12V Base Volume Caliber

A calibration panel, not a time series.

Our fiscal 2030 base center

5,960 thousand loans · VolumeIndex 1.0000 **[A]**

Author construction, 1,490 × 4, the mechanical annualization of the association count for the same calendar quarter.

Moderate upside reference

6,250 thousand loans · 1.0487 **[A]**

Reference point only, outside the formal scenarios.

Thousand loans, fiscal 2030 volume calibration — mark spacing true to values

Construction: 1,490 thousand loans × 4 = 5,960 thousand loans **[F]** **[A]**

On the same annualization that produces $282m × 4 = $1,128.0m. The 1,490 is the Mortgage Bankers Association's origination count for the second calendar quarter of 2026, matching FICO's fiscal 2026 third quarter — an association estimate, not a FICO disclosure of loan counts.

Leverage: run-rate anchor $1,128.0m × 10% = +$112.8m of revenue; × IncrementalMargin_Base 90% = +$101.5m of operating profit **[I]**

IncrementalMargin_Base 90% applies to the increment only.

This exhibit discloses how the base case's volume denominator was calibrated, and how sensitive the base case is to that calibration.

① VolumeIndex is a macroeconomic modeling assumption, not a FICO-specific judgment.

② No institution publishes a loan-count forecast for calendar 2029 or calendar 2030; every FY2030 volume figure on this exhibit is an author construction.

Source: Mortgage Bankers Association origination estimate, July 2026; the report's frozen base-case model.

P14

The Bear Case Construction

Within the modeled paid-pull range, partial bi-merge is the binding constraint on the regulatory pull index.

We include partial bi-merge in the bear case to size its severity.

Bear-case fiscal 2030 mortgage revenue is $897.1 million, 20.5 percent below the $1,128.0 million run-rate anchor. [I]1 It runs on the same skeleton as the base case with two multipliers moved: `$1,128.0m` × `0.9544` × `0.8333` ≈ `$897.1m`. [I]1

The first multiplier is the bear-case `VolumeIndex` of 0.9544, and its source chain is short enough to state in full. The Mortgage Bankers Association's forecast of July 22, 2026 carries 5,688 thousand loans for calendar 2028, the last year the published table reaches. [F]2 The bear case uses that endpoint as a lower-volume severity calibration, not as a forecast of the fiscal 2030 mortgage market. Dividing 5,688 thousand loans by the 5,960 thousand run-rate center produces the bear-case `VolumeIndex` of 0.9544. [I]2 Applying a calendar 2028 volume level to fiscal 2030 is our severity choice and not the association's, and it carries no probability and no view on when volume would sit there. [A]

The second multiplier is the `CombinedRegulatoryPullIndex` of 0.8333, the fiscal 2030 bureau index selected by the maximum-overlap rule `min(P, BureauIndex)` across the modeled paid-pull range of 0.85 to 0.90. [I]1 The rule selects one of the two losses rather than adding them, so paid-pull erosion is neither multiplied in a second time nor stacked on top of the bureau index.

The 20.5 percent therefore carries two things at once: a lower volume level and a structural reduction in the number of scores billed on a loan. [I] Partial bi-merge cannot explain the full shortfall; within the modeled range, its role is to bind the pull index. Because 0.8333 sits below the paid-pull range of 0.85 to 0.90, changing that assumption within the range does not change core bear-case mortgage revenue. [I]1

The bear case measures how much revenue is at stake if the requirement changes, and it attaches no probability and no implementation date to that change. Bear-case fiscal 2030 earnings per share is $37.48. [I]1

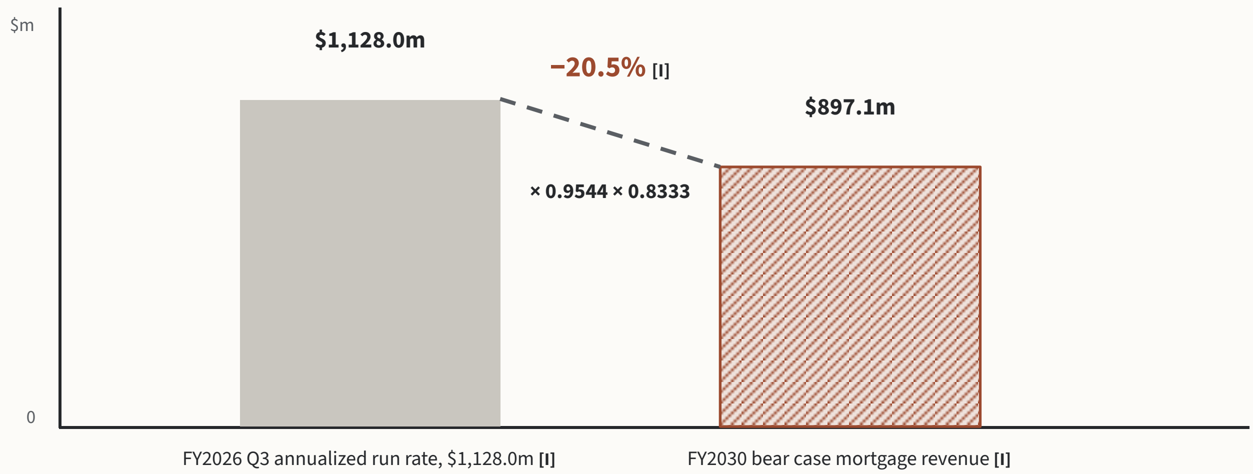
SOURCES AND NOTES

1 Module four bear case build, carried unchanged: FY2030 bear-case mortgage revenue of $897.1m against the $1,128.0m run-rate anchor; the bear-case `VolumeIndex` of 0.9544 as applied in the model; the bureau index of 0.8333 and its 50/50 construction; the 0.6667 universal sensitivity; the combination rule `CombinedRegulatoryPullIndex = min(P, BureauIndex)`; the FY2030 paid-pull range of 0.85 to 0.90; bear-case FY2030 earnings per share of $37.4801, an exact-layer value displayed in the body as $37.48.

2 Mortgage Bankers Association, **Mortgage Finance Forecast**, vintage **July 22, 2026.** Total 1- to 4-Family originations, calendar 2028, **5,688 thousand loans**, shown alongside a calendar 2028 thirty-year fixed mortgage rate of **6.5 percent**. Calendar 2028 is the last year the table reaches; it carries no calendar 2029 or calendar 2030 loan count. The loan counts exclude second mortgages and home equity loans, and the annual mortgage-rate columns show fourth-quarter values rather than annual averages. The division `5,688 ÷ 5,960 = 0.9544` is ours, and so is the decision to apply it to fiscal 2030.

Note The maximum-overlap rule, the tri-merge to bi-merge arithmetic, the 0.8333 construction and the institutional record are set out once at P10 and are not restated here. The −20.5 percent on this page is measured against the FY2026 Q3 mechanical annualized run rate of $1,128.0m, and it is the product of both multipliers rather than the effect of partial bi-merge on its own.

E13 Bear Case Revenue Construction



−20.5% — measured against the run-rate anchor

STEP 1 **× 0.9544 — bear volume calibration: 5,688 ÷ 5,960 = 0.9544**

5,688 = Mortgage Bankers Association CY2028 count **[F]** · 5,960 = our run-rate center **[I]** · application to FY2030 Bear is a severity assumption **[A]**

STEP 2 **× 0.8333 — regulatory pull multiplier: CombinedRegulatoryPullIndex = min(P, BureauIndex) [I]**

The maximum-overlap rule; bureau-bound across the modeled paid-pull range 0.85–0.90.

> $1,128.0m × 0.9544 × 0.8333 ≈ $897.1m **[I]**

① The two multipliers are deliberately multiplied — two steps of one construction; −20.5% is therefore not the score-count change alone.

② Within the modeled paid-pull range 0.85–0.90 the bureau index 0.8333 binds at every point, so the result does not move with the paid-pull assumption.

③ The anchor is a mechanical annualization of one reported quarter: $282m × 4. It is a run rate, not fiscal 2026 revenue as reported for the full year.

Source: the report's frozen bear-case model; Mortgage Bankers Association origination forecast, July 2026.

P15

What the Bear Is Not

The bear case is a growth path going flat, not a franchise coming apart.

Bear-case mortgage revenue is 20.5 percent below the run-rate anchor, and total company revenue is still declining 1.84 percent year on year in FY2030. [I]1 Those are two different measurements and they are not interchangeable. The first compares a modeled fiscal year against the mechanical run-rate anchor. The second is a year-on-year change inside the bear case, fiscal 2030 measured against fiscal 2029.

The terminal year of the bear case is a company roughly where it started. Fiscal 2030 net income is $779.922 million against $815.02 million on a trailing twelve-month basis, 4.31 percent lower, and the diluted share count is 11.98 percent lower across that same span. [I]1 Both of those are measured against the trailing twelve months, which is a third basis, and the four figures on this page sit on different denominators and cannot be added into a single decline.

The share count is why the per-share outcome holds up better than net income does. [I]1 The buyback cushions the arithmetic; it does not replace the growth.

Our downside argument does not require the franchise to be destroyed. It requires growth to go flat. What those figures measure is lost compounding, not franchise failure.

We include partial bi-merge in the bear case to size its severity, not because it is necessarily the most likely outcome. [A]1

A separate mechanical upside sensitivity is excluded from the formal scenarios and reported only in Appendix F, Exhibit A5.

The base case keeps the step but compounds too slowly; the bear case gives part of it back.

SOURCES AND NOTES

1 Module four bear case build, carried unchanged: FY2030 total company revenue declining 1.84 percent against FY2029 within the bear case; FY2030 net income of $779.922m against trailing twelve-month net income of $815.02m, 4.31 percent lower; diluted share count 11.98 percent lower over the same period; the partial bi-merge construction carried from P14.

Note The −20.5 percent measures bear-case FY2030 mortgage revenue against the FY2026 Q3 mechanical annualized run rate of $1,128.0m. The −1.84 percent measures bear-case FY2030 total company revenue against FY2029 inside the same scenario. The two are different calibers and are never interchanged; −1.84 percent is never described as a distance from the anchor.

P16

The Three Cases and the Double Gate

The investment case fails first in the base case, not the bear case. At the current price, our base case offers only a 5.25% annualized return; even holding today's multiple unchanged raises that return to only about 9.1%, below our hurdle.

The valuation uses one model and one price. The reference price is $1,122.97 on July 31, 2026 [F]1; trailing twelve-month earnings per share of $34.47 puts the trailing multiple at 32.58 times [I]1; the holding period is 4.17 years. Base earns $49.63 in fiscal 2030 at 28 times, or $1,389.72, an annualized return of 5.25 percent. Bear earns $37.48 at 22 times, or $824.56, a total return of minus 26.57 percent. [A]/[I]2 The terminal multiples used for Base and Bear are ours, not observed facts. [A]

Two gates decide the position: the base case must return at least 15 percent annualized, and the bear case must lose no more than 25 percent. Both are our own investment standards, not market conventions. [A] Both fail, in entirely different ways. [I]2

The base-case gate fails by a wide margin, and without any bad news. The 28 times terminal multiple is ours, so it is fair to ask how much of the shortfall it creates. Holding the terminal multiple at today's trailing 32.58 times improves the return materially, from 5.25 percent to about 9.1 percent, a value of $1,616.95, but it still does not reach even 10 percent. [I]2 The conclusion requires no partial bi-merge, no paid-pull erosion and no multiple compression.

The downside gate misses by 1.57 percentage points. A roughly 2.14 percent improvement in bear-case terminal value, terminal earnings per share or terminal multiple would pass it: $38.28 instead of $37.48, or 22.47 times instead of 22. [I]2 We did not build a bear case that fails by a comfortable distance.

The two gates are not equally robust. The return gate fails with no multiple compression at all, and closing it would take earnings or a terminal multiple materially above the base case. The downside gate fails narrowly and rests heavily on the 22 times we chose. The bear case measures what is at stake; it is not what makes the investment unattractive.

SOURCES AND NOTES

1 Reference price of **$1,122.97** at the close of **July 31, 2026**, carried unchanged as the single reference price of this report. Trailing twelve-month earnings per share of **$34.47** is our splice, not a printed figure: trailing twelve-month net income of **$815,017 thousand** over a diluted share count of approximately **23,642 thousand**. The trailing GAAP multiple of **32.5782×** is the quotient of those two figures and is ours.

2 Module four scenario model, carried unchanged: FY2030 earnings per share of **$37.4801** bear, **$49.6328** base, **$52.3101** bull; terminal multiples of **22×**, **28×** and **32×**; terminal values of **$824.56**, **$1,389.72** and **$1,673.92**; holding period **4.167 years**; base-case annualized return **5.2476%**, displayed throughout as **5.25%**; bear-case total return **−26.5731%**; the constant-multiple cross-check `$49.6328 ÷ $34.47` compounded over 4.167 years, equal to **9.1429%** and displayed as about **9.1%**, with the equivalent reading `$49.6328 × 32.5782 = $1,616.95`; the gate-2 pass thresholds of **$38.2831** and **22.4713×**.

Note The 15 percent return hurdle and the 25 percent downside limit are our thresholds and not market conventions. The two gate-2 figures are different measurements of the same miss: 1.57 percentage points is the distance in total return, and about 2.14 percent is the relative improvement in bear-case terminal value, terminal earnings per share or terminal multiple that would close that distance. The sensitivity of the downside gate to the 22 times assumption is measured at P17 and is not restated here.

E15 Three Cases and the Double Gate, Detailed

Reference price, July 31, 2026: $1,122.97 [F]

Trailing multiple 32.58× [I] · Trailing twelve-month EPS $34.47 [I] · holding period 4.17 years [A]

Case	FY2030 EPS	Terminal multiple	Terminal value	Return
Bear	$37.48	22× [A]	$824.56 [I]	Total return −26.57% [I]
Base	$49.63	28× [A]	$1,389.72 [I]	Annualized 5.25% [I]
Bull	$52.31	32× [A]	$1,673.92 [I]	Annualized 10.05% [I]

GATE 1	Base annualized ≥ 15% [A] at 32.58×, about 9.1%	**Fail, by a wide margin** [I] annualized return with the terminal multiple held unchanged [I]
GATE 2	Bear loss ≤ 25% [A] about 2.14% relative improvement	**Fail, by 1.57 percentage points of return** [I] in bear terminal value, EPS $38.28 or multiple 22.47× [I]

① Bear 22×, Base 28× and Bull 32× are all terminal-multiple assumptions [A]; the evidence-grade label is not a narrative label.

② The two gates are not equally robust: the return gate fails by a wide margin; the downside gate fails narrowly and rests on the 22× assumption.

③ 1.57 percentage points is the gap in return; about 2.14% is the relative improvement in bear-case terminal value, terminal earnings per share or terminal multiple that would close it.

④ The 15% hurdle and the 25% loss limit are our own standards, not market conventions.

⑤ Displayed figures are rounded; calculations use unrounded model outputs.

Source: the report's frozen scenario model; reference price at the close of July 31, 2026.

P17

Two Frameworks, Never Mixed

The bear case decomposes two defensible ways. Most disagreement about how much of a decline is earnings and how much is multiple comes from moving between them silently.

Framework A measures the bear case against the current price: earnings contribute plus 8.73 points, the multiple minus 35.31 points, and the total is minus 26.57 points. [i]1 Earnings are not the source of the loss, since bear-case fiscal 2030 earnings per share exceeds today's trailing figure; the decline comes from paying 32.58 times now and assuming 22 times at the end.

Framework B measures the bear case against our base case: the gap is $565.16 per share, or 50.33 points of the reference price, splitting 60.2 percent to lower earnings and 39.8 percent to the additional multiple discount. [i]1 Earnings are now the larger part of the shortfall, because the comparison is with expected earnings rather than today's earnings.

Both readings are correct. They have different denominators and answer different questions, so each figure is used only with its framework named and the two never share an axis.

The multiple is the assumption the downside gate turns on. Valuing fiscal 2030 bear earnings at 22 times is our judgment, not an observed fact, so the honest test is to replace it and report the result. At a uniform 28 times, the bear case would be worth $1,049.44, only 6.55% below the reference price, and our downside gate would pass. [i]1

Four limits hold that disclosure in place. The formal bear case still uses 22 times, is still worth $824.56, and still declines 26.57 percent, which is 1.57 percentage points beyond our 25 percent limit; about 2.14 percent of relative improvement in bear-case terminal value, terminal earnings per share or terminal multiple would clear it. The uniform reading tests our most consequential assumption rather than offering a competing valuation, and it revises nothing: the formal bear-case figures, the model inputs and the base-first conclusion are unchanged.

SOURCES AND NOTES

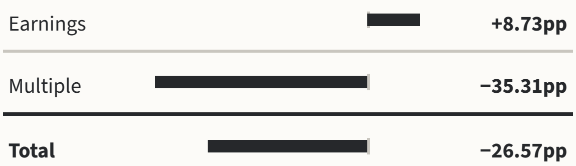
1 Module four decomposition, carried unchanged: framework A against the reference price, earnings **+8.73pp**, multiple **−35.31pp**, total **−26.57pp**; framework B against the base case, **60.2%** from earnings and **39.8%** from the additional multiple discount, total **$565.1579** equal to **50.33pp** of the reference price; the uniform 28 times reading of the bear case, **$1,049.44**, equal to **−6.55%** against the reference price; the formal bear case unchanged at **$824.56** and **−26.5731%** on a **22×** terminal multiple.

Note Framework A and framework B have different denominators and are never used without naming which one is in force. The uniform 28 times reading is a sensitivity disclosure on the 22 times terminal multiple and is not a second bear case.

Framework A and Framework B, Side by Side

A. Against the current price [I]

Baseline: the reference price, $1,122.97



Percentage-point contributions to the bear case's total return against the reference price.

B. Against the base case [I]

Baseline: the base-case value, $1,389.72

Total **$565.16 = 50.33pp**

The percentages are shares of the $565.16 gap between the base-case value and the bear-case value. The 50.33 points express the gap against the reference price, $1,122.97.

SENSITIVITY

Bear at a uniform 28×: $1,049.44 = −6.55%, downside gate turns to a pass.

The formal bear case remains 22×; at 22× the bear case is −26.57%, 1.57pp of return beyond the 25% limit, and a relative improvement of about 2.14% in bear-case terminal value, terminal EPS or terminal multiple would close it.

The 28× reading is a sensitivity disclosure on our own assumption, not an alternative valuation; it changes no formal figure and no conclusion.

① The Panel A components, displayed to two decimals, sum to −26.58pp against a displayed total of −26.57pp; the difference is display rounding, and no figure is adjusted.

② Framework A and Framework B measure against different baselines and are never combined on one scale; the deviation bars are true within Panel A only.

Source: the report's frozen valuation model, return decomposition.

P18

What the Price Requires

The useful question is not whether the shares look expensive; it is what the price is already asking the company to deliver. So we solve the model backwards, asking what fiscal 2030 would have to produce for today's price to return an acceptable rate, and reporting the answer in the two units the model actually has.

To earn 10 percent annualized from today's price, FY2030 base-case EPS would need to be 20.21 percent above our forecast, or the terminal multiple would need to reach 33.66 times. Reaching 15 percent would require EPS 44.67 percent above our forecast, or a terminal multiple of 40.51 times. [I]1

Two readings govern that pair. Each line is a level and not a rate: 20.21 percent is how far above our forecast fiscal 2030 earnings per share would have to finish, not a growth rate and not a compounding assumption. And each line is an or and not an and: reaching 10 percent needs one of the two conditions, not both together.

Holding today's multiple unchanged produces about 9.1 percent annualized, a separate check on the base-case return rather than a starting point for what follows. [I]2 The reverse-solve asks a different question: it holds one base-case input fixed and solves for the other, so what it reports is a requirement on fiscal 2030, not a remaining distance from any baseline.

A 10 percent return remains attainable, including through a terminal multiple modestly above today's level. Our 15 percent hurdle requires a materially larger outcome.

SOURCES AND NOTES

1 Module four reverse-solve, carried unchanged: to reach **10%** annualized from **$1,122.97** over **4.167 years**, FY2030 base-case earnings per share **20.21%** above our forecast of **$49.6328**, or a terminal multiple of **33.6575×**; to reach **15%**, earnings per share **44.67%** above forecast, or a terminal multiple of **40.5067×**.

2 Constant-multiple cross-check, carried unchanged from P16 and listed separately because it is a different kind of measurement: with the terminal multiple held at the trailing **32.5782×**, the base case returns **9.1429%** annualized, displayed as about **9.1%**.

Note The 20.21 percent and 44.67 percent are gaps in the fiscal 2030 level of earnings per share against our forecast. They are not compound growth rates, not annualized growth rates, and not any other rate.

Note The about 9.1 percent quoted in the text is an annualized rate and therefore a different kind of measurement from the two level gaps above. It is a separate check on the base-case return, not a starting point from which the reverse-solve continues. It is carried in the running text only and never inside the reverse-solve table.

E17 What the Price Requires

Whole exhibit [I]

Target annualized return	Required FY2030 base EPS above our forecast	Or required terminal multiple
10%	20.21%	33.66×
15%	44.67%	40.51×

The requirements on each row are terminal levels, not rates; either one alone meets the row's target.

To earn 10 percent annualized from today's price, FY2030 base-case EPS would need to be 20.21 percent above our forecast, or the terminal multiple would need to reach 33.66 times. Reaching 15 percent would require EPS 44.67 percent above our forecast, or a terminal multiple of 40.51 times.

① The two conditions on each row are an or, not an and.

② The whole exhibit is our derivation [I], from the frozen base case at the reference price of $1,122.97 over a holding period of 4.17 years.

Source: the report's frozen valuation model, reverse-solve at the reference price of July 31, 2026.

P19

Capital Allocation and the 2028 Calendar

Debt-funded repurchases reduce the share count and support per-share results, but the associated 2028 maturity concentration reduces capital-allocation flexibility if the reset settles into a plateau.

On June 5, 2026 FICO drew a $1.5 billion unsecured term loan in full and, on the same day, entered a $1.5 billion accelerated share repurchase, or ASR, with Wells Fargo Securities. [F]12 The matched timing and amount support our inference that the repurchase was debt-funded; the credit agreement permits borrowings to be used for repurchases, but the filing does not trace borrowed dollars to this one. [I]1 FICO initially received 1,055,103 shares, approximately 80 percent of the total expected shares, and the remaining $300.0 million is recorded as a reduction of paid-in capital. [F]2 The final share count and the average repurchase price remain subject to settlement in the fourth quarter of fiscal 2026, based on the volume-weighted average price over the term of the agreement less a discount. [F]2 The term loan matures on May 15, 2028 at a rate of 5.863 percent. [F]1

That maturity date is why this page exists. The printed amortization schedule retires $75.0 million a quarter from September 30, 2026 through June 30, 2027 and $112.5 million a quarter after that, which leaves roughly $862.5 million outstanding when the loan comes due. [F]/[I]1 One month later, on June 15, 2028, $900.0 million of senior notes mature. [F]1 Roughly $1.76 billion therefore falls inside a single month, in the middle of the flat stretch our model describes. [I]1 The amortization amounts and maturity dates are printed; the $862.5 million and the $1.76 billion are our arithmetic on that schedule and would change if the company prepays or refinances.

Turn to what the business currently generates. Standard free cash flow is $960.878 million; $112.680 million of it is withheld for employee taxes, which leaves $848.198 million, of which $510.698 million, or 53.1 percent of standard free cash flow, is freely allocable. [I]3 This is a current cash-flow measure, not a forecast of fiscal 2028 funding capacity. The company is in compliance with all of its financial covenants. [F]4

Reducing the share count with borrowed money supports per-share results now and concentrates the obligation in a single month of fiscal 2028. [I]13 If the reset settles into a plateau, that concentration narrows the capital-allocation choices available at that date.

SOURCES AND NOTES

1 Form 10-Q, debt footnote: term loan of **$1.5b** entered **June 5, 2026**, drawn in full, maturing **May 15, 2028** at **5.863%**, with quarterly amortization of **$75.0m** from September 30, 2026 through June 30, 2027 and **$112.5m** thereafter, and revolver borrowings of **$710.0m** at a weighted average **5.643%** under a facility maturing **May 13, 2030**; senior notes and the March 26, 2026 full prepayment of the 2018 notes; par and fair value of the notes, **$3,400.0m** against **$3,333.5m**. The **$637.5m** cumulative amortization, the **~$862.5m** residual and the **~$1.76b** one-month total are our arithmetic on those printed values. The same footnote states that borrowings under the credit agreement may be used for working capital and general corporate purposes and may also be used for refinancing existing debt, acquisitions and the repurchase of common stock; that is a permitted use and not an application of the proceeds of this draw, which is why the debt funding of the repurchase is carried as our inference and not as a disclosed fact.

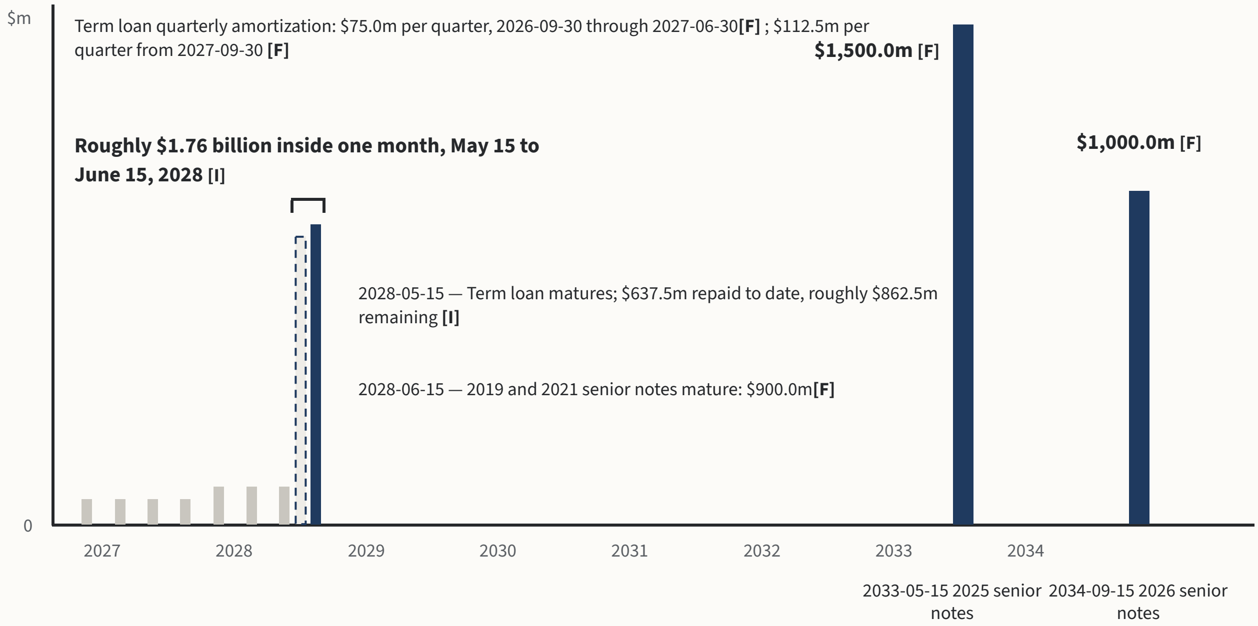
2 Form 10-Q: accelerated share repurchase agreement of **$1.5b** with Wells Fargo Securities dated **June 5, 2026**, initial delivery of **1,055,103 shares**, remaining **$300.0m** recorded as a reduction of paid-in capital, expected settlement in the fourth quarter of fiscal 2026; the successive repurchase authorizations of **$1.0b** in June 2025, **$1.5b** in February 2026 and **$2.0b** in June 2026, each replacing the prior one and each open-ended.

3 Module four capital structure build, carried unchanged: standard free cash flow **960.878**, amounts withheld for employee taxes **112.680**, after employee taxes **848.198**, freely allocable **510.698** equal to **53.1%** of standard free cash flow; the two net debt definitions, accounting **5,333.945** against covenant **5,305.463**, a difference of **28.482**, which are never mixed; the bear-case diluted share count **11.98%** lower against bear-case fiscal 2030 net income **4.31%** below the trailing twelve months.

4 Form 10-Q: the company is in compliance with all of its financial covenants.

Note This page carries one judgment: debt-funded repurchases support per-share results and leave a 2028 maturity concentration that reduces capital-allocation flexibility. The term loan, the repurchase, the initial delivery and the settlement terms are disclosed and carry [F]; the debt funding of the repurchase is an inference from matched date and amount and carries [I]. The trailing multiple of 32.5782 times is our reference valuation at July 31, 2026 and is not an executed repurchase price; the average price paid under the repurchase is not yet determined, and no multiple is attributed to it anywhere on this page. The customer concentration figures are established once in Act I and are no longer referred to on this page. The two net debt definitions and the notes par and fair value table are carried in the source list and the appendix rather than in the body. The 53.1 percent is measured against standard free cash flow of $960.878m, and the $510.698m is a current cash-flow measure rather than a forecast of fiscal 2028 funding capacity; it is never set against the 2028 maturities as a coverage comparison.

E14 The FY2028 Refinancing Calendar



① $637.5m repaid to date, roughly $862.5m remaining and roughly $1.76 billion are our arithmetic from the printed amortization schedule and dates [I]; the amounts change if the term loan is prepaid or refinanced.

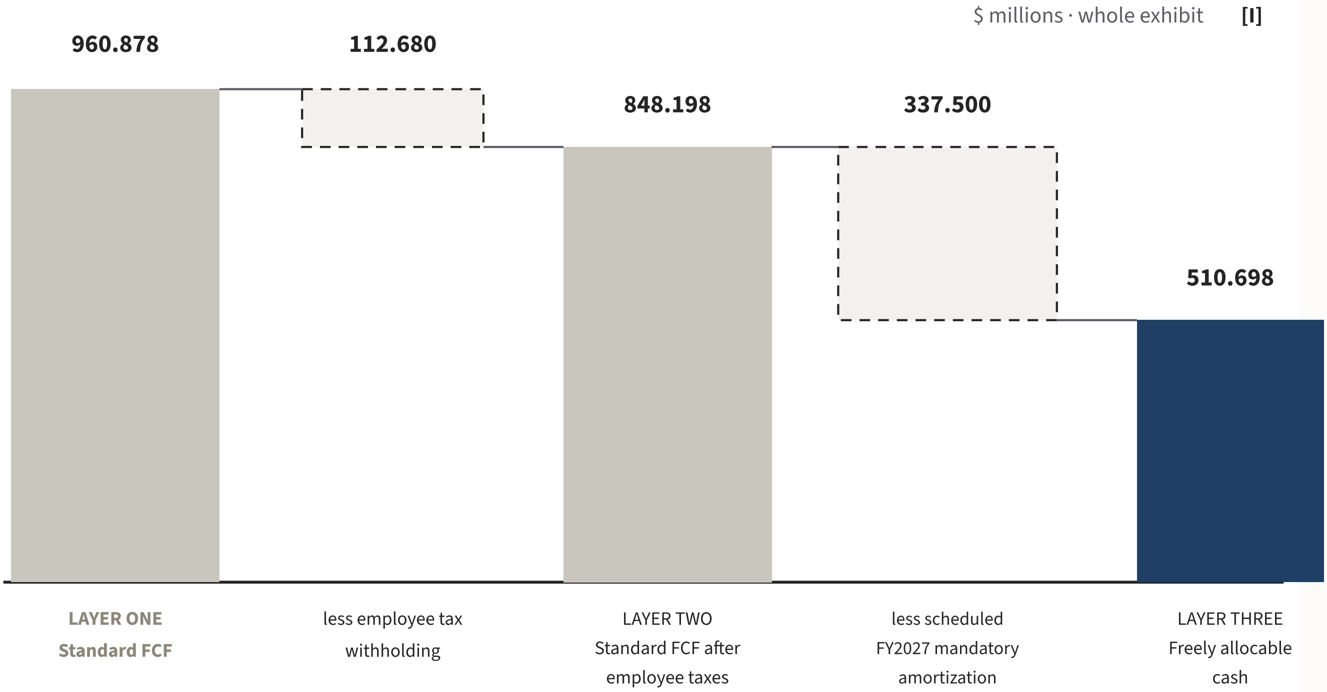
② The company states it is in compliance with its debt covenants.

③ Reduced room for error, not a default forecast.

④ Future-dated maturities carry a different time base from any current-period cash-flow measure; this calendar is not a coverage comparison.

Source: FICO Form 10-Q, fiscal Q3 2026.

E18 The Three Layers of Cash Flow



Freely allocable cash bridges current Standard FCF to cash remaining after scheduled FY2027 mandatory amortization; it is not a current-period cash-flow measure.

① Freely allocable cash is 960.878 − 112.680 − 337.500 = 510.698, equal to 53.1% of Standard FCF.

② 112.680 is employee tax withholding; 337.500 is scheduled FY2027 mandatory amortization. Each is deducted once.

③ The bridge mixes current Standard FCF with a scheduled FY2027 use of cash and makes no coverage comparison with the FY2028 maturity calendar.

Source: the report's frozen capital-structure build; covenant compliance as stated in FICO Form 10-Q, fiscal Q3 2026.

P20

The Verdict

FICO remains an exceptional business, but the risk/reward is unattractive at the current price. Our base case does not meet our return hurdle, while a change in mortgage-reporting architecture could create material downside without destroying the underlying franchise.

At $1,122.97, the base case returns 5.25 percent a year, and holding the terminal multiple at today's 32.58 times lifts it only to about 9.1 percent. [I]1 Neither clears the 15 percent we require, and neither depends on anything going wrong. The reverse-solve turns that shortfall into a requirement: the price is already asking fiscal 2030 for an outcome our forecast does not contain, in earnings or in the multiple. [I]2 That is the pillar the verdict rests on.

The formal bear case translates fewer paid scores per loan into fiscal 2030 net income 4.31 percent below the trailing twelve months, with the inferred debt funding of the ASR adding balance-sheet sensitivity. [I]1 It quantifies additional downside; the current price already fails on base-case returns.

#	Judgment	Confidence	Act
1	The reset has already happened, but its growth rate cannot be extrapolated from it	High / medium	The Reset
2	There is no visible paid-pull erosion today, but the test so far has not been an economic one	Medium-high	The Transmission
3	The most quantifiable structural risk is a fall in the number of scores billed per loan	Medium; one input structurally unavailable	The Transmission
4	The reset raised the earnings base, but it did not create a new growth engine	Medium-high	The Plateau
5	The investment fails first in the base case, not in the bear case	Medium-high	The Stock
6	An exceptional business, but the risk/reward is unattractive at the current price	Medium-high	The Stock

The risk/reward is unattractive at the current price. We would not initiate a position at the reference price. This is not a recommendation to express negative exposure. We would wait for either the price or the facts to change. The conclusion applies to the current price, not to the long-term quality of the company.

SOURCES AND NOTES

1 Carried from earlier pages of this report and not re-derived here: the reference price of **$1,122.97**, the base-case annualized return of **5.25%** and the constant-multiple cross-check of about **9.1%**, all from P16; bear-case fiscal 2030 net income **4.31%** below the trailing twelve months, from the plateau chapter; the score-count arithmetic and the bear-case construction, from the transmission and plateau chapters.

2 The reverse-solve requirements referred to on this page without figures are stated in full at P18 and are not repeated here, because they are terminal level gaps and are never carried alongside the annualized cross-check above.

P21

What to Watch

The decision turns on two observable questions: whether pricing creates another durable step-up in earnings, and whether mortgage-reporting rules change the number of scores billed per loan. Customer concentration, DLP adoption and the 2028 debt calendar are supporting diagnostics, not separate theses.

Signal	Where it becomes observable	What would count
A. Core decision signals — pricing and reported economics		
Another change in the mortgage wholesale royalty	FICO's own pricing disclosures; subsequent 10-Q attribution [1]	A disclosed new pricing action; subsequent attribution shows whether it reached reported economics
The quarter-to-quarter shape of Scores revenue	Segment disclosures of each 10-Q [1]	A sequential revenue path inconsistent with the Base case, with no new price change to explain it
B. Core decision signals — mortgage-reporting architecture		
Lender's choice at the enterprises [F]2	FHFA's credit-scores policy page; Fannie Mae and Freddie Mac seller guidance	A move from choice to a mandate, a default, or another explicit institutional arrangement
The bi-merge timetable [F]2	Formal FHFA announcements	Untying from the score-model transition, formal withdrawal, or a new definite implementation path
VS-only deliveries in absolute terms	Fannie Mae and Freddie Mac disclosures, including pool-level field SS-089 [F]3	A separately measured VS-only delivery volume, in place of combined thresholds and test-period measures
C. Supporting diagnostics — customer concentration, channel and capital allocation		
Customer concentration	The concentration disclosure of each 10-Q [1]	A change within one reporting basis; the fiscal-year, quarterly and nine-month bases are never interchanged
Direct License Program adoption	Investor materials of named channel companies [4]	A named channel company reporting actual customer migration; adoption alone would not determine FICO's unit-economic direction [U]
Treatment of the 2028 maturities [F]5	The debt footnote of each 10-Q; formal financing disclosures	Early repayment, or refinancing to longer maturities

SOURCES AND NOTES

1 FICO Form 10-Q, quarterly period ended **June 30, 2026**: the quarterly attribution to a higher mortgage origination scores unit price and the nine-month attribution; segment disclosures; customer concentration. These filings are the baselines the royalty, revenue and concentration signals move against.

2 Federal Housing Finance Agency, "Credit Scores" policy page, last updated **April 22, 2026**, for the interim lender's-choice arrangement, and for the **February 29, 2024** amendment aligning the bi-merge credit reporting requirement with the transition from the Classic FICO model.

3 Freddie Mac Disclosure Guide v6.2, field SS-089. Fannie Mae Form 10-Q, footnote 6: the combined less-than-0.5-percent threshold that a separately measured VS-only volume would replace.

4 TransUnion, Form 8-K Exhibit 99.2, **July 28, 2026**: TransUnion reported no customer shift to date, based on customer feedback. [M] One company's statement about its own customers and its own economics; it does not extend to Experian, Equifax, resellers as a group or the channel as a whole. The direction of the program's effect on FICO's unit economics remains [U].

5 FICO Form 10-Q, debt footnote.

Note The where-to-look column names monitoring routes, not sources; a route carries no evidence grade until a disclosure appears on it. Groups A and B carry the decision signals; group C is supporting diagnostics, and the eight rows are not eight equal-weight theses. The TransUnion mortgage-pull inclusion percentage is a whole-book measure and is never converted into a GSE substitution share.

P22

What Would Change Our Conclusion

A lower share price would not prove this research wrong. It would make the same company produce a different investment conclusion at a lower price.

Changes in the Facts

Two changes would invalidate the operating path; the third would remove a downside mechanism from the investment case.

Another material price increase that is retained in reported economics. The possibility is not abstract: the company has repriced materially in consecutive years. [F1] A further retained increase would falsify the plateau judgment, and the base case built on that judgment would be rebuilt, not defended.

Realized earnings materially above the Base path. If realized earnings run clearly above the base case, the plateau judgment and the return verdict resting on it fail together.

A mortgage-reporting path that removes the modeled downside mechanism. Formal cancellation of bi-merge, its decoupling from the score-model transition, a durable lender-choice regime, or sustained stagnation in VS-only deliveries would remove or materially weaken this downside from the investment case. [1]

Price Trigger

One event would change the conclusion without touching the analysis: a significant decline in the share price. The operating thesis would be unchanged; the investment conclusion would not. Nothing in the operating record needs to move for this to happen, and a decline would confirm nothing about that record; it would change what the same earnings path is worth paying for.

SOURCES AND NOTES

1 Carried from earlier pages of this report and not re-derived here: the two consecutive repricings and the disclosed price path, from the reset chapter; the lender's-choice arrangement, the bi-merge timetable and its February 2024 alignment with the score-model transition, from the transmission chapter; the severity construction of the bear case, from the transmission and plateau chapters; the maturity calendar, from P19.

Note The two blocks are different in kind and are never merged: in the first, two changes would invalidate the operating path and the third would remove a downside mechanism from the investment case; the second names a price change that would alter only the investment conclusion. No event on this page carries a probability.

A2 Four-caliber layering diagram

LAYER 1	`ttm_actual`
LAYER 2	`fy2027_normalized_pro_forma_start`
LAYER 3	`model_fiscal_year`
LAYER 4	`terminal_run_rate`

SCHEMATIC — NOT TO SCALE

① Each caliber is a separate measurement layer; the layers are drawn without arrows because figures from different layers are never combined arithmetically.

Source: the report's frozen model, caliber layer registry.

A1 Full Financial Model: Base, Bear and Bull

Caliber layers: TTM actual · FY2027 normalized pro forma start · model fiscal year · terminal run rate. No cross-caliber arithmetic. TTM actual is a reference caliber only and is not shown in the scenario grid.

Main grid — Base

SECTION	ITEM	CALIBER / SYMBOL	FY2027	FY2028	FY2029	FY2030	UNIT
	Year index i (revenue lines; carries the start-year convention switch)	i_rev	0	1	2	3	—
	Year index i (cost lines)	i_cost	0	1	2	3	—
Revenue	Mortgage-related revenue	Layer 2 start + frozen mortgage revenue Δ	1,128.0	1,142.4	1,158.1	1,174.9	USD m
	Non-mortgage B2B revenue	Start × (1+g)^i	477.0	491.3	506.0	521.2	USD m
	B2C revenue	Start × (1+g)^i	228.4	233.0	237.7	242.4	USD m
	Scores segment revenue	Sum of three lines	1,833.4	1,866.7	1,901.8	1,938.6	USD m
	Software segment revenue	Start × (1+g)^i	843.6	894.2	947.9	1,004.8	USD m
	Total company revenue	Scores + Software	2,677.1	2,761.0	2,849.7	2,943.3	USD m
Segment operating income	Scores segment operating income	Single injection point	1,634.0	1,662.3	1,692.2	1,723.5	USD m
	Software normalized operating margin	Assumed margin path	0.275	0.282	0.29	0.29	ratio
	Software segment operating income	Revenue × margin	232.0	252.2	274.9	291.4	USD m
	Total segment operating income	Scores + Software	1,866.0	1,914.5	1,967.1	2,014.9	USD m
Corporate P&L	Unallocated corporate expenses — stock-based compensation	Start × (1+4%)^i	188.0	195.5	203.3	211.5	USD m
	Unallocated corporate expenses — other	Start × (1+3%)^i	206.7	212.9	219.3	225.9	USD m
	Unallocated corporate expenses — total		394.7	408.5	422.7	437.4	USD m
	GAAP operating income	Total segments − unallocated	1,471.2	1,506.0	1,544.4	1,577.5	USD m
	Beginning-of-year debt face value		5,535.0	4,761.9	3,976.3	3,720.9	USD m
	Mandatory cash amortization	Scheduled amortization calendar	337.5	225.0	0.0	0.0	USD m
	Average face value over the year (interest base)	Beginning − mandatory amortization / 2	5,366.3	4,649.4	3,976.3	3,720.9	USD m
	Refinancing interest increment	Refinancing coupon step-up schedule	0.0	5.3	18.0	18.0	USD m
	Net interest expense	Anchor + Δ face value × marginal rate + refinancing increment	293.0	256.8	230.5	215.7	USD m
	Other income, net		10.5	10.5	10.5	10.5	USD m
	Pre-tax income	Operating income − net interest + other	1,188.7	1,259.8	1,324.4	1,372.3	USD m
	Normalized effective tax rate		0.255	0.255	0.255	0.255	ratio
	Income taxes		303.1	321.2	337.7	349.9	USD m
	GAAP net income		885.6	938.5	986.7	1,022.4	USD m

1. Values are displayed at investor-facing precision; the frozen model retains unrounded outputs. 2. Base, Bear and Bull are presented at equal weight, without probability labels. 3. The main grid begins in FY2027; no cross-caliber arithmetic.
Source: the report’s frozen model; calculations use unrounded model outputs.

A1 Full Financial Model: Base, Bear and Bull

Caliber layers: TTM actual · FY2027 normalized pro forma start · model fiscal year · terminal run rate. No cross-caliber arithmetic. TTM actual is a reference caliber only and is not shown in the scenario grid.

Main grid — Base (continued)

SECTION	ITEM	CALIBER / SYMBOL	FY2027	FY2028	FY2029	FY2030	UNIT
Cash flow (three layers, kept distinct)	Depreciation and amortization		16.1	16.1	16.1	16.1	USD m
	Capital expenditure (PP&E + capitalized internal-use software)	Revenue × 1.69917%	45.5	46.9	48.4	50.0	USD m
	Working capital and other	Revenue × (−0.16298%)	−4.4	−4.5	−4.6	−4.8	USD m
	(1) Standard FCF	NI + SBC + D&A − Capex + WC	1,039.9	1,098.8	1,153.1	1,195.2	USD m
	Less: stock-based compensation (same charge, deducted once)		188.0	195.5	203.3	211.5	USD m
	(2) Owner FCF = Standard FCF − SBC		851.9	903.3	949.8	983.7	USD m
	Employee tax withholding (net settlement)	SBC × 64.65%	121.5	126.4	131.5	136.7	USD m
	(3) Freely allocable cash	Standard FCF − mandatory amortization − employee withholding	580.9	747.4	1,021.6	1,058.5	USD m
Capital allocation and share count	Proportion directed to buybacks		0.25	0.25	0.75	0.75	ratio
	Annual buyback amount		145.2	186.8	766.2	793.8	USD m
	Additional (discretionary) debt repayment		435.6	560.5	255.4	264.6	USD m
	End-of-year debt face value	Beginning − mandatory amortization − additional repayment	4,761.9	3,976.3	3,720.9	3,456.3	USD m
	Accounting net debt (year-end, EV-bridge caliber)		4,485.8	3,700.3	3,444.8	3,180.2	USD m
	Covenant net debt (year-end, leverage caliber)		4,457.3	3,671.8	3,416.4	3,151.8	USD m
	Covenant EBITDA	Operating income + SBC + D&A	1,675.4	1,717.7	1,763.9	1,805.1	USD m
	Covenant net debt / EBITDA		2.66	2.14	1.94	1.75	×
	Beginning shares outstanding		21,597.0	21,526.9	21,422.0	20,803.7	thousand shares
	Shares retired by buybacks	Buyback amount ÷ reference price	129.3	166.4	682.3	706.9	thousand shares
	Net shares issued from stock-based compensation	(SBC − employee withholding) ÷ reference price	59.2	61.5	64.0	66.6	thousand shares
	Ending shares outstanding	Beginning − retired + net issued	21,526.9	21,422.0	20,803.7	20,163.4	thousand shares
	Dilutive securities		115.0	115.0	115.0	115.0	thousand shares
	Weighted-average diluted shares	(Beginning + ending)/2 + dilutive securities	21,676.9	21,589.4	21,227.9	20,598.5	thousand shares
	GAAP earnings per share (diluted)	Net income ÷ weighted diluted shares	40.86	43.47	46.48	49.63	USD
	Owner FCF per share		39.30	41.84	44.74	47.76	USD

1. Values are displayed at investor-facing precision; the frozen model retains unrounded outputs. 2. Base, Bear and Bull are presented at equal weight, without probability labels. 3. The main grid begins in FY2027; no cross-caliber arithmetic.
Source: the report's frozen model; calculations use unrounded model outputs.

A1 Full Financial Model: Base, Bear and Bull

Caliber layers: TTM actual · FY2027 normalized pro forma start · model fiscal year · terminal run rate. No cross-caliber arithmetic. TTM actual is a reference caliber only and is not shown in the scenario grid.

Main grid — Bear

SECTION	ITEM	CALIBER / SYMBOL	FY2027	FY2028	FY2029	FY2030	UNIT
	Year index i (revenue lines; carries the start-year convention switch)	i_rev	0	1	2	3	—
	Year index i (cost lines)	i_cost	0	1	2	3	—
Revenue	Mortgage-related revenue	Layer 2 start + frozen mortgage revenue Δ	1,076.6	1,044.3	986.9	897.1	USD m
	Non-mortgage B2B revenue	Start × (1+g)^i	477.0	486.5	496.3	506.2	USD m
	B2C revenue	Start × (1+g)^i	228.4	228.4	228.4	228.4	USD m
	Scores segment revenue	Sum of three lines	1,782.0	1,759.3	1,711.6	1,631.7	USD m
	Software segment revenue	Start × (1+g)^i	843.6	873.1	903.7	935.3	USD m
	Total company revenue	Scores + Software	2,625.7	2,632.4	2,615.3	2,567.1	USD m
Segment operating income	Scores segment operating income	Single injection point	1,590.3	1,571.2	1,531.0	1,463.4	USD m
	Software normalized operating margin	Assumed margin path	0.27	0.267	0.263	0.26	ratio
	Software segment operating income	Revenue × margin	227.8	233.1	237.7	243.2	USD m
	Total segment operating income	Scores + Software	1,818.1	1,804.3	1,768.7	1,706.6	USD m
Corporate P&L	Unallocated corporate expenses — stock-based compensation	Start × (1+4%)^i	188.0	195.5	203.3	211.5	USD m
	Unallocated corporate expenses — other	Start × (1+3%)^i	206.7	212.9	219.3	225.9	USD m
	Unallocated corporate expenses — total		394.7	408.5	422.7	437.4	USD m
	GAAP operating income	Total segments − unallocated	1,423.3	1,395.9	1,346.1	1,269.2	USD m
	Beginning-of-year debt face value		5,535.0	4,792.2	4,072.1	3,855.4	USD m
	Mandatory cash amortization	Scheduled amortization calendar	337.5	225.0	0.0	0.0	USD m
	Average face value over the year (interest base)	Beginning − mandatory amortization / 2	5,366.3	4,679.7	4,072.1	3,855.4	USD m
	Refinancing interest increment	Refinancing coupon step-up schedule	0.0	5.9	20.3	20.3	USD m
	Net interest expense	Anchor + Δ face value × marginal rate + refinancing increment	293.0	259.2	238.3	225.7	USD m
	Other income, net		10.5	10.5	10.5	10.5	USD m
	Pre-tax income	Operating income − net interest + other	1,140.8	1,147.2	1,118.3	1,053.9	USD m
	Normalized effective tax rate		0.26	0.26	0.26	0.26	ratio
	Income taxes		296.6	298.3	290.7	274.0	USD m
	GAAP net income		844.2	848.9	827.5	779.9	USD m

1. Values are displayed at investor-facing precision; the frozen model retains unrounded outputs. 2. Base, Bear and Bull are presented at equal weight, without probability labels. 3. The main grid begins in FY2027; no cross-caliber arithmetic.
Source: the report's frozen model; calculations use unrounded model outputs.

A1 Full Financial Model: Base, Bear and Bull

Caliber layers: TTM actual · FY2027 normalized pro forma start · model fiscal year · terminal run rate. No cross-caliber arithmetic. TTM actual is a reference caliber only and is not shown in the scenario grid.

Main grid — Bear (continued)

SECTION	ITEM	CALIBER / SYMBOL	FY2027	FY2028	FY2029	FY2030	UNIT
Cash flow (three layers, kept distinct)	Depreciation and amortization		16.1	16.1	16.1	16.1	USD m
	Capital expenditure (PP&E + capitalized internal-use software)	Revenue × 1.69917%	44.6	44.7	44.4	43.6	USD m
	Working capital and other	Revenue × (−0.16298%)	−4.3	−4.3	−4.3	−4.2	USD m
	(1) Standard FCF	NI + SBC + D&A − Capex + WC	999.5	1,011.6	998.3	959.7	USD m
	Less: stock-based compensation (same charge, deducted once)		188.0	195.5	203.3	211.5	USD m
	(2) Owner FCF = Standard FCF − SBC		811.5	816.0	795.0	748.3	USD m
	Employee tax withholding (net settlement)	SBC × 64.65%	121.5	126.4	131.5	136.7	USD m
	(3) Freely allocable cash	Standard FCF − mandatory amortization − employee withholding	540.4	660.2	866.8	823.0	USD m
Capital allocation and share count	Proportion directed to buybacks		0.25	0.25	0.75	0.75	ratio
	Annual buyback amount		135.1	165.0	650.1	617.3	USD m
	Additional (discretionary) debt repayment		405.3	495.1	216.7	205.8	USD m
	End-of-year debt face value	Beginning − mandatory amortization − additional repayment	4,792.2	4,072.1	3,855.4	3,649.6	USD m
	Accounting net debt (year-end, EV-bridge caliber)		4,516.1	3,796.0	3,579.3	3,373.6	USD m
	Covenant net debt (year-end, leverage caliber)		4,487.6	3,767.5	3,550.8	3,345.1	USD m
	Covenant EBITDA	Operating income + SBC + D&A	1,627.5	1,607.5	1,565.5	1,496.8	USD m
	Covenant net debt / EBITDA		2.76	2.34	2.27	2.23	×
	Beginning shares outstanding		21,597.0	21,535.9	21,450.4	20,935.5	thousand shares
	Shares retired by buybacks	Buyback amount ÷ reference price	120.3	147.0	578.9	549.7	thousand shares
	Net shares issued from stock-based compensation	(SBC − employee withholding) ÷ reference price	59.2	61.5	64.0	66.6	thousand shares
	Ending shares outstanding	Beginning − retired + net issued	21,535.9	21,450.4	20,935.5	20,452.4	thousand shares
	Dilutive securities		115.0	115.0	115.0	115.0	thousand shares
	Weighted-average diluted shares	(Beginning + ending)/2 + dilutive securities	21,681.4	21,608.2	21,308.0	20,809.0	thousand shares
	GAAP earnings per share (diluted)	Net income ÷ weighted diluted shares	38.94	39.29	38.84	37.48	USD
	Owner FCF per share		37.43	37.77	37.31	35.96	USD

1. Values are displayed at investor-facing precision; the frozen model retains unrounded outputs. 2. Base, Bear and Bull are presented at equal weight, without probability labels. 3. The main grid begins in FY2027; no cross-caliber arithmetic.
Source: the report's frozen model; calculations use unrounded model outputs.

A1 Full Financial Model: Base, Bear and Bull

Caliber layers: TTM actual · FY2027 normalized pro forma start · model fiscal year · terminal run rate. No cross-caliber arithmetic. TTM actual is a reference caliber only and is not shown in the scenario grid.

Main grid — Bull

SECTION	ITEM	CALIBER / SYMBOL	FY2027	FY2028	FY2029	FY2030	UNIT
	Year index i (revenue lines; carries the start-year convention switch)	i_rev	0	1	2	3	—
	Year index i (cost lines)	i_cost	0	1	2	3	—
Revenue	Mortgage-related revenue	Layer 2 start + frozen mortgage revenue Δ	1,128.0	1,142.4	1,158.1	1,174.9	USD m
	Non-mortgage B2B revenue	Start × (1+g)^i	477.0	496.1	515.9	536.6	USD m
	B2C revenue	Start × (1+g)^i	228.4	237.6	247.1	257.0	USD m
	Scores segment revenue	Sum of three lines	1,833.4	1,876.1	1,921.1	1,968.4	USD m
	Software segment revenue	Start × (1+g)^i	843.6	919.5	1,002.3	1,092.5	USD m
	Total company revenue	Scores + Software	2,677.1	2,795.6	2,923.4	3,060.9	USD m
Segment operating income	Scores segment operating income	Single injection point	1,634.0	1,669.3	1,706.5	1,745.7	USD m
	Software normalized operating margin	Assumed margin path	0.28	0.295	0.305	0.31	ratio
	Software segment operating income	Revenue × margin	236.2	271.3	305.7	338.7	USD m
	Total segment operating income	Scores + Software	1,870.2	1,940.5	2,012.2	2,084.4	USD m
Corporate P&L	Unallocated corporate expenses — stock-based compensation	Start × (1+4%)^i	188.0	195.5	203.3	211.5	USD m
	Unallocated corporate expenses — other	Start × (1+3%)^i	206.7	212.9	219.3	225.9	USD m
	Unallocated corporate expenses — total		394.7	408.5	422.7	437.4	USD m
	GAAP operating income	Total segments − unallocated	1,475.5	1,532.1	1,589.6	1,647.0	USD m
	Beginning-of-year debt face value		5,535.0	4,759.5	3,959.8	3,696.2	USD m
	Mandatory cash amortization	Scheduled amortization calendar	337.5	225.0	0.0	0.0	USD m
	Average face value over the year (interest base)	Beginning − mandatory amortization / 2	5,366.3	4,647.0	3,959.8	3,696.2	USD m
	Refinancing interest increment	Refinancing coupon step-up schedule	0.0	5.3	18.0	18.0	USD m
	Net interest expense	Anchor + Δ face value × marginal rate + refinancing increment	293.0	256.6	229.5	214.3	USD m
	Other income, net		10.5	10.5	10.5	10.5	USD m
	Pre-tax income	Operating income − net interest + other	1,193.0	1,286.0	1,370.5	1,443.2	USD m
	Normalized effective tax rate		0.255	0.255	0.255	0.255	ratio
	Income taxes		304.2	327.9	349.5	368.0	USD m
	GAAP net income		888.8	958.0	1,021.0	1,075.2	USD m

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Source: the report’s frozen model; calculations use unrounded model outputs.

A1 Full Financial Model: Base, Bear and Bull

Caliber layers: TTM actual · FY2027 normalized pro forma start · model fiscal year · terminal run rate. No cross-caliber arithmetic. TTM actual is a reference caliber only and is not shown in the scenario grid.

Main grid — Bull (continued)

SECTION	ITEM	CALIBER / SYMBOL	FY2027	FY2028	FY2029	FY2030	UNIT
Cash flow (three layers, kept distinct)	Depreciation and amortization		16.1	16.1	16.1	16.1	USD m
	Capital expenditure (PP&E + capitalized internal-use software)	Revenue × 1.69917%	45.5	47.5	49.7	52.0	USD m
	Working capital and other	Revenue × (−0.16298%)	−4.4	−4.6	−4.8	−5.0	USD m
	(1) Standard FCF	NI + SBC + D&A − Capex + WC	1,043.1	1,117.6	1,186.1	1,245.8	USD m
	Less: stock-based compensation (same charge, deducted once)		188.0	195.5	203.3	211.5	USD m
	(2) Owner FCF = Standard FCF − SBC		855.1	922.1	982.7	1,034.4	USD m
	Employee tax withholding (net settlement)	SBC × 64.65%	121.5	126.4	131.5	136.7	USD m
	(3) Freely allocable cash	Standard FCF − mandatory amortization − employee withholding	584.0	766.2	1,054.6	1,109.1	USD m
Capital allocation and share count	Proportion directed to buybacks		0.25	0.25	0.75	0.75	ratio
	Annual buyback amount		146.0	191.6	791.0	831.8	USD m
	Additional (discretionary) debt repayment		438.0	574.7	263.7	277.3	USD m
	End-of-year debt face value	Beginning − mandatory amortization − additional repayment	4,759.5	3,959.8	3,696.2	3,418.9	USD m
	Accounting net debt (year-end, EV-bridge caliber)		4,483.4	3,683.8	3,420.1	3,142.8	USD m
	Covenant net debt (year-end, leverage caliber)		4,455.0	3,655.3	3,391.6	3,114.3	USD m
	Covenant EBITDA	Operating income + SBC + D&A	1,679.6	1,743.7	1,809.0	1,874.6	USD m
	Covenant net debt / EBITDA		2.65	2.10	1.87	1.66	×
	Beginning shares outstanding		21,597.0	21,526.2	21,417.1	20,776.8	thousand shares
	Shares retired by buybacks	Buyback amount ÷ reference price	130.0	170.6	704.4	740.7	thousand shares
	Net shares issued from stock-based compensation	(SBC − employee withholding) ÷ reference price	59.2	61.5	64.0	66.6	thousand shares
	Ending shares outstanding	Beginning − retired + net issued	21,526.2	21,417.1	20,776.8	20,102.6	thousand shares
	Dilutive securities		115.0	115.0	115.0	115.0	thousand shares
	Weighted-average diluted shares	(Beginning + ending)/2 + dilutive securities	21,676.6	21,586.6	21,212.0	20,554.7	thousand shares
	GAAP earnings per share (diluted)	Net income ÷ weighted diluted shares	41.00	44.38	48.14	52.31	USD
	Owner FCF per share		39.45	42.72	46.33	50.32	USD

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Source: the report’s frozen model; calculations use unrounded model outputs.

A1 Full Financial Model: Base, Bear and Bull

Caliber layers: TTM actual · FY2027 normalized pro forma start · model fiscal year · terminal run rate. No cross-caliber arithmetic. TTM actual is a reference caliber only and is not shown in the scenario grid.

FY2030 terminal engine

SCENARIO	ITEM	CALIBER / SYMBOL	FY2030	UNIT
FY2030 terminal engine output				
Base	FY2030 total company revenue		2,943.3	USD m
Bear	FY2030 total company revenue		2,567.1	USD m
Bull	FY2030 total company revenue		3,060.9	USD m
Base	FY2030 GAAP operating income		1,577.5	USD m
Bear	FY2030 GAAP operating income		1,269.2	USD m
Bull	FY2030 GAAP operating income		1,647.0	USD m
Base	FY2030 GAAP net income		1,022.4	USD m
Bear	FY2030 GAAP net income		779.9	USD m
Bull	FY2030 GAAP net income		1,075.2	USD m
Base	FY2030 Standard FCF		1,195.2	USD m
Bear	FY2030 Standard FCF		959.7	USD m
Bull	FY2030 Standard FCF		1,245.8	USD m
Base	FY2030 Owner FCF	Standard FCF − SBC	983.7	USD m
Bear	FY2030 Owner FCF	Standard FCF − SBC	748.3	USD m
Bull	FY2030 Owner FCF	Standard FCF − SBC	1,034.4	USD m
Base	FY2030 ending shares outstanding		20,163.4	thousand shares
Bear	FY2030 ending shares outstanding		20,452.4	thousand shares
Bull	FY2030 ending shares outstanding		20,102.6	thousand shares
Base	FY2030 weighted-average diluted shares		20,598.5	thousand shares
Bear	FY2030 weighted-average diluted shares		20,809.0	thousand shares
Bull	FY2030 weighted-average diluted shares		20,554.7	thousand shares
Base	FY2030 accounting net debt	EV-bridge caliber	3,180.2	USD m
Bear	FY2030 accounting net debt	EV-bridge caliber	3,373.6	USD m
Bull	FY2030 accounting net debt	EV-bridge caliber	3,142.8	USD m
Base	FY2030 covenant net debt	Leverage caliber	3,151.8	USD m
Bear	FY2030 covenant net debt	Leverage caliber	3,345.1	USD m
Bull	FY2030 covenant net debt	Leverage caliber	3,114.3	USD m
Base	FY2030 covenant net debt / EBITDA		1.75	×
Bear	FY2030 covenant net debt / EBITDA		2.23	×
Bull	FY2030 covenant net debt / EBITDA		1.66	×
Base	FY2030 GAAP EPS (diluted)	Net income ÷ weighted diluted shares	49.63	USD
Bear	FY2030 GAAP EPS (diluted)	Net income ÷ weighted diluted shares	37.48	USD
Bull	FY2030 GAAP EPS (diluted)	Net income ÷ weighted diluted shares	52.31	USD
Base	FY2030 Owner FCF per share	Same denominator	47.76	USD
Bear	FY2030 Owner FCF per share	Same denominator	35.96	USD
Bull	FY2030 Owner FCF per share	Same denominator	50.32	USD

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Source: the report's frozen model; calculations use unrounded model outputs.

A4 Primary-source index summary

#	SOURCE	ISSUER / AUTHOR	DATE	STATUS · GRADE
1	FICO Form 10-Q FY2026 Q3 — two attribution sentences (quarter & nine-month)	Fair Isaac Corporation	quarter ended 2026-06-30, filed 2026-07-29	fully verified · [F]
2	FICO comment letter to CFPB — three quoted sentences	FICO, signed James M. Wehmann	2024-08-02, Docket No. CFPB-2024-0021	fully verified · [F]
3	FHFA Credit Scores policy page — tri-merge/bi-merge requirement unchanged	Federal Housing Finance Agency	page self-dated Last updated: April 22, 2026	fully verified · [F]
4	Fannie Mae Form 10-Q — less than 0.5% footnote (6)	Fannie Mae	quarter ended 2026-06-30	fully verified · [F]
5	Freddie Mac Disclosure Guide v6.2 — SS-089 Credit Score Model field	Freddie Mac	v6.2 effective 2026-04-01 (L6); V enumeration effective with pools issued December 2025	fully verified · [F]
6	EFX/TU bundling announcements and $1 SKU commitment	Equifax (product page, Copyright 2026; investor deck Mortgage Scores Update 2025-10-07) and TransUnion (8-K Ex-99.2 Q1 CY2026, 2026-04-28, p.20)	2025-10-07 (EFX deck); 2026 (EFX product page); 2026-04-28 (TU deck)	fully verified (wording narrowed) · [F] for the materials themselves; feeds conflict C7 (open)
7	FICO Form 10-K FY2025 — revenue recognition sentence	Fair Isaac Corporation	fiscal year ended 2025-09-30	fully verified · [F]
8	FICO segment printed values + customer concentration	Fair Isaac Corporation	10-Q quarter ended 2026-06-30; 10-K FY2025	fully verified · [F]
9	FICO debt: five note amounts + maturities + buyback authorization + ASR	Fair Isaac Corporation	10-Q quarter ended 2026-06-30	fully verified · [F] printed; [I] for cumulative/residual arithmetic
10	TTM net income and TTM diluted weighted shares	Fair Isaac Corporation	10-Q quarter ended 2026-06-30; 10-K FY2025	fully verified (both frozen values exactly reproduced) · [F] printed inputs; [I] spliced TTM values
11	$4.95 primary source — 2025 mortgage wholesale royalty	FICO (corporate blog)	published 2024-11-06 (bureaus notified 2024-10-30)	fully verified (and a corrected misclassification) · [F] — v1's derived-value [I] classification is void
12	Market data and forward consensus — five required elements	(no qualifying source located)	supplementation round 2026 (single authorized narrow search, exhausted)	failed supplementation — structural consequences triggered · (no grade assignable — figures lack platform identity)
13	Billed score units per closed loan — two implied calibrations	(forensic ledger — not primary, location aid only)	ledger compiled during evidence audit	partially closed with one withdrawal and one deletion · M = U-01 = [U]; the two calibrations are accounting-derived ratios; four price functions [F] as list-price algebra
14	DLP adoption status — TransUnion negative statement	TransUnion	2026-07-28 (8-K Ex-99.2, Q2 CY2026 deck, p.24)	fully verified (full line reproduced) · [M] third-party management statement
15	MBA Mortgage Finance Forecast	Mortgage Bankers Association	2026-07-22 (table date, L2)	fully verified (verbatim, added v1.1.5) · [F] association estimate (level 1); ÷ step [I]; FY2030 Bear application [A] — three layers never compressed

15 items: 13 fully verified · 1 partially closed with a withdrawal · 1 failed supplementation.

① Statuses are copied verbatim and never beautified; no page numbers are invented. ② $4.95 is a disclosed price [F], carried with its channel and year (2025 mortgage wholesale royalty, legacy bureau channel); it is distinct from the 2025-10-01 DLP list price and never merged with it. ③ The failed supplementation (item 12) triggered the structural consequences registered in the report: detailed market context moved wholesale into Appendix G.

Source: the report’s frozen primary-source index summary (verbatim).

A3 Evidence Grades and Conflict Register

EVIDENCE-GRADE DEFINITIONS

F	[F] disclosed fact	Definition frozen at the design layer: [F] disclosed fact	Grade labels appear on reader-facing layer; labels are evidence grades, not decoration — never add, drop, or upgrade one	—
M	[M] management statement (always with its limitation)	[M] management statement (always with its limitation)	Same as above; e.g. the TransUnion no-shift statement is [M], a one-party negative statement, never a universal negative	—
I	[I] our derivation	[I] our derivation	Derived figures (e.g. $862.5m, $1.76b, TTM splices, 0.9544 division step) must carry [I] with derivation note	—
A	[A] modeling assumption	[A] modeling assumption; explicitly not a narrative label (E15 ruling: Bear 22× Base 28× Bull 32× all carry [A])	Terminal multiples, severity calibrations, thresholds 15%/25% carry [A]	—
U	[U] structurally unavailable	[U] structurally unavailable; includes free variable M (U-01) and the six-gate four-state caliber	U entries enforce the iron rule: "has not been observed to open" is a statement about observation, never a proof of the opposite state; free variable M leaves the DLP direction structurally unavailable	—

CONFLICT REGISTER

C1 **Pull-volume loss caliber conflict** — OPEN

A — FICO management: no observed pull-volume loss [M] · **B** — Credit bureau (TransUnion): VS4 already in ~30% of mortgage pulls [M]

Ruling — Both can simultaneously be true (a loan can pull both scores) but cannot be verified

Explained once, in Act II only; repetition capped

C2 **GSE acceptance dimension conflict** — OPEN

A — Fannie Mae footnote: collectively < 0.5% [F] (merged-category truncation threshold) · **B** — Freddie Mac: has received $10M of VS loans [M] (principal balance)

Ruling — Different dimensions (threshold on combined category vs principal balance); not convertible, never netted

Caliber warning wherever either figure appears; footnote scope stated (excludes no-FICO + VS4-delivered combined)

C3 **Scores billed per loan caliber conflict** — CORRECTED — the two-calibration register stands; underlying M remains open as [U]

A — Top-down back-solve: M = 21.34 (from FICO revenue, Mortgage Bankers Association loan-count denominator; 8-quarter range 16.42–25.73) · **B** — Bottom-up revenue-neutral: M = 10.56 (Home Mortgage Disclosure Act loan-count denominator)

Ruling — CORRECTED: normalized to the same Home Mortgage Disclosure Act loan-count denominator, the residual between the two implied calibrations is 1.62×. This normalization does not select, average or reconcile them; M and DLP direction remain [U].

E11 carries the two reference lines and the reversal note; the body never asserts that DLP is accretive or dilutive

Withdrawn — 28.7–31.7 — permanently WITHDRAWN: no counterpart in the local primary corpus or either forensic ledger; source untraceable; never restored from old versions

CONFLICT REGISTER (CONTINUED)

C4 **Mutually exclusive forward consensus readings** — OPEN (Appendix G caliber)

A — Registered values $51.07 / $53.51 / $54.36 (three aggregator readings) · **B** — The supplementation round surfaced a fourth: $43.16

Ruling — OPEN and EXPANDED: all four values lack platform identity (no vendor, no as-of date, no GAAP caliber, no analyst count); moved wholesale into Appendix G; the body never cites them; the body keeps only the $1,122.97 price and our own derived calipers (32.5782×, 20.66×–32.58×, $34.47)

The body does not claim the market expects any specific number; the four values are Appendix G material only

C5 **Two net-debt definitions** — OPEN (explained)

A — Accounting net debt 5,333.945 · **B** — Covenant net debt 5,305.463 (difference 28.482)

Ruling — OPEN but explained: two definitions coexist; never mixed

Disclosed at a single point in the Sources section; the two definitions never appear together on any one exhibit

C6 **Multiple-caliber spectrum** — OPEN (disclosed)

A — Multiple calipers across 20.66×–32.58× · **B** — —

Ruling — OPEN but disclosed: every use states its caliber

A caliber sentence accompanies each occurrence; 32.5782× is a reference valuation at 2026-07-31, never an ASR execution multiple

C7 **Equifax VS4 quoted price versus product-page price** — OPEN

A — Equifax investor material 2025-10-07: VS4 mortgage at $4.50 through end of 2027 · **B** — Equifax 2026 product page: $1 through 2027

Ruling — OPEN: the first price-cut announcement date is not located in any primary source. The quoted price was $4.50 in October 2025, while the company's 2026 product page lists $1 through 2027.

The report states no specific price-change date and no count of price cuts; the Investing.com 2026-03-09 item is registered as a lead, not evidence, and appears nowhere in the body, exhibits, or summary

Withdrawn — "Fell to $1 within nine months" — VOIDED WORDING (a back-computed interval, not a disclosed one)

1. All seven conflicts are retained; none is silently closed. 2. C3 is corrected to two implied calibrations, 21.34 / 10.56, residual 1.62×; the withdrawn value appears only inside its withdrawal registration and is never restored. 3. Grade labels are evidence grades, not decoration.

Source: the report’s frozen evidence and conflict register.

APPENDIX E

DLP unit economics

What the direction turns on. The comparison between the Direct License Program and the legacy bureau channel depends on one variable, the number of FICO scores billed per funded loan. Our work carries two implied calibration values for that variable.

Reference	Value	Denominator and method
Implied calibration A	**M = 21.34**	Mortgage Bankers Association denominator, derived top-down from FICO revenue
Implied calibration B	**M = 10.56**	Home Mortgage Disclosure Act denominator, derived bottom-up under a revenue-neutral constraint

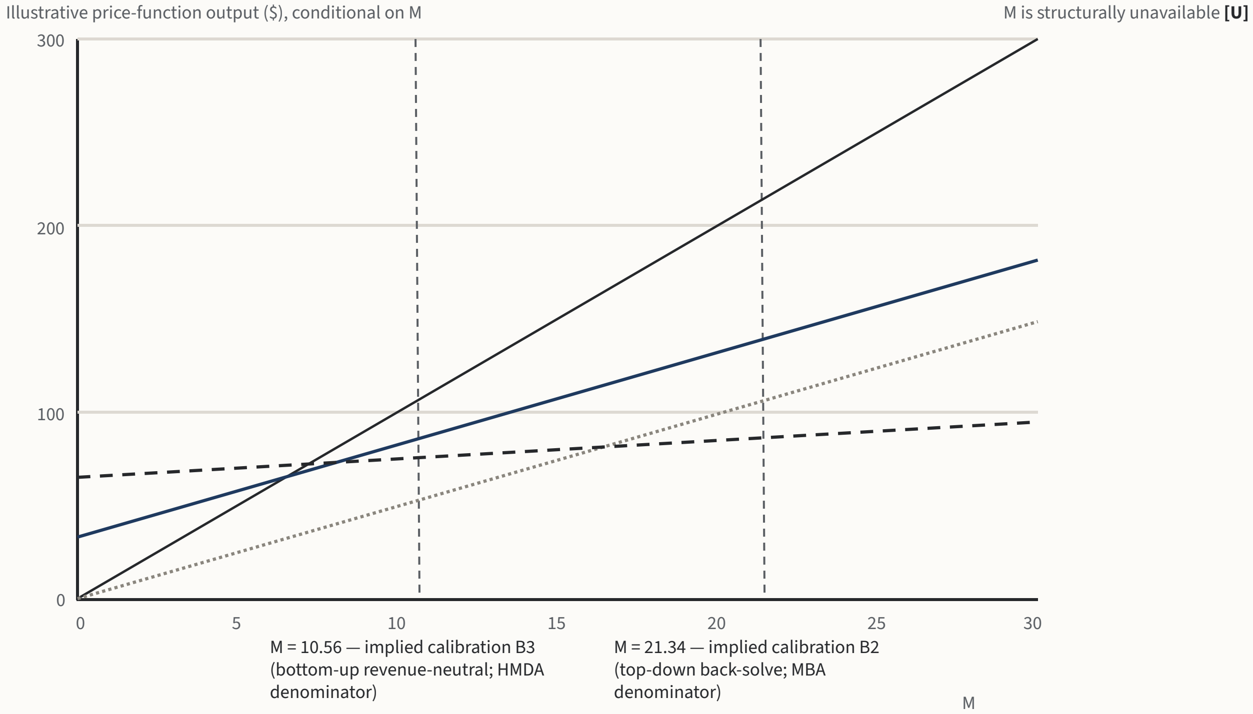
The displayed values use different loan-count denominators and should not be divided directly; on a common Home Mortgage Disclosure Act denominator, the residual is 1.62×. They are not two estimates of one quantity with a sensible middle. They are mutually incompatible calibrations produced by different denominators and different methods, and at least one premise behind them is wrong. They are not observed pull counts, not an industry central tendency, and not an adoption threshold. We do not average them, weight them, take a median, or choose a reasonable central value. [U] At the higher calibration the FICO Score 10 T performance structure collects less per funded loan than under the CY2025 legacy bureau-channel royalty benchmark; at the lower calibration it collects more against that same benchmark.

The benchmark this comparison rests on. The comparison is anchored to the CY2025 legacy wholesale royalty of $4.95 per score. [F] FICO has not disclosed a CY2026 legacy-channel rate card, and Act I's implied realized price of roughly $9.2 to $9.7 per mortgage origination score for the quarter ended June 30, 2026 is our own conditional derivation [I], not an official price that can be substituted into this schedule. The exhibit therefore demonstrates that the available calibration does not close. It does not measure DLP economics against a disclosed current-channel price.

SOURCES AND NOTES

Note: The two implied calibration values, the post-normalization 1.62× residual, and the four price functions are carried from the per-closed-loan evidence ledger.

E11 DLP Price Functions and the Two Implied Calibrations of M



- Classic performance model = 4.95 × M + 33
- Score 10 T performance model = 0.99 × M + 65
- Per-score model = 10.00 × M
- CY2025 legacy bureau-channel wholesale benchmark = 4.95 × M

The +$33 and +$65 terms reproduce frozen price-card function forms. This chart is not an estimate of realized dollars per closed loan and does not establish accretive or dilutive economics.

① Between the two implied calibrations, the direction of DLP's effect on FICO's unit economics reverses; the ledger sentence is reproduced verbatim: "this file declines to give a directional judgment".

② The two vertical lines are native calibrations with different loan-count denominators, not interval endpoints; after calibration A is normalized to the Home Mortgage Disclosure Act denominator, the residual is 1.62×, and no midpoint is used.

③ The two $4.95 series are separately labeled with channel and calendar year; they are different prices and are never merged.

Source: FICO DLP price-card function forms, effective October 1, 2025; the report's calibration register (C3); the delivered chart-ready data layer.

A5 Mechanical rating and Mechanical Upside Sensitivity

MECHANICAL ISOLATION — APPENDIX F

Internal mechanical formula tier / screening output — not the public verdict	**Avoid**
Mechanical Upside Sensitivity FY2030 GAAP EPS	**$61.6338**
Implied annualized return on the mechanical-upside path	**@28× 10.86%**
Implied annualized return on the mechanical-upside path	**@31× 13.60%**
Mechanical Upside Sensitivity FY2030 mortgage-related revenue	**$1,411.2m**

Mechanical Upside Sensitivity — not the formal Bull

Public portfolio verdict: WATCH / NO POSITION at the $1,122.97 reference price.

Mechanical isolation only. The internal screening tier and four sensitivity figures are excluded from Base, the formal Bull, the body and the Executive Summary. They do not change the operating thesis or the report's public verdict.

Source: the report's frozen model; mechanical rating and sensitivity outputs.

A6 Market Context, Unsourced

Source identity unconfirmed. No evidence grade applies. Not cited anywhere in the body of this report.

EV/EBIT	23.93×
FY2027 forward consensus EPS — four mutually different values	$51.07 / $53.51 / $54.36 / $43.16
Short interest	10.69%
Decline from the FY2024 peak	−64.5%
FY2026 guidance comparison	—
Analyst rating distribution	—
FY2021 comparison	—

① Without an institutional data terminal, this report cannot confirm the source identity of any single forward consensus value; that result is itself a finding — this report does not claim the market expects any specific number.

② Items marked — are registered categories of the same unsourced set; their figures are not reproduced.

No source line is given: source identity is unconfirmed, per the banner.