UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended December 31, 2020

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

For the transition period from to .

Commission File Number 001-35231

MITEK SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**87-0418827**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
600 B Street, Suite 100 San Diego, California	**92101**
(Address of principal executive offices)	**(Zip Code)**

(619) 269-6800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	MITK	The NASDAQ Capital Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

There were 42,687,378 shares of the registrant's common stock outstanding as of January 31, 2021.

MITEK SYSTEMS, INC.

FORM 10-Q

For The Quarterly Period Ended December 31, 2020

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

MITEK SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands except share data)

	December 31, 2020 (Unaudited)	September 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,723	$ 19,986
Short-term investments	40,238	40,035
Accounts receivable, net	12,714	15,612
Contract assets	4,465	5,187
Prepaid expenses	1,473	1,338
Other current assets	1,838	1,968
Total current assets	87,451	84,126
Long-term investments	5,597	1,963
Property and equipment, net	3,674	3,610
Right-of-use assets	5,122	5,407
Intangible assets, net	18,423	19,289
Goodwill	37,323	35,669
Deferred income tax assets, net	14,211	13,484
Other non-current assets	5,231	5,606
Total assets	$ 177,032	$ 169,154
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,472	$ 3,909
Accrued payroll and related taxes	6,467	8,882
Deferred revenue, current portion	9,742	7,973
Lease liabilities, current portion	1,751	1,819
Acquisition-related contingent consideration	790	753
Other current liabilities	940	1,020
Total current liabilities	23,162	24,356
Deferred revenue, non-current portion	1,154	1,597
Lease liabilities, non-current portion	5,018	5,327
Deferred income tax liabilities	4,924	4,649
Other non-current liabilities	1,021	982
Total liabilities	35,279	36,911
Stockholders' equity:		
Preferred stock, $0.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.001 par value, 60,000,000 shares authorized, 42,668,376 and 41,779,853 issued and outstanding, as of December 31, 2020 and September 30, 2020, respectively	43	42
Additional paid-in capital	151,153	146,518
Accumulated other comprehensive income (loss)	2,384	(323)
Accumulated deficit	(11,827)	(13,994)
Total stockholders' equity	141,753	132,243
Total liabilities and stockholders' equity	$ 177,032	$ 169,154

See accompanying notes to consolidated financial statements.

MITEK SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
(Unaudited)
(amounts in thousands except per share data)

	Three Months Ended December 31,	
	2020	2019
Revenue		
Software and hardware	$ 12,303	$ 11,515
Services and other	13,673	10,552
Total revenue	25,976	22,067
Operating costs and expenses		
Cost of revenue—software and hardware	1,245	771
Cost of revenue—services and other	2,893	2,162
Selling and marketing	7,385	6,648
Research and development	6,165	5,292
General and administrative	5,058	5,288
Acquisition-related costs and expenses	1,693	1,608
Total operating costs and expenses	24,439	21,769
Operating income	1,537	298
Other income, net	96	303
Income before income taxes	1,633	601
Income tax benefit (provision)	534	(41)
Net income	$ 2,167	$ 560
Net income per share—basic	$ 0.05	$ 0.01
Net income per share—diluted	$ 0.05	$ 0.01
Shares used in calculating net income per share—basic	42,476	40,615
Shares used in calculating net income per share—diluted	43,897	41,828
Other comprehensive income		
Net income	$ 2,167	$ 560
Foreign currency translation adjustment	2,760	1,253
Unrealized gain (loss) on investments	(53)	2
Other comprehensive income	$ 4,874	$ 1,815

See accompanying notes to consolidated financial statements.

MITEK SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(amounts in thousands)

	Three Months Ended December 31, 2020					
	Common Stock Outstanding Shares	**Common Stock**	**Additional Paid-In Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total Stockholders' Equity**
Balance, September 30, 2020	41,780	$ 42	$ 146,518	$ (13,994)	$ (323)	$ 132,243
Exercise of stock options	241	—	1,889	—	—	1,889
Settlement of restricted stock units	647	1	(1)	—	—	—
Stock-based compensation expense	—	—	2,747	—	—	2,747
Components of other comprehensive income:						
Net income	—	—	—	2,167	—	2,167
Currency translation adjustment	—	—	—	—	2,760	2,760
Change in unrealized gain (loss) on investments	—	—	—	—	(53)	(53)
Total other comprehensive income						4,874
Balance, December 31, 2020	42,668	$ 43	$ 151,153	$ (11,827)	$ 2,384	$ 141,753

	Three Months Ended December 31, 2019					
	Common Stock Outstanding Shares	**Common Stock**	**Additional Paid-In Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total Stockholders' Equity**
Balance, September 30, 2019	40,367	$ 40	$ 132,160	$ (20,806)	$ (4,061)	$ 107,333
Exercise of stock options	24	—	73	—	—	73
Settlement of restricted stock units	474	1	(1)	—	—	—
Stock-based compensation expense	—	—	2,303	—	—	2,303
Components of other comprehensive income:						
Net income	—	—	—	560	—	560
Currency translation adjustment	—	—	—	—	1,253	1,253
Change in unrealized gain (loss) on investments	—	—	—	—	2	2
Total other comprehensive income						1,815
Balance, December 31, 2019	40,865	$ 41	$ 134,535	$ (20,246)	$ (2,806)	$ 111,524

See accompanying notes to consolidated financial statements.

MITEK SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(amounts in thousands)

	Three Months Ended December 31,	
	2020	2019
Operating activities:		
Net income	$ 2,167	$ 560
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	2,747	2,303
Amortization of intangible assets	1,693	1,608
Depreciation and amortization	390	406
Amortization of investment premiums and other	72	(38)
Deferred taxes	(669)	66
Changes in assets and liabilities:		
Accounts receivable	3,084	2,179
Contract assets	1,529	(1,759)
Other assets	(342)	(226)
Accounts payable	(501)	677
Accrued payroll and related taxes	(2,514)	(1,895)
Deferred revenue	1,273	2,427
Restructuring accrual	—	(923)
Other liabilities	(199)	(195)
Net cash provided by operating activities	8,730	5,190
Investing activities:		
Purchases of investments	(12,111)	(10,132)
Sales and maturities of investments	8,141	3,150
Purchases of property and equipment	(400)	(205)
Net cash used in investing activities	(4,370)	(7,187)
Financing activities:		
Proceeds from the issuance of equity plan common stock	1,889	73
Principal payments on other borrowings	(18)	(78)
Net cash provided by (used in) financing activities	1,871	(5)
Foreign currency effect on cash and cash equivalents	506	47
Net increase (decrease) in cash and cash equivalents	6,737	(1,955)
Cash and cash equivalents at beginning of period	19,986	16,748
Cash and cash equivalents at end of period	$ 26,723	$ 14,793
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 149	$ —
Supplemental disclosures of non-cash investing and financing activities:		
Unrealized holding gain (loss) on available for sale investments	$ (53)	$ 2

See accompanying notes to consolidated financial statements.

MITEK SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mitek Systems, Inc. ("Mitek" or the "Company") is a leading innovator of mobile image capture and digital identity verification solutions. Mitek is a software development company with expertise in computer vision, artificial intelligence, and machine learning. The Company is currently serving more than 7,500 financial services organizations and leading marketplace and financial technology ("fintech") brands across the globe. The Company's solutions are embedded in native mobile apps and browsers to facilitate better online user experiences, fraud detection and reduction, and compliant transactions.

Mitek's Mobile Deposit® solution is used today by millions of consumers in the United States ("U.S.") and Canada for mobile check deposit. Mobile Deposit® enables individuals and businesses to remotely deposit checks using their camera-equipped smartphone or tablet. Mitek's Mobile Deposit® solution is embedded within the financial institutions' digital banking apps used by consumers and has now processed over four billion check deposits. Mitek began selling Mobile Deposit® in early 2008 and received its first patent for this product in August 2010. As of December 31, 2020, the Company has been granted 69 patents and it has an additional 17 patent applications pending.

Mitek's Mobile Verify® verifies a user's identity online enabling organizations to build safer digital communities. Scanning an identity document helps enable an enterprise to verify the identity of the person with whom they are conducting business, to comply with growing governmental Anti-Money Laundering and Know Your Customer regulatory requirements, and to improve the overall customer experience for digital onboarding. To be sure the person submitting the identity document is who they say they are, Mitek's Mobile Verify Face Comparison provides an additional layer of online verification and compares the face on the submitted identity document with the live selfie photo of the user.

The combination of identity document capture and data extraction process enables the organization to prefill the end user's application, with far fewer key strokes, thus reducing keying errors, and improving both operational efficiency and the customer experience. Today, the financial services verticals (banks, credit unions, lenders, payments processors, card issuers, fintech companies, etc.) represent the greatest percentage of use of our solutions, but there is accelerated adoption by marketplaces, sharing economy, and hospitality sectors. Mitek uses artificial intelligence and machine learning to constantly improve the product performance of Mobile Verify® such as speed and accuracy of approvals of identification documents. The core of Mitek's user experience is driven by Mitek MiSnap™, the leading image capture technology, which is incorporated across the Company's product lines. It provides a simple, intuitive, and superior user-experience, making digital transactions faster, more accurate, and easier for the consumer. Mobile Fill® automates application prefill of any form with user data by simply snapping a picture of the driver's license or other similar user identity document.

CheckReader™ enables financial institutions to automatically extract data from a check image received across any deposit channel—branch, ATM, remote deposit capture, and mobile. Through the automatic recognition of all fields on checks, whether handwritten or machine print, CheckReader™ speeds the time to deposit for financial institutions and enables them to comply with check clearing regulations.

The Company markets and sells its products and services worldwide through internal, direct sales teams located in the U.S., Europe, and Latin America as well as through channel partners. The Company's partner sales strategy includes channel partners who are financial services technology providers and identity verification providers. These partners integrate the Company's products into their solutions to meet the needs of their customers.

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company as of December 31, 2020 have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and, accordingly, they do not include all information and footnote disclosures required by accounting principles generally accepted in the U.S. ("GAAP"). The Company believes the footnotes and other disclosures made in the financial statements are adequate for a fair presentation of the results of the interim periods presented. The financial statements include all adjustments (solely of a normal recurring nature) which are, in the opinion of management, necessary to make the information presented not misleading. Certain reclassifications were made to previously reported amounts in the consolidated statements of cash flows to make them consistent with the current period presentation. You should read these financial statements and the accompanying notes in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2020, filed with the U.S. Securities and Exchange Commission on December 7, 2020, as amended by Amendment No. 1 to the Annual Report on Form 10-K/A (the "Form 10-K"), filed with the SEC on December 11, 2020.

Results for the three months ended December 31, 2020 are not necessarily indicative of results for any other interim period or for a full fiscal year.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Foreign Currency

The Company has foreign subsidiaries that operate and sell products and services in various countries and jurisdictions around the world. As a result, the Company is exposed to foreign currency exchange risks. For those subsidiaries whose functional currency is not the U.S. dollar, assets and liabilities are translated into U.S. dollars at the exchange rate in effect on the balance sheet date and revenues and expenses are translated into U.S. dollars using the average exchange rate over the period. Resulting currency translation adjustments are recorded in accumulated other comprehensive income (loss) in the consolidated balance sheets. The Company recorded a net gain resulting from foreign exchange translation of $2.8 million for the three months ended December 31, 2020 and a net gain resulting from foreign exchange translation of $1.3 million for the three months ended December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, deferred taxes, and related disclosure of contingent assets and liabilities. On an ongoing basis, management reviews its estimates based upon currently available information. Actual results could differ materially from those estimates. These estimates include, but are not limited to, assessing the collectability of accounts receivable, estimation of the value of stock-based compensation awards, fair value of assets and liabilities acquired, impairment of goodwill, useful lives of intangible assets, standalone selling price related to revenue recognition, contingent consideration, and income taxes.

Reclassifications

Certain reclassifications have been made to prior year presentation to conform to the current year presentation. Prior to fiscal 2020, the Company had included its product management costs in selling and marketing expenses. Due to certain personnel and functional responsibility changes in this function, the Company has reclassified these costs to research and development expenses. To conform to the current period's presentation, prior year's financials have been reclassified accordingly. The Company has determined that this reclassification was not material to previously reported financial statements. Product management costs were $0.7 million for three months ended December 31, 2019.

Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, and its related amendments (collectively known as "ASC 606"). ASC 606 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. The core principle, involving a five-step process, of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company generates revenue primarily from the delivery of licenses (to both on premise and transactional software as a service ("SaaS") products) and related services, as well as the delivery of hardware and professional services. Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer which may be at a point in time or over time. See Note 2 of the consolidated financial statements for additional details.

Contract Assets and Liabilities

The Company recognizes revenue when control of the license is transferred to the customer. The Company records a contract asset when the revenue is recognized prior to the date payments become due. Contract assets that are expected to be paid within one year are recorded in current assets on the consolidated balance sheets. All other contract assets are recorded in other non-current assets in the consolidated balance sheet. Contract liabilities consist of deferred revenue. When the performance obligation is expected to be fulfilled within one year, the deferred revenue is recorded in current liabilities in the consolidated balance sheet. When the performance obligation is expected to be fulfilled beyond one year, the deferred revenue is recorded in non-current liabilities in the consolidated balance sheet. The Company reports net contract asset or liability positions on a contract-by-contract basis at the end of each reporting period.

Contract Costs

The Company incurs incremental costs to obtain a contract, consisting primarily of sales commissions incurred only if a contract is obtained. When the commission rate for a customer renewal is not commensurate with the commission rate for a new contract, the commission is capitalized if expected to be recovered. Such costs are capitalized and amortized using a portfolio approach consistent with the pattern of transfer of the good or service to which the asset relates. Contract costs are recorded in other current and non-current assets in the consolidated balance sheets.

Net Income Per Share

The Company calculates net income per share in accordance with FASB ASC Topic 260, *Earnings per Share*. Basic net income per share is based on the weighted-average number of common shares outstanding during the period. Diluted net income per share also gives effect to all potentially dilutive securities outstanding during the period, such as restricted stock units ("RSUs"), stock options, and Employee Stock Purchase Plan ("ESPP") shares, if dilutive. In a period with a net loss position, potentially dilutive securities are not included in the computation of diluted net loss per share because to do so would be antidilutive, and the number of shares used to calculate basic and diluted net loss per share is the same.

For the three months ended December 31, 2020 and 2019, the following potentially dilutive common shares were excluded from the calculation of net income per share, as they would have been antidilutive (*amounts in thousands*):

	Three Months Ended December 31,	
	2020	**2019**
Stock options	721	325
RSUs	1,253	1,482
ESPP common stock equivalents	66	70
Performance options	179	—
Performance RSUs	74	—
Total potentially dilutive common shares outstanding	2,293	1,877

The calculation of basic and diluted net income per share is as follows (*amounts in thousands, except per share data)*:

	Three Months Ended December 31,	
	2020	**2019**
Net income	$ 2,167	$ 560
Weighted-average shares outstanding—basic	42,476	40,615
Common stock equivalents	1,421	1,213
Weighted-average shares outstanding—diluted	43,897	41,828
Net income per share:		
Basic	$ 0.05	$ 0.01
Diluted	$ 0.05	$ 0.01

Investments

Investments consist of corporate notes and bonds, commercial paper, U.S. Treasury securities, and asset-backed securities. The Company classifies investments as available-for-sale at the time of purchase and reevaluates such classification as of each balance sheet date. All investments are recorded at estimated fair value. Unrealized gains and losses for available-for-sale securities are included in accumulated other comprehensive income (loss), a component of stockholders' equity. The Company evaluates its investments to assess whether those with unrealized loss positions are other-than-temporarily impaired. Impairments are considered to be other-than-temporary if they are related to deterioration in credit risk or if it is likely that the Company will sell the securities before the recovery of its cost basis. Realized gains and losses and declines in value judged to be other-than-temporary are determined based on the specific identification method and are reported in other income, net in the consolidated statements of operations and other comprehensive income. No other-than-temporary impairment charges were recognized in the three months ended December 31, 2020 and 2019.

All investments whose maturity or sale is expected within one year are classified as "current" on the consolidated balance sheets. All other securities are classified as "long-term" on the consolidated balance sheets.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the net invoice value and are not interest bearing. The Company considers receivables past due based on the contractual payment terms. Allowances for doubtful accounts are established based on various factors, including credit profiles of the Company's customers, contractual terms and conditions, historical payments, and current economic trends. The Company reviews its allowances by assessing individual accounts receivable over a specific aging and amount. Accounts receivable are written off on a case-by-case basis, net of any amounts that may be collected. The Company had $1,000 of write-offs to the allowance for doubtful accounts for the three months ended December 31, 2020 and no write-offs in the three months ended December 31, 2019. The Company maintained an allowance for doubtful accounts of $0.2 million as of both December 31, 2020 and September 30, 2020.

Capitalized Software Development Costs

Costs incurred for the development of software that will be sold, leased, or otherwise marketed are capitalized when technological feasibility has been established. Software development costs consist primarily of compensation of development personnel and related overhead incurred to develop new products and upgrade and enhance the Company's current products, as well as fees paid to outside consultants. Capitalization of software development costs ceases, and amortization of capitalized software development costs commences when the products are available for general release. For the three months ended December 31, 2020 and 2019, no software development costs were capitalized because the time period and costs incurred between technological feasibility and general release for all software product releases were not material or were not realizable. We had no amortization expense from capitalized software costs during the three months ended December 31, 2020 and 2019.

Costs related to software acquired, developed, or modified solely to meet our internal requirements, with no substantive plans to market such software at the time of development, are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during the post-implementation operational stage are expensed as incurred. Costs incurred during the application development stage of the project are capitalized. The Company defines the design, configuration, and coding process as the application development stage. The Company capitalized $0.2 million and $23,000 of costs related to computer software developed for internal use during the three months ended December 31, 2020 and 2019, respectively. The Company had $0.1 million in amortization expense from internal use software during each of the three months ended December 31, 2020 and 2019.

Goodwill and Purchased Intangible Assets

The Company's goodwill and intangible assets resulted from prior acquisitions. Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually or as circumstances indicate that their value may no longer be recoverable. In accordance with ASC Topic 350, *Intangibles—Goodwill and Other* ("ASC 350"), the Company reviews its goodwill and indefinite-lived intangible assets for impairment at least annually in its fiscal fourth quarter and more frequently if events or changes in circumstances occur that indicate a potential reduction in the fair value of its reporting unit and/or its indefinite-lived intangible asset below their respective carrying values. Examples of such events or circumstances include: a significant adverse change in legal factors or in the business climate, a significant decline in the Company's stock price, a significant decline in the Company's projected revenue or cash flows, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, or the presence of other indicators that would indicate a reduction in the fair value of a reporting unit. No such events or circumstances have occurred since the last impairment assessment was performed.

The Company's goodwill is considered to be impaired if management determines that the carrying value of the reporting unit to which the goodwill has been assigned exceeds management's estimate of its fair value. Based on the guidance provided by ASC 350 and ASC Topic 280, *Segment Reporting*, management has determined that the Company operates in one segment and consists of one reporting unit given the similarities in economic characteristics between its operations and the common nature of its products, services and customers. Because the Company has only one reporting unit, and because the Company is publicly traded, the Company determines the fair value of the reporting unit based on its market capitalization as it believes this represents the best evidence of fair value. In the fourth quarter of fiscal 2020, management completed its annual goodwill impairment test and concluded that the Company's goodwill was not impaired. The Company's conclusion that goodwill was not impaired was based on a comparison of its net assets to its market capitalization.

Because the Company determines the fair value of its reporting unit based on its market capitalization, the Company's future reviews of goodwill for impairment may be impacted by changes in the price of the Company's common stock, par value $0.001 per share ("Common Stock"). For example, a significant decline in the price of the Common Stock may cause the fair value of its goodwill to fall below its carrying value. Therefore, the Company cannot assure that when it completes its future reviews of goodwill for impairment a material impairment charge will not be recorded.

Intangible assets are amortized over their useful lives. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. The carrying amounts of these assets are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by comparing the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate. The carrying amount of such assets is reduced to fair value if the undiscounted cash flows used in the test for recoverability are less than the carrying amount of such assets. No impairment charge related to the impairment of intangible assets was recorded during the three months ended December 31, 2020 and 2019.

Other Borrowings

The Company has certain loan agreements with Spanish government agencies which were assumed when the Company acquired ICAR Vision Systems, S.L. ("ICAR"). These agreements have repayment periods of five to twelve years and bear no interest. As of December 31, 2020 and September 30, 2020, $0.7 million was outstanding under these agreements and $0.1 million and $0.6 million is recorded in other current liabilities and other non-current liabilities, respectively, in the consolidated balance sheets.

Guarantees

In the ordinary course of business, the Company is not subject to potential obligations under guarantees that fall within the scope of FASB ASC Topic 460, *Guarantees* ("ASC 460"), except for standard indemnification and warranty provisions that are contained within many of the Company's customer license and service agreements and certain supplier agreements, and give rise only to the disclosure requirements prescribed by ASC 460. Indemnification and warranty provisions contained within the Company's customer license and service agreements and certain supplier agreements are generally consistent with those prevalent in the Company's industry. The Company has not historically incurred significant obligations under customer indemnification or warranty provisions and does not expect to incur significant obligations in the future. Accordingly, the Company does not maintain accruals for potential customer indemnification or warranty-related obligations.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

Management evaluates the available evidence about future taxable income and other possible sources of realization of deferred tax assets. The valuation allowance reduces deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized. See Note 6 of the consolidated financial statements for additional details.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to income tax matters in income tax expense. See Note 6 of the consolidated financial statements for additional details.

Stock-Based Compensation

The Company issues RSUs, stock options, performance options, and performance RSUs as awards to its employees. Additionally, eligible employees may participate in the Company's ESPP. Employee stock awards are measured at fair value on the date of grant and expense is recognized using the straight-line single-option method in accordance with FASB ASC Topic 718, *Compensation—Stock Compensation*. Forfeitures are recorded as they occur.

The Company assigns fair value to RSUs based on the closing stock price of its Common Stock on the date of grant.

The Company estimates the fair value of stock options and ESPP shares using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the expected life of the grant effective as of the date of the grant. The expected volatility is based on the historical volatility of the Company's stock price. These factors could change in the future, affecting the determination of stock-based compensation expense in future periods.

The Company estimates the fair value of performance options, Senior Executive Performance RSUs, and similar awards using the Monte-Carlo simulation. The Monte-Carlo simulation requires subjective assumptions, including the Company's valuation date stock price, the annual risk-free interest rate, expected volatility, the probability of reaching the stock performance targets, and a 20-trading-day average stock price.

Comprehensive Income

Comprehensive income consists of net income, unrealized gains and losses on available-for-sale securities, and foreign currency translation adjustments. Included on the consolidated balance sheets is accumulated other comprehensive income (loss) of $2.4 million and $(0.3) million at December 31, 2020 and September 30, 2020, respectively.

Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (ASC 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"), which requires hosting arrangements that are service contracts to follow the guidance for internal-use software to determine which implementation costs can be capitalized. The Company adopted ASU 2018-15 in the first quarter of fiscal 2021, and the adoption did not have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), to eliminate, add, and modify certain disclosure requirements for fair value measurements. Entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The Company adopted ASU 2018-13 in the first quarter of fiscal 2021, and the adoption did not have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company adopted ASU 2017-04 in the first quarter of fiscal 2021, and the adoption did not have a material impact on its consolidated financial statements.

Change in Significant Accounting Policy

The Company has consistently applied the accounting policies to all periods presented in its consolidated financial statements.

Recently Issued Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. The Company is currently in the process of evaluating the potential impact of adoption of this updated authoritative guidance on the consolidated financial statements.

No other new accounting pronouncement issued or effective during the three months ended December 31, 2020 had, or is expected to have, a material impact on the Company's consolidated financial statements.

2. REVENUE RECOGNITION

Nature of Goods and Services

The following is a description of principal activities from which the Company generates its revenue. Contracts with customers are evaluated on a contract-by-contract basis as contracts may include multiple types of goods and services as described below.

Software and Hardware

Software and hardware revenue is generated from on premise software license sales, as well as sales of hardware scanner boxes and on premise appliance products. For software license agreements that are distinct, the Company recognizes software license revenue upon delivery and after evidence of a contract exists. Hardware revenue is recognized in the period that the hardware is shipped.

Services and Other

Services and other revenue is generated from the sale of transactional SaaS products and services, maintenance associated with the sale of software and hardware, and consulting and professional services. The Company recognizes services and other revenue over the period in which such services are performed. The Company's model typically includes an up-front fee and a periodic commitment from the customer that commences upon completion of the implementation through the remainder of the customer life. The up-front fee is the initial setup fee, or the implementation fee. The periodic commitment includes, but is not limited to, a fixed periodic fee and/or a transactional fee based on system usage that exceeds committed minimums. If the up-front fee is not distinct, revenue is deferred until the date the customer commences use of the Company's services, at which point the up-front fee is recognized ratably over the life of the customer arrangement. The Company does not view the signing of the contract or the provision of initial setup services as discrete earnings events that are distinct.

Significant Judgments in Application of the Guidance

The Company uses the following methods, inputs, and assumptions in determining amounts of revenue to recognize:

Identification of Performance Obligations

For contracts that contain multiple performance obligations, which include combinations of software licenses, maintenance, and services, the Company accounts for individual goods or services as a separate performance obligation if they are distinct. The good or service is distinct if the good or service is separately identifiable from other items in the arrangement and if a customer can benefit from it on its own or with other resources that are readily available to the customer. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation.

Determination of Transaction Price

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring products or services to the customer. The Company includes any fixed charges within its contracts as part of the total transaction price. To the extent that variable consideration is not constrained, the Company includes an estimate of the variable amount, as appropriate, within the total transaction price and updates its assumptions over the duration of the contract. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between customer payment and the transfer of goods or services is expected to be one year or less.

Assessment of Estimates of Variable Consideration

Many of the Company's contracts with customers contain some component of variable consideration; however, the constraint will generally not result in a reduction in the estimated transaction price for most forms of variable consideration. The Company may constrain the estimated transaction price in the event of a high degree of uncertainty as to the final consideration amount owed because of an extended length of time over which the fees may be adjusted.

Allocation of Transaction Price

The transaction price, including any discounts, is allocated between separate goods and services in a contract that contains multiple performance obligations based on their relative standalone selling prices. The standalone selling prices are determined based on the prices at which the Company separately sells each good or service. For items that are not sold separately, the Company estimates the standalone selling prices using available information such as market conditions and internally approved pricing guidelines. In instances where there are observable selling prices for professional services and support and maintenance, the Company may apply the residual approach to estimate the standalone selling price of software licenses. In certain situations, primarily transactional SaaS revenue described above, the Company allocates variable consideration to a series of distinct goods or services within a contract. The Company allocates variable payments to one or more, but not all, of the distinct goods or services or to a series of distinct goods or services in a contract when (i) the variable payment relates specifically to the Company's efforts to transfer the distinct good or service and (ii) the variable payment is for an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to its customer.

Disaggregation of Revenue

The following table presents the Company's revenue disaggregated by major product category (*amounts in thousands*):

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Major product category		
Deposits software and hardware	$ 10,755	$ 10,283
Deposits services and other	4,861	4,368
Deposits revenue	15,616	14,651
Identity verification software and hardware	1,548	1,232
Identity verification services and other	8,812	6,184
Identity verification revenue	10,360	7,416
Total revenue	$ 25,976	$ 22,067

Software and hardware revenue is generated from on premise software license sales, as well as sales of hardware scanner boxes and on premise appliance products. Services and other revenue is generated from the sale of transactional SaaS products and services, maintenance associated with the sale of software and hardware, and consulting and professional services.

Contract Balances

The following table provides information about contract assets and contract liabilities from contracts with customers (*amounts in thousands*):

	December 31, 2020	September 30, 2020
Contract assets, current	$ 4,465	$ 5,187
Contract assets, non-current	3,671	4,468
Contract liabilities (deferred revenue), current	9,742	7,973
Contract liabilities (deferred revenue), non-current	1,154	1,597

Contract assets, reported within current assets and other long-term assets in the consolidated balance sheets, primarily result from revenue being recognized when a license is delivered and payments are made over time. Contract liabilities primarily relate to advance consideration received from customers (deferred revenue), for which transfer of control occurs, and therefore revenue is recognized as services are provided. Contract balances are reported in a net contract asset or liability position on a contract-by-contract basis at the end of each reporting period. The Company recognized $4.9 million and $3.6 million of revenue during the three months ended December 31, 2020 and 2019, respectively, which was included in the contract liability balance at the beginning of each such period.

Contract Costs

Contract costs included in other current and non-current assets on the consolidated balance sheets totaled $1.9 million and $1.5 million as of December 31, 2020 and September 30, 2020, respectively. Contract costs are amortized based on the transfer of goods or services to which the asset relates. The amortization period also considers expected customer lives and whether the asset relates to goods or services transferred under a specific anticipated contract. These costs are included in selling and marketing expenses in the consolidated statement of operations and other comprehensive income and totaled $0.2 million during both the three months ended December 31, 2020 and 2019, respectively. There were no impairment losses recognized during both the three months ended December 31, 2020 and 2019 related to capitalized contract costs.

3. INVESTMENTS

The following tables summarize investments by type of security as of December 31, 2020 and September 30, 2020, respectively *(amounts shown in thousands):*

December 31, 2020:	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
Available-for-sale securities:				
U.S. Treasury, short-term	$ 9,557	$ 14	$ —	$ 9,571
Asset-backed securities, short-term	3,914	21	—	3,935
Corporate debt securities, short-term	26,713	20	(1)	26,732
U.S. Treasury, long-term	2,745	—	—	2,745
Asset-backed securities, long-term	962	—	—	962
Corporate debt securities, long-term	1,890	—	—	1,890
Total	$ 45,781	$ 55	$ (1)	$ 45,835

September 30, 2020:	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
Available-for-sale securities:				
U.S. Treasury, short-term	$ 10,245	$ 38	$ —	$ 10,283
Asset-backed securities, short-term	4,723	36	—	4,759
Corporate debt securities, short-term	24,956	37	—	24,993
Corporate debt securities, long-term	1,966	—	(3)	1,963
Total	$ 41,890	$ 111	$ (3)	$ 41,998

The cost of securities sold is based on the specific identification method. Amortization of premiums, accretion of discounts, interest, dividend income and realized gains and losses are included in other income, net in the consolidated statements of operations and other comprehensive income.

The Company determines the appropriate designation of investments at the time of purchase and reevaluates such designation as of each balance sheet date. All of the Company's investments are designated as available-for-sale debt securities. As of December 31, 2020 and September 30, 2020, the Company's short-term investments have maturity dates of less than one year from the balance sheet date and the Company's long-term investments have maturity dates of greater than one year from the balance sheet date.

Available-for-sale marketable securities are carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of taxes, and reported as a separate component of stockholders' equity. Management reviews the fair value of the portfolio at least monthly and evaluates individual securities with fair value below amortized cost at the balance sheet date. For debt securities, in order to determine whether impairment is other-than-temporary, management must conclude whether the Company intends to sell the impaired security and whether it is more likely than not that the Company will be required to sell the security before recovering its amortized cost basis. If management intends to sell an impaired debt security or it is more likely than not that the Company will be required to sell the security prior to recovering its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. The amount of an other-than-temporary impairment on debt securities related to a credit loss, or securities that management intends to sell before recovery, is recognized in earnings. The amount of an other-than-temporary impairment on debt securities related to other factors is recorded consistent with changes in the fair value of all other available-for-sale securities as a component of stockholders' equity in other comprehensive income. No other-than-temporary impairment charges were recognized in the three months ended December 31, 2020 and 2019. There were no realized gains or losses from the sale of available-for-sale securities during the three months ended December 31, 2020 and 2019.

Fair Value Measurements and Disclosures

FASB ASC Topic 820, *Fair Value Measurements* ("ASC 820") defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on the following three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last, unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables represent the fair value hierarchy of the Company's investments and acquisition-related contingent consideration as of December 31, 2020 and September 30, 2020, respectively *(amounts shown in thousands)*:

December 31, 2020:	**Balance**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Short-term investments:				
U.S. Treasury	$ 9,571	$ 9,571	$ —	$ —
Asset-backed securities	3,935	—	3,935	—
Corporate debt securities				
Financial	6,387		6,387	—
Industrial	1,913		1,913	—
Commercial paper				
Financial	12,488		12,488	—
Industrial	5,944		5,944	—
Total short-term investments at fair value	40,238	9,571	30,667	—
Long-term investments:				
U.S. Treasury	2,745	2,745	—	—
Asset-backed securities	962	—	962	—
Corporate debt securities				
Financial	—		—	
Industrial	1,890		1,890	
Total assets at fair value	$ 45,835	$ 12,316	$ 33,519	$ —
Liabilities:				
Acquisition-related contingent consideration	790	—	—	790
Total liabilities at fair value	$ 790	$ —	$ —	$ 790

September 30, 2020:	Balance		Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
Assets:								
Short-term investments:								
U.S. Treasury	$	10,283	$	10,283	$	—	$	—
Asset-backed securities, short-term	$	4,759		—		4,759		—
Corporate debt securities								
Financial		7,695		—		7,695		—
Industrial		1,924		—		1,924		—
Commercial paper								
Financial		13,479		—		13,479		—
Industrial		1,895		—		1,895		—
Total short-term investments at fair value		40,035		10,283		29,752		—
Long-term investments:								
U.S. Treasury		—		—		—		—
Corporate debt securities								
Financial		977		—		977		—
Industrial		986		—		986		—
Total assets at fair value	$	41,998	$	10,283	$	31,715	$	—
Liabilities:								
Acquisition-related contingent consideration		753		—		—		753
Total liabilities at fair value	$	753	$	—	$	—	$	753

As of December 31, 2020, total acquisition-related contingent consideration of $0.8 million is recorded as acquisition-related contingent consideration in the consolidated balance sheets. The following table includes a summary of the contingent consideration measured at fair value using significant unobservable inputs (Level 3) during the three months ended December 31, 2020 *(amounts shown in thousands)*:

Balance at September 30, 2020	$	753
Foreign currency effect on contingent consideration		37
Balance at December 31, 2020	$	790

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company had a goodwill balance of $37.3 million at December 31, 2020, representing the excess of costs over fair value of assets of businesses acquired. Goodwill acquired in a business combination and determined to have an indefinite useful life is not amortized, but instead is tested for impairment at least annually in accordance with ASC 350. The following table summarizes changes in the balance of goodwill during the three months ended December 31, 2020 *(amounts shown in thousands)*:

Balance at September 30, 2020	$	35,669
Foreign currency effect on goodwill		1,654
Balance at December 31, 2020	$	37,323

Intangible Assets

Intangible assets include the value assigned to purchased completed technology, customer relationships, and trade names. The estimated useful lives for all of these intangible assets range from two to seven years. Intangible assets as of December 31, 2020 and September 30, 2020, respectively, are summarized as follows *(amounts shown in thousands, except for years):*

December 31, 2020:	**Weighted Average Amortization Period**		**Cost**		**Accumulated Amortization**		**Net**
Completed technologies	6.4 years	$	20,341	$	9,736	$	10,605
Customer relationships	4.8 years		17,628		9,928		7,700
Trade names	4.5 years		618		500		118
Total intangible assets		$	38,587	$	20,164	$	18,423

September 30, 2020:	**Weighted Average Amortization Period**		**Cost**		**Accumulated Amortization**		**Net**
Completed technologies	6.4 years	$	20,341	$	9,416	$	10,925
Customer relationships	4.8 years		17,628		9,390		8,238
Trade names	4.5 years		618		492		126
Total intangible assets		$	38,587	$	19,298	$	19,289

Amortization expense related to acquired intangible assets was $1.7 million and $1.6 million for the three months ended December 31, 2020 and 2019, respectively, and is recorded within acquisition-related costs and expenses on the consolidated statements of operations and other comprehensive income.

The estimated future amortization expense related to intangible assets for each of the five succeeding fiscal years is expected to be as follows *(amounts shown in thousands):*

		Estimated Future Amortization Expense
2021—remaining	$	4,935
2022		6,209
2023		4,075
2024		1,947
2025		1,257
Total	$	18,423

5. STOCKHOLDERS’ EQUITY

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense related to RSUs, stock options, and ESPP shares, which was allocated as follows *(amounts shown in thousands)*:

	Three Months Ended December 31,			
		2020		**2019**
Cost of revenue	$	87	$	61
Selling and marketing		788		572
Research and development		740		674
General and administrative		1,132		996
Stock-based compensation expense included in expenses	$	2,747	$	2,303

As of December 31, 2020, the Company had $25.0 million of unrecognized compensation expense related to outstanding stock options and RSUs expected to be recognized over a weighted-average period of approximately 2.7 years.

2020 Incentive Plan

In January 2020, the Company’s board of directors (the “Board”) adopted the Mitek Systems, Inc. 2020 Incentive Plan (the “2020 Plan”) upon the recommendation of the compensation committee of the Board. On March 4, 2020, the Company’s stockholders approved the 2020 Plan. The total number of shares of Common Stock reserved for issuance under the 2020 Plan is 4,500,000 shares plus such number of shares, not to exceed 107,903, as remained available for issuance under the 2002 Stock Option Plan, 2006 Stock Option Plan, 2010 Stock Option Plan, and 2012 Incentive Plan (collectively, the “Prior Plans”) as of January 17, 2020, plus any shares underlying awards under the Prior Plans that are terminated, forfeited, cancelled, expire unexercised or are settled in cash after January 17, 2020. As of December 31, 2020, (i) 975,746 RSUs and 638,321 Performance RSUs were outstanding under the 2020 Plan, and 2,719,465 shares of Common Stock were reserved for future grants under the 2020 Plan and (ii) stock options to purchase an aggregate of 611,226 shares of Common Stock and 1,264,921 RSUs were outstanding under the Prior Plans.

Employee Stock Purchase Plan

In January 2018, the Board adopted the ESPP. On March 7, 2018, the Company’s stockholders approved the ESPP. The total number of shares of Common Stock reserved for issuance thereunder is 1,000,000 shares. As of December 31, 2020, (i) 350,674 shares have been issued to participants pursuant to the ESPP and (ii) 649,326 shares of Common Stock were reserved for future purchases under the ESPP. The Company commenced the initial offering period on April 2, 2018.

The ESPP enables eligible employees to purchase shares of Common Stock at a discount from the market price through payroll deductions, subject to limitations. Eligible employees may elect to participate in the ESPP only during an open enrollment period. The offering period immediately follows the open enrollment window, at which time ESPP contributions are withheld from the participant's regular paycheck. The ESPP provides for a 15% discount on the market value of the stock at the lower of the grant date price (first day of the offering period) and the purchase date price (last day of the offering period). The Company recognized $0.1 million in stock-based compensation expense related to the ESPP in each of the three months ended December 31, 2020 and 2019.

Director Restricted Stock Unit Plan

In January 2011, the Board adopted the Mitek Systems, Inc. Director Restricted Stock Unit Plan, as amended and restated (the “Director Plan”). On March 10, 2017, the Company’s stockholders approved an amendment to the Director Plan. The total number of shares of Common Stock reserved for issuance thereunder is 1,500,000 shares. As of December 31, 2020, (i) 327,946 RSUs were outstanding under the Director Plan and (ii) 267,533 shares of Common Stock were reserved for future grants under the Director Plan.

Stock Options

The following table summarizes stock option activity under the Company’s equity plans during the three months ended December 31, 2020:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (*in thousands*)
Outstanding at September 30, 2020	1,162,505	$ 7.51	6.1	$ 6,081
Granted	—	$ —		
Exercised	(241,490)	$ 7.82		
Canceled	—	$ —		
Outstanding at December 31, 2020	921,015	$ 7.43	6.2	$ 9,536
Vested and Expected to Vest at December 31, 2020	921,015	$ 7.43	6.2	$ 9,536
Exercisable at December 31, 2020	585,487	$ 6.25	5.1	$ 6,750

The Company recognized $0.2 million in stock-based compensation expense related to outstanding stock options in each of the three months ended December 31, 2020 and 2019. As of December 31, 2020, the Company had $1.4 million of unrecognized compensation expense related to outstanding stock options expected to be recognized over a weighted-average period of approximately 2.3 years.

Aggregate intrinsic value represents the value of the Company’s closing stock price on the last trading day of the fiscal period in excess of the weighted-average exercise price, multiplied by the number of options outstanding and exercisable. The total intrinsic value of options exercised during the three months ended December 31, 2020 and 2019 was $1.5 million and $0.1 million, respectively.

Restricted Stock Units

The following table summarizes RSU activity under the Company's equity plans during the three months ended December 31, 2020:

	Number of Shares		Weighted-Average Fair Market Value Per Share
Outstanding at September 30, 2020	2,661,943	$	7.95
Granted	647,052	$	11.92
Settled	(647,035)	$	7.32
Canceled	(34,135)	$	8.39
Outstanding at December 31, 2020	2,627,825	$	9.07

The cost of RSUs is determined using the fair value of Common Stock on the award date, and the compensation expense is recognized ratably over the vesting period. The Company recognized $1.9 million and $1.7 million in stock-based compensation expense related to outstanding RSUs in the three months ended December 31, 2020 and 2019, respectively. As of December 31, 2020, the Company had $19.2 million of unrecognized compensation expense related to outstanding RSUs expected to be recognized over a weighted-average period of approximately 2.8 years.

Performance Restricted Stock Units

The following table summarizes Performance RSU activity under the Company's equity plans during the three months ended December 31, 2020:

	Number of Shares		Weighted-Average Fair Market Value Per Share
Outstanding at September 30, 2020	353,556	$	6.06
Granted	284,765	$	11.84
Settled	—	$	—
Canceled	—	$	—
Outstanding at December 31, 2020	638,321	$	8.64

The Company recognized $0.3 million and $0.2 million in stock-based compensation expense related to outstanding Performance RSUs in each of the three months ended December 31, 2020 and 2019, respectively. As of December 31, 2020, the Company had $3.6 million of unrecognized compensation expense related to outstanding RSUs expected to be recognized over a weighted-average period of approximately 2.8 years.

Performance Options

On November 6, 2018, as an inducement grant pursuant to Nasdaq Listing Rule 5635(c)(4), the Company's Chief Executive Officer was granted performance options (the "Performance Options") to purchase up to 800,000 shares of Common Stock at an exercise price of $9.50 per share, the closing market price for a share of Common Stock on the date of the grant. As long as he remains employed by the Company, such Performance Options shall vest upon the closing market price of Common Stock achieving certain predetermined levels and his serving as the Chief Executive Officer of the Company for at least 3.0 years. In the event of a change of control of the Company, all of the unvested Performance Options will vest if the per share price payable to the stockholders of the Company in connection with the Change of Control is an amount reaching those certain predetermined levels required for the Performance Options to otherwise vest. The Company recognized $0.2 million in stock-based compensation expense related to outstanding Performance Options in each of the three months ended December 31, 2020 and 2019, respectively. As of December 31, 2020, the Company had $0.7 million of unrecognized compensation expense related to outstanding Performance Options expected to be recognized over a weighted-average period of approximately 0.8 years.

Share Repurchase Program

On December 13, 2019, the Board authorized and approved a share repurchase program for up to $10 million of the currently outstanding shares of our Common Stock. The share repurchase program expired on December 16, 2020. Total purchases made under the share repurchase program were $1.0 million or approximately 137,000 shares at an average price of $7.33. The purchases under the share repurchase program were made through open market trades.

Rights Agreement

On October 23, 2018, the Company entered into the Section 382 Rights Agreement (the “Rights Agreement”) and issued a dividend of one preferred share purchase right (a “Right”) for each share of Common Stock payable on November 2, 2018 to the stockholders of record of such shares on that date. Each Right entitles the registered holder, under certain circumstances, to purchase from the Company one one-thousandth of a share of Series B Junior Preferred Stock, par value $0.001 per share (the “Preferred Shares”), of the Company, at a price of $35.00 per one one-thousandth of a Preferred Share represented by a Right, subject to adjustment. The description and terms of the Rights are set forth in the Rights Agreement.

The Rights are not exercisable until the Distribution Date (as defined in the Rights Agreement). Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

At any time prior to the time any person becomes an Acquiring Person (as defined in the Rights Agreement), the Board may redeem the Rights in whole, but not in part, at a price of $0.0001 per Right (the “Redemption Price”). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The Rights will expire on the earlier of (i) the close of business on October 22, 2021, (ii) the time at which the Rights are redeemed, and (iii) the time at which the Rights are exchanged.

On February 28, 2019, the Company entered into an Amendment No. 1 to the Rights Agreement for the purpose of (i) modifying the definitions of “Beneficial Owner,” “Beneficially Own,” and “Beneficial Ownership” under the Rights Agreement to more closely align such definitions to the actual and constructive ownership rules under Section 382 of the Internal Revenue Code of 1986, as amended (“Section 382”) or such similar provisions of the Tax Cuts and Jobs Act of 2017 and the rules and regulations promulgated thereunder, and (ii) adding an exemption request process for persons to seek an exemption from becoming an “Acquiring Person” under the Rights Agreement in the event such person wishes to acquire 4.9% or more of the Common Stock then outstanding.

6. INCOME TAXES

The Company’s tax provision for interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, management updates the estimate of the annual effective tax rate, and any changes in the annual effective tax rate are recorded in a cumulative adjustment in that quarter. The quarterly tax provision and quarterly estimate of the annual effective tax rate are subject to significant volatility due to several factors, including management’s ability to accurately predict the portion of income before income taxes in multiple jurisdictions, the tax effects of our stock-based compensation awards, and the effects of acquisitions and the integration of those acquisitions. The annual effective tax rate differs from the U.S. statutory rate primarily due to foreign and state taxes.

For the three months ended December 31, 2020, the Company recorded an income tax benefit of $0.5 million, which yielded an effective tax rate of negative 33%. For the three months ended December 31, 2019, the Company recorded an income tax provision of $41,000, which yielded an effective tax rate of 7%. The difference between the U.S. federal statutory tax rate and the Company’s effective tax rate for the three months ended December 31, 2020 is primarily due to excess tax benefits resulting from the exercise of stock options and vesting of RSUs, the impact of foreign and state taxes, and the impact of federal and state research and development credits on its tax provision.

7. COMMITMENTS AND CONTINGENCIES

Leases

The Company’s principal executive offices, as well as its research and development facility, are located in approximately 29,000 square feet of office space in San Diego, California and the term of the lease continues through June 30, 2024. The Company’s other offices are located in Paris, France; Amsterdam, The Netherlands; New York, New York; Barcelona, Spain; and London, United Kingdom. Other than the lease for office space in San Diego, California, the Company does not believe that the leases for the offices are material to the Company. The Company believes its existing properties are in good condition and are sufficient and suitable for the conduct of its business.

The Company’s leases have remaining terms of one to seven years. Certain leases contain renewal options for varying periods, which are at the Company’s sole discretion. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company’s right-of-use (“ROU”) assets and lease liabilities. As of December 31, 2020, the weighted-average remaining lease term for the Company’s operating leases was 4.2 years and the weighted-average discount rate was 4.7%.

Lease liabilities expected to be paid within one year are recorded in current liabilities in the consolidated balance sheets. All other lease liabilities are recorded in non-current liabilities in the consolidated balance sheets. As of December 31, 2020, the Company had operating ROU assets of $5.1 million. Total operating lease liabilities of $6.8 million were comprised of current lease liabilities of $1.8 million and non-current lease liabilities of $5.0 million.

The Company recognized $0.5 million of operating lease costs in the three months ended December 31, 2020. Operating lease costs are included within cost of revenue, selling and marketing, research and development, and general and administrative expenses, dependent upon the nature and use of the ROU asset, in the Company's consolidated statement of operations and other comprehensive income.

The Company paid $0.7 million in operating cash flows for operating leases in the three months ended December 31, 2020.

Maturities of our operating lease liabilities as of December 31, 2020 were as follows *(amounts shown in thousands)*:

	Operating leases
2021—remaining	$ 1,571
2022	1,737
2023	1,735
2024	1,399
2025	314
2026	310
Thereafter	395
Total lease payments	7,461
Less: amount representing interest	(692)
Present value of future lease payments	$ 6,769

Legal Proceedings

Claim Against ICAR

On June 11, 2018, a claim was filed before the Juzgado de Primera Instancia number 5 of Barcelona, Spain, the first instance court in the Spanish civil procedure system, against ICAR. The claim, also directed to Mr. Xavier Codó Grasa, former controlling shareholder of ICAR and its current General Manager, was brought by the Spanish company Global Equity & Corporate Consulting, S.L. for the alleged breach by ICAR of a services agreement entered into in the context of the sale of the shares in ICAR to Mitek Holding B.V. ICAR responded to the claim on September 7, 2018 and the court process is ongoing but has been delayed as a consequence of the COVID-19 pandemic.

The amount claimed is €0.8 million (or $0.9 million), plus the interest accrued during the court proceedings.

Pursuant and subject to the terms of the sale and purchase agreement concerning the acquisition of the shares in ICAR, Mitek Holding B.V. is to be indemnified in respect of any damages suffered by ICAR and/or Mitek Holding B.V. in respect of this claim.

Third Party Claims Against Our Customers

The Company receives indemnification demands from end-user customers who received third party patentee offers to license patents and allegations of patent infringement. Some of the offers and allegations have resulted in ongoing litigation. The Company is not a party to any such litigation. License offers to and infringement allegations against the Company's end-customers were made by Lighthouse Consulting Group, LLC; Lupercal, LLC; Pebble Tide, LLC; Dominion Harbor Group, LLC; and IP Edge, LLC, which appear to be non-practicing entities ("NPEs")—often called "patent trolls"—and not the Company's competitors. These NPEs may seek to extract settlements from our end-customers, resulting in new or renewed indemnification demands to the Company. At this time, the Company does not believe it is obligated to indemnify any customers or end-customers resulting from license offers or patent infringement allegations by the companies listed above. However, the Company could incur substantial costs if it is determined that it is required to indemnify any customers or end-customers in connection with these offers or allegations. Given the potential for impact to other customers and the industry, the Company is actively monitoring the offers, allegations and any resulting litigation.

On July 7, 2018, United Services Automobile Association ("USAA") filed a lawsuit against Wells Fargo Bank, N.A. ("Wells Fargo") in the Eastern District of Texas alleging that Wells Fargo's remote deposit capture systems (which in part utilize technology provided by the Company to Wells Fargo through a partner) infringe four USAA owned patents related to mobile deposits (the "First Wells Lawsuit"). On August 17, 2018, USAA filed a second lawsuit (the "Second Wells Lawsuit" and together with the First Wells Lawsuit, the "Wells Lawsuits") against Wells Fargo in the Eastern District of Texas asserting that an additional five patents owned by USAA were infringed by Wells Fargo's remote deposit capture system. In neither lawsuit was the Company named in the Complaint as an infringer and at no time did USAA allege specifically that the Company's products by themselves infringed any of the asserted patents. Subsequently, on November 6, 2019, a jury in the First Wells Lawsuit found that Wells Fargo willfully infringed at least one of the Subject Patents (as defined below) and awarded USAA $200 million in damages. In the Second Wells Lawsuit, USAA dropped two of the patents from the litigation, and the judge in the case found that one of the remaining three patents was invalid. On January 10, 2020, a jury in the Second Wells Lawsuit found that Wells Fargo willfully infringed at least one of the patents at issue in that case and awarded USAA $102 million in damages. No Mitek product was accused of infringing either of the two patents in question in the Second Wells Lawsuit as the litigation involved broad banking processes and not Mitek's specific mobile deposit features. The jury verdicts are subject to post-trial motions and appeal by Wells Fargo. The Wells Lawsuits are ongoing and no final judgments or awards have been made to date. Wells Fargo filed petitions for *Inter Partes* Review ("IPR") with the Patent Trial and Appeal Board ("PTAB") challenging the validity of the four patents in the First Wells Lawsuit. Three of those four petitions were instituted, while one (relating to the '090 Patent) was denied institution. On November 24, 2020 and January 26, 2021, the PTAB issued final written decisions determining that Wells Fargo had not demonstrated by a preponderance of the evidence that any claims of the '571 Patent, the '779 Patent, or '517 Patent were unpatentable. Wells Fargo can request rehearing of these decisions and/or appeal the decisions to the U.S. Court of Appeals for the Federal Circuit.

On September 30, 2020, USAA filed suit against PNC Bank (the "PNC Lawsuit") in the Eastern District of Texas alleging infringement of U.S. Patent Nos. 10,482,432 and 10,621,559. These two patents are continuations of an asserted patent in the Second Wells Lawsuit and relate to similar subject matter. On October 19, 2020, PNC Bank's integration partner, NCR Corporation, sent an indemnification demand to the Company requesting indemnification from all claims related to the PNC Lawsuit. The complaint against PNC does not claim that any Company product infringes any of the asserted patents. At this time, the Company does not believe it is obligated to indemnify NCR Corporation or end-users of NCR Corporation resulting from the patent infringement allegations by USAA. On December 4, 2020, USAA filed an amended complaint against PNC Bank also asserting two patents at issue in the First Wells Lawsuit—U.S. Patent Nos. 8,699,779 ("the '779 Patent") and 8,977,571 ("the '571 Patent"). Also on December 4, 2020, PNC Bank filed a complaint for declaratory judgement of non-infringement of the '779 Patent and the '571 Patent in the Western District of Pennsylvania. On January 19, 2021, USAA filed a motion to dismiss that action in view of the pending lawsuit between the parties in the Eastern District of Texas.

While neither the Wells Lawsuits nor the PNC Lawsuit name the Company as a defendant, given (among other factors) the Company's prior history of litigation with USAA and the continued use of Mitek's products by its customers, on November 1, 2019, the Company filed a Complaint in the U.S. District Court for the Northern District of California seeking declaratory judgment that its products do not infringe the '779 Patent, the '571 Patent, U.S. Patent No. 9,336,517 ("the '517 Patent"), and U.S. Patent No. 9,818,090 ("the '090 Patent") (collectively, the "Subject Patents"). On January 15, 2020, USAA filed motions requesting the dismissal of the declaratory judgement of the Subject Patents and transfer of the case to the Eastern District of Texas, both of which the Company opposed. On April 21, 2020, the court in the Northern District of California transferred Mitek's declaratory judgement action to the Eastern District of Texas and did not rule on USAA's motion to dismiss. On July 15, 2020, the court in the Eastern District of Texas held a hearing on USAA's motion to dismiss, but has not yet issued a ruling. The Company continues to believe that its products do not infringe the Subject Patents and will vigorously defend the right of its end-users to use its technology.

In April, May, and June 2020, the Company filed petitions for IPR with the PTAB of the U.S. Patent & Trademark Office challenging the validity of the Subject Patents. On November 6 and 17, 2020 and January 26, 2021, the PTAB decided to exercise its discretion and deny institution of the four petitions due to the alleged relationship between the Company and Wells Fargo, who previously filed petitions for IPR on the Subject Patents. The PTAB did not address the merits of the Company's petitions or the prior art cited in those petitions. The Company continues to believe that the prior art cited in the petitions renders all the claims of the Subject Patents invalid. On December 6 and 17, 2020, the Company filed requests for rehearing and Precedential Opinion Panel ("POP") review of three of the four denied IPR petitions. The Company is evaluating all of it options with respect to the remaining petition, including a request for rehearing and POP review.

In September 2020, the Company filed an additional two petitions for IPR with the U.S. Patent & Trademark Office challenging the validity of U.S. Patent Nos. 10,013,681 and 10,013,605—two of the patents at issue in the Second Wells Lawsuit. Those petitions remain pending with institution decisions expected in March 2021.

The Company incurred legal fees of $0.2 million in the three months ended December 31, 2020 related to third party claims against our customers. Such fees are included in general and administrative expenses in the consolidated statement of operations and other comprehensive income.

Claim Against UrbanFT, Inc.

On July 31, 2019, the Company filed a lawsuit against one of its customers, UrbanFT, Inc. ("UrbanFT") in the United States District Court for the Southern District of California (case No. 19-CV-1432-CAB-DEB). UrbanFT is delinquent in payment and attempted to justify its non-payment by asserting that the Company is or may be infringing on purported UrbanFT patents. The Company filed such lawsuit to collect the delinquent payments and to obtain a declaratory judgment of non-infringement of five purported UrbanFT patents. UrbanFT filed an answer and later asserted infringement of two of the five patents-at-issue in the Company's lawsuit against UrbanFT. The Company thereafter filed counterclaims seeking a declaration that the two patents now asserted by UrbanFT are invalid in addition to being not infringed. During the course of the litigation, the Company learned that a judgment had been entered against UrbanFT's affiliates and its predecessor owner in which an Oregon court ordered that the patents in issue revert to a prior owner, Mr. Stevens, because UrbanFT's affiliates did not pay the purchase price owed to the prior owner. On

September 8, 2020, the Company filed a motion for summary judgment on its breach of contract claim. On September 15, 2020, the district court issued an order to show cause regarding jurisdiction over patent issues in light of the Oregon judgment. On December 17, 2020, the district court dismissed Mitek's claims for declaratory judgment of non-infringement and UrbanFT's counterclaims for patent infringement and related affirmative defenses based on infringement of the patents for lack of subject matter jurisdiction because UrbanFT does not own the patents. The district court then dismissed the remaining state law claims without prejudice to refiling in state court.

On December 18, 2020, the Company filed a new suit against UrbanFT in the Superior Court of the State of California, County of San Diego (case no. 37-2020-00046670-CU-BC-CTL) asserting claims for breach of contract, open book account, and monetary damages. UrbanFT filed an answer and has not asserted any cross-claims as of now. We intend to vigorously pursue our claims and defend any cross-claims if any are filed at a later date.

Other Legal Matters

In addition to the foregoing, the Company is subject to various claims and legal proceedings arising in the ordinary course of its business. The Company accrues for such liabilities when it is both (i) probable that a loss has occurred and (ii) the amount of the loss can be reasonably estimated in accordance with ASC 450, *Contingencies*. While any legal proceeding has an element of uncertainty, the Company believes that the disposition of such matters, in the aggregate, will not have a material effect on the Company's financial condition or results of operations.

Revolving Credit Facility

On May 3, 2018, the Company and ID Checker, Inc. (together, the "Co-Borrowers") entered into a Loan and Security Agreement (the "Loan Agreement") with Silicon Valley Bank ("SVB"). Pursuant to the Loan Agreement, the Company arranged for a $10.0 million secured revolving credit facility (the "Revolver") with a floating per annum interest rate equal to the greater of the Wall Street Journal prime rate, plus 0.25%, or 4.5%. The Co-Borrowers must maintain, at all times when any amounts are outstanding under the Revolver, either (i) minimum unrestricted cash at SVB and unused availability on the Revolver of at least $15.0 million and (ii) Adjusted Quick Ratio of 1.75:1.00. In May 2019, the Company and SVB entered into an amendment of the Loan Agreement to extend the maturity of the Revolver to September 30, 2020, which was subsequently not renewed. There were no borrowings outstanding under the Revolver as of September 30, 2020.

8. REVENUE CONCENTRATION

For the three months ended December 31, 2020, the Company derived revenue of $3.9 million from one customer, with such customer accounting for 15% of the Company's total revenue. For the three months ended December 31, 2019, the Company derived revenue of $8.1 million from two customers, with such customers accounting for 20% and 17% of the Company's total revenue, respectively. The corresponding accounts receivable balances of customers from which revenues were in excess of 10% of total revenue were $0.1 million and $4.4 million at December 31, 2020 and 2019, respectively.

The Company's revenue is derived primarily from sales by the Company to channel partners, including systems integrators and resellers, and end-users of licenses to sell products covered by the Company's patented technologies. These contractual arrangements do not obligate the Company's channel partners to order, purchase or distribute any fixed or minimum quantities of the Company's products. In most cases, the channel partners purchase the license from the Company after they receive an order from an end-user. The channel partners receive orders from various individual end-users; therefore, the sale of a license to a channel partner may represent sales to multiple end-users. End-users can purchase the Company's products through more than one channel partner.

Revenues can fluctuate based on the timing of license renewals by channel partners. When a channel partner purchases or renews a license, the Company receives a license fee in consideration for the grant of a license to sell the Company's products and there are no future payment obligations related to such agreement; therefore, the license fee the Company receives with respect to a particular license renewal in one period does not have a correlation with revenue in future periods. During the last several quarters, sales of licenses to one or more channel partners have comprised a significant part of the Company's revenue. This is attributable to the timing of renewals or purchases of licenses and does not represent a dependence on any single channel partner. The Company believes that it is not dependent upon any single channel partner, even those from which revenues were in excess of 10% of the Company's total revenue in a specific reporting period, and that the loss or termination of the Company's relationship with any such channel partner would not have a material adverse effect on the Company's future operations because either the Company or another channel partner could sell the Company's products to the end-user that had purchased from the channel partner the Company lost.

International sales accounted for approximately 31% and 25% of the Company's total revenue for the three months ended December 31, 2020 and 2019, respectively. From a geographic perspective, approximately 64% and 66% of the Company's total long-term assets as of December 31, 2020 and September 30, 2020, respectively, are associated with the Company's international subsidiaries. From a geographic perspective, approximately 15% of the Company's total long-term assets excluding goodwill and other intangible assets as of December 31, 2020 and September 30, 2020, respectively, are associated with the Company’s international subsidiaries.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Quarterly Report on Form 10-Q (this "Form 10-Q"), contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or they prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements. The forward-looking statements are contained principally in Part I, Item 2—"Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 1A—"Risk Factors," but appear throughout this Form 10-Q. Forward-looking statements may include, but are not limited to, statements relating to our outlook or expectations for earnings, revenues, expenses, asset quality, volatility of our common stock, financial condition or other future financial or business performance, strategies, expectations, or business prospects, the duration and impact of the novel COVID-19 pandemic on our business, our customers, and markets generally, or the impact of legal, regulatory, or supervisory matters on our business, results of operations, or financial condition.

Forward-looking statements can be identified by the use of words such as "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target", "will," "would," "could," "can," "may", or similar expressions. Forward-looking statements reflect our judgment based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Part II, Item 1A—"Risk Factors" in this Form 10-Q and in our other filings with the U.S. Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the fiscal year ended September 30, 2020, filed with the U.S. Securities and Exchange Commission on December 7, 2020, as amended by Amendment No. 1 to the Annual Report on Form 10-K/A (the "Form 10-K"), filed with the SEC on December 11, 2020. Additionally, there may be other factors that could preclude us from realizing the predictions made in the forward-looking statements. We operate in a continually changing business environment and new factors emerge from time to time. We cannot predict such factors or assess the impact, if any, of such factors on our financial position or results of operations. All forward-looking statements included in this Form 10-Q speak only as of the date of this Form 10-Q and you are cautioned not to place undue reliance on any such forward-looking statements. Except as required by law, we undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

In this Form 10-Q, unless the context indicates otherwise, the terms "Mitek," "the Company," "we," "us," and "our" refer to Mitek Systems, Inc., a Delaware corporation and its subsidiaries.

Overview

Mitek is a leading innovator of mobile image capture and digital identity verification solutions. We are a software development company with expertise in computer vision, artificial intelligence, and machine learning. We are currently serving more than 7,500 financial services organizations and leading marketplace and financial technology ("fintech") brands across the globe. Our solutions are embedded in native mobile apps and browsers to facilitate better online user experiences, fraud detection and reduction, and compliant transactions.

Mitek's Mobile Deposit® solution is used today by millions of consumers in the United States ("U.S.") and Canada for mobile check deposit. Mobile Deposit® enables individuals and businesses to remotely deposit checks using their camera-equipped smartphone or tablet. Our Mobile Deposit® solution is embedded within the financial institutions' digital banking apps used by consumers and has now processed over four billion check deposits. Mitek began selling Mobile Deposit® in early 2008 and received its first patent for this product in August 2010.

Mitek's Mobile Verify® verifies a user's identity online enabling organizations to build safer digital communities. Scanning an identity document helps enable an enterprise to verify the identity of the person with whom they are conducting business, to comply with growing governmental Anti-Money Laundering and Know Your Customer regulatory requirements, and to improve the overall customer experience for digital onboarding. To be sure the person submitting the identity document is who they say they are, Mitek's Mobile Verify Face Comparison provides an additional layer of online verification and compares the face on the submitted identity document with the live selfie photo of the user.

The combination of identity document capture and data extraction process enables the organization to prefill the end user's application, with far fewer key strokes, thus reducing keying errors, and improving both operational efficiency and the customer experience. Today, the financial services verticals (banks, credit unions, lenders, payments processors, card issuers, fintech companies, etc.) represent the greatest percentage of use of our solutions, but there is accelerated adoption by marketplaces, sharing economy, and hospitality sectors. Mitek uses artificial intelligence and machine learning to constantly improve the product performance of Mobile Verify® such as speed and accuracy of approvals of identification documents. The core of our user experience is driven by Mitek MiSnap™, the leading image capture technology, which is incorporated across our product lines. It provides a simple, intuitive, and superior user-experience, making digital transactions faster, more accurate, and easier for the consumer. Mobile Fill® automates application prefill of any form with user data by simply snapping a picture of the driver's license or other similar user identity document.

CheckReader™ enables financial institutions to automatically extract data from a check image received across any deposit channel—branch, ATM, remote deposit capture, and mobile. Through the automatic recognition of all fields on checks, whether handwritten or machine print, CheckReader™ speeds the time to deposit for financial institutions and enables them to comply with check clearing regulations.

We market and sell our products and services worldwide through internal, direct sales teams located in the U.S., Europe, and Latin America as well as through channel partners. Our partner sales strategy includes channel partners who are financial services technology providers and identity verification providers. These partners integrate our products into their solutions to meet the needs of their customers.

First Quarter Fiscal 2021 Highlights

- Revenue for the three months ended December 31, 2020 was $26.0 million, an increase of 18% compared to revenue of $22.1 million in the three months ended December 31, 2019.
- Net income was $2.2 million, or $0.05 per diluted share, during the three months ended December 31, 2020, compared to net income of $0.6 million, or $0.01 per share, during the three months ended December 31, 2019.
- Cash provided by operating activities was $8.7 million for the three months ended December 31, 2020, compared to $5.2 million for the three months ended December 31, 2019.
- We added new patents to our portfolio during the first quarter of fiscal 2021 bringing our total number of issued patents to 69 as of December 31, 2020. In addition, we have 17 domestic and international patent applications pending as of December 31, 2020.

Market Opportunities, Challenges & Risks

We believe that financial institutions, fintechs, and other companies see our patented solutions as a way to provide a superior digital customer experience to meet growing consumer demand for trust and convenience online and, at the same time, assist them in meeting regulatory requirements. The value of digital transformation to our customers is a possible increase in top line revenue and a reduction in the cost of sales and services. As the use of new technology increases, so does associated fraud and cyber-attacks. The negative outcomes of fraud encompass financial losses, brand damage, and loss of loyal customers. We predict growth in both our deposits and identity verification products based on current trends in payments, online lending, more stringent regulations, growing usage of sharing apps and online marketplaces, and the ever-increasing demand for digital services.

Factors adversely affecting the pricing of, or demand for, our digital solutions, such as competition from other products or technologies, any decline in the demand for digital transactions, or negative publicity or obsolescence of the software environments in which our products operate, could result in lower revenues or gross margins. Further, because substantially all of our revenues are from a few types of technology, our product concentration may make us especially vulnerable to market demand and competition from other technologies, which could reduce our revenues.

The sales cycle for our software and services can be lengthy and the implementation cycles for our software and services by our channel partners and customers can also be lengthy, often as long as six months and sometimes longer for larger customers. If implementation of our products by our channel partners and customers is delayed or otherwise not completed, our business, financial condition, and results of operations may be adversely affected.

Revenues related to most of our on-premise licenses for mobile products are required to be recognized up front upon satisfaction of all applicable revenue recognition criteria. Revenue related to our software as a service (“SaaS”) products is recognized ratably over the life of the contract or as transactions are used depending on the contract criteria. The recognition of future revenues from these licenses is dependent upon a number of factors, including, but not limited to, the term of our license agreements, the timing of implementation of our products by our channel partners and customers, and the timing of any re-orders of additional licenses and/or license renewals by our channel partners and customers.

During each of the last few years, sales of licenses to one or more channel partners have comprised a significant part of our revenue each year. This is attributable to the timing of renewals or purchases of licenses and does not represent a dependence on any single channel partner. If we were to lose a channel partner relationship, we do not believe such a loss would adversely affect our operations because either we or another channel partner could sell our products to the end-users that had purchased products from the channel partner we lost. However, in that case, we or another channel partner must establish a relationship with the end-users, which could take time to develop, if it develops at all.

We have a growing number of competitors in the mobile image capture and identity verification industry, many of which have greater financial, technical, marketing, and other resources. However, we believe our patented mobile image capture and identity verification technology, our growing portfolio of products and geographic coverage for the financial services industry, and our market expertise gives us a distinct competitive advantage. To remain competitive, we must continue to offer products that are attractive to the consumer as well as being secure, accurate, and convenient. To help us remain competitive, we intend to further strengthen performance of our portfolio of products through research and development as well as partnering with other technology providers.

In the second quarter of fiscal 2020, concerns related to the spread of COVID-19 began to create global business disruptions as well as disruptions in our operations and to create potential negative impacts on our revenues and other financial results. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. In an effort to contain COVID-19 or slow its spread, governments around the world have enacted various measures, including orders to close all businesses not deemed “essential,” isolate residents to their homes or places of residence, and practice social distancing when engaging in essential activities. We anticipate that these actions and the global health crisis caused by COVID-19 will negatively impact business activity across the globe. The extent to which COVID-19 will impact our business, operations, and financial results is uncertain and difficult to predict and depends on numerous evolving factors including the duration and severity of the outbreak. See Item 1A: “Risk Factors” for additional details.

In an effort to protect the health and safety of our employees, our workforce has transitioned to working remotely and employee travel, including to our international subsidiaries, has been severely curtailed. It is not clear what the potential effects of any such alterations or modifications may have on our business, including the effects on our customers or vendors, or on our financial results. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, local, or foreign authorities, or that we determine are in the best interests of our employees, customers, partners, and stockholders.

We anticipate in certain circumstances that the current stay-at-home orders and impact of the COVID-19 pandemic may accelerate the adoption of digital technologies and create future opportunities and uses for our products. However, we cannot predict what the overall impact of the COVID-19 pandemic will be on our business or financial condition as business and consumer activity decelerates across the globe. We continue to seek new and innovative opportunities to serve our customers’ needs.

Results of Operations

Comparison of the Three Months Ended December 31, 2020 and 2019

The following table summarizes certain aspects of our results of operations for the three months ended December 31, 2020 and 2019 (*amounts in thousands, except percentages*):

	Three Months Ended December 31,					
			Percentage of Total Revenue		Increase (Decrease)	
	2020	2019	2020	2019	$	%
Revenue						
Software and hardware	$ 12,303	$ 11,515	47 %	52 %	$ 788	7 %
Services and other	13,673	10,552	53 %	48 %	3,121	30 %
Total revenue	$ 25,976	$ 22,067	100 %	100 %	$ 3,909	18 %
Cost of revenue	4,138	2,933	16 %	13 %	1,205	41 %
Selling and marketing	7,385	6,648	28 %	30 %	737	11 %
Research and development	6,165	5,292	24 %	24 %	873	16 %
General and administrative	5,058	5,288	19 %	24 %	(230)	(4)%
Acquisition-related costs and expenses	1,693	1,608	7 %	7 %	85	5 %
Other income, net	96	303	— %	1 %	(207)	(68)%
Income tax benefit (provision)	534	(41)	2 %	— %	575	(1402)%
Net income	$ 2,167	$ 560	8 %	3 %	$ 1,607	287 %

* *Not meaningful.*

Revenue

Total revenue increased $3.9 million, or 18%, to $26.0 million in the three months ended December 31, 2020 compared to $22.1 million in the three months ended December 31, 2019. Software and hardware revenue increased $0.8 million, or 7%, to $12.3 million in the three months ended December 31, 2020 compared to $11.5 million in the three months ended December 31, 2019. This increase is primarily due to an increase in sales of our Mobile Deposit® and CheckReader™ software and identity verification hardware products. This increase was partially offset by declining software revenue from our legacy on-premise identity products which are being phased out. Services and other revenue increased $3.1 million, or 30%, to $13.7 million in the three months ended December 31, 2020 compared to $10.6 million in the three months ended December 31, 2019. This increase is primarily due to continued growth in Mobile Verify® transactional SaaS revenue of $2.2 million, or 42%, in the three months ended December 31, 2020 compared to the same period in 2019.

Cost of Revenue

Cost of revenue includes personnel costs related to billable services and software support, direct costs associated with our hardware products, hosting costs, and the costs of royalties for third party products embedded in our products. Cost of revenue increased $1.2 million, or 41%, to $4.1 million in the three months ended December 31, 2020 compared to $2.9 million in the three months ended December 31, 2019. As a percentage of revenue, cost of revenue increased to 16% in the three months ended December 31, 2020 from 13% in the three months ended December 31, 2019. The increase in cost of revenue is primarily due to an increase in cost of revenues associated with higher hardware revenues as well as higher variable personnel and hosting costs associated with a higher volume of Mobile Verify® transactions processed during the three months ended December 31, 2020 compared to the same period in 2019.

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits, stock-based compensation, and other headcount-related costs associated with sales and marketing personnel. Selling and marketing expenses also include non-billable costs of professional services personnel, advertising expenses, product promotion costs, trade shows, and other brand awareness programs. Selling and marketing expenses increased $0.7 million, or 11%, to $7.4 million in the three months ended December 31, 2020 compared to $6.6 million in the three months ended December 31, 2019. As a percentage of revenue, selling and marketing expenses decreased to 28% in the three months ended December 31, 2020 from 30% in the three months ended December 31, 2019. The increase in selling and marketing expense is primarily due to higher personnel-related costs in the three months ended December 31, 2020 compared to the same period in 2019. The overall increase in selling and marketing expense was partially offset by a decrease in travel and related expenses as a result of the COVID-19 pandemic during the three months ended December 31, 2020 as compared to the same period in 2019.

Research and Development Expenses

Research and development expenses include payroll, employee benefits, stock-based compensation, third party contractor expenses, and other headcount-related costs associated with software engineering and mobile capture science. Research and development expenses increased $0.9 million, or 16%, to $6.2 million in the three months ended December 31, 2020 compared to $5.3 million in the three months ended December 31, 2019. As a percentage of revenue, research and development expenses were consistent at 24% in each of the three months ended December 31, 2020 and 2019. The increase in research and development expenses is primarily due to higher personnel-related costs resulting from our increased headcount in the three months ended December 31, 2020 compared to the same period in 2019.

General and Administrative Expenses

General and administrative expenses include payroll, employee benefits, stock-based compensation, and other headcount-related costs associated with finance, legal, administration, and information technology functions, as well as third party legal, accounting, and other administrative costs. General and administrative expenses decreased $0.2 million, or 4%, to $5.1 million in the three months ended December 31, 2020 compared to $5.3 million in the three months ended December 31, 2019. As a percentage of revenue, general and administrative expenses decreased to 19% in the three months ended December 31, 2020 from 24% in the three months ended December 31, 2019. The decrease in general and administrative expenses is primarily due to lower intellectual property litigation related costs, third party consulting expenses and travel and related expenses during the three months ended December 31, 2020 compared to the same period in 2019. The overall decrease in general and administrative expenses was partially offset by increased headcount costs.

Acquisition-Related Costs and Expenses

Acquisition-related costs and expenses include amortization of intangible assets, expenses recorded due to changes in the fair value of contingent consideration, stock-based compensation, and other costs associated with acquisitions. Acquisition-related costs and expenses increased $0.1 million, or 5%, to $1.7 million in the three months ended December 31, 2020 compared to $1.6 million in the three months ended December 31, 2019. As a percentage of revenue, acquisition-related costs and expenses were consistent at 7% in each of the three months ended December 31, 2020 and 2019. The increase in acquisition-related costs and expenses is due to the impact of foreign exchange rates on the amortization of certain intangible assets during the three months ended December 31, 2020 compared to the same period in 2019.

Other Income, Net

Other income, net includes interest income net of amortization and net realized gains or losses on our marketable securities portfolio and foreign currency transactional gains or losses. Other income, net decreased $0.2 million, to $0.1 million in the three months ended December 31, 2020 compared to $0.3 million in the three months ended December 31, 2019. This decrease is primarily due to an overall foreign currency exchange transactional losses recorded during the three months ended December 31, 2020 as compared to an overall foreign currency exchange transactional gains recorded during the same period in 2019.

Income Tax Benefit (Provision)

For the three months ended December 31, 2020, we recorded an income tax benefit of $0.5 million, which yielded an effective tax rate of negative 33%. For the three months ended December 31, 2019, we recorded an income tax provision of $41,000, or an effective tax rate of 7%. The difference between the U.S. federal statutory tax rate and our effective tax rate for the three months ended December 31, 2020 and 2019 was primarily due to excess tax benefits resulting from the vesting of restricted stock and the exercise of stock options as well as the impact of foreign and state taxes, and the impact of federal and state research and development credits on its tax provision.

Liquidity and Capital Resources

On December 31, 2020, we had $72.6 million in cash and cash equivalents and investments compared to $62.0 million on September 30, 2020, an increase of $10.6 million, or 17%. The increase in cash and cash equivalents and investments is primarily due to net cash provided by operating activities of $8.7 million and net proceeds from the issuance of our common stock, par value $0.001 (“Common Stock”) under our equity plan of $1.9 million.

Cash Flows from Operating Activities

Net cash provided by operating activities during the three months ended December 31, 2020 was $8.7 million and resulted primarily from net income of $2.2 million, net non-cash charges of $4.2 million, and favorable changes in operating assets and liabilities of $2.3 million. The primary non-cash adjustments to operating activities were stock-based compensation expense, amortization of intangible assets, depreciation and amortization and amortization of investment premiums totaling $2.7 million, $1.7 million, $0.4 million, and $0.1 million, respectively, and were partially offset by a deferred tax benefit of $0.7 million.

Net cash provided by operating activities during the three months ended December 31, 2019 was $5.2 million and resulted primarily from net income of $0.6 million adjusted for non-cash charges of $4.3 million as well as favorable changes in operating assets and liabilities of $0.3 million. The primary non-cash adjustments to operating activities were stock-based compensation expense, amortization of intangible assets, and depreciation and amortization totaling $2.3 million, $1.6 million, and $0.4 million, respectively.

Cash Flows from Investing Activities

Net cash used in investing activities was $4.4 million during the three months ended December 31, 2020, which consisted primarily of net purchases of investments of $4.0 million and capital expenditures of $0.4 million.

Net cash used in investing activities was $7.2 million during the three months ended December 31, 2019, which consisted primarily of net purchases of investments of $7.0 million and capital expenditures of $0.2 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was $1.9 million during the three months ended December 31, 2020, which consisted of net proceeds from the issuance of equity plan Common Stock of $1.9 million, partially offset by principal payments on other borrowings of $18,000.

Net cash used in financing activities was $5,000 during the three months ended December 31, 2019, which consisted of principal payments on other borrowings of $78,000, partially offset by net proceeds from the issuance of equity plan Common Stock of $73,000.

Rights Agreement

On October 23, 2018, we entered into the Section 382 Rights Agreement (the “Rights Agreement”) and issued a dividend of one preferred share purchase right (a “Right”) for each share of Common Stock payable on November 2, 2018 to the stockholders of record of such shares on that date. Each Right entitles the registered holder, under certain circumstances, to purchase from us one one-thousandth of a share of Series B Junior Preferred Stock, par value $0.001 per share (the “Preferred Shares”), of the Company, at a price of $35.00 per one one-thousandth of a Preferred Share represented by a Right, subject to adjustment. The description and terms of the Rights are set forth in the Rights Agreement.

The Rights are not exercisable until the Distribution Date (as defined in the Rights Agreement). Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

At any time prior to the time any Person becomes an Acquiring Person (as defined in the Rights Agreement), the Board may redeem the Rights in whole, but not in part, at a price of $0.0001 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The Rights will expire on the earlier of (i) the close of business on October 22, 2021, (ii) the time at which the Rights are redeemed, and (iii) the time at which the Rights are exchanged.

Share Repurchase Program

On December 13, 2019, the Board authorized and approved a share repurchase program for up to $10 million of the currently outstanding shares of our Common Stock. The share repurchase program expired on December 16, 2020. Total purchases made under the share repurchase program were $1.0 million or approximately 137,000 shares at an average price of $7.33. The purchases under the share repurchase program were made through open market trades.

CARES Act

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. We continue to examine the impacts the CARES Act may have on our business.

Other Liquidity Matters

On December 31, 2020, we had investments of $45.8 million, designated as available-for-sale debt securities, which consisted of commercial paper, corporate issuances, and asset-backed securities, carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of tax, and reported as a separate component of stockholders' equity. All securities whose maturity or sale is expected within one year are classified as "current" on the consolidated balance sheets. All other securities are classified as "long-term" on the consolidated balance sheets. At December 31, 2020, we had $40.2 million of our available-for-sale securities classified as current and $5.6 million of our available-for-sale securities classified as long-term. At September 30, 2020, we had $40.0 million of our available-for-sale securities classified as current and $2.0 million of our available-for-sale securities classified as long-term.

We had working capital of $64.3 million at December 31, 2020 compared to $59.8 million at September 30, 2020.

Based on our current operating plan, we believe the current cash and cash equivalents and cash expected to be generated from operations will be adequate to satisfy our working capital needs for the next twelve months from the date the financial statements are filed.

Off Balance Sheet Arrangements

The Company had no off balance sheet arrangements as of December 31, 2020.

Changes in Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of the consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. We review our estimates on an on-going basis, including those related to revenue recognition, stock-based compensation, income taxes and the valuation of goodwill, intangibles and other long-lived assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. The critical accounting policies and estimates used in the preparation of our consolidated financial statements are described in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Form 10-K for the year ended September 30, 2020.

There have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended September 30, 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rates

The primary objective of our investment activities is to preserve principal while at the same time maximizing after-tax yields without significantly increasing risk. To achieve this objective, we maintain our investment portfolio of cash equivalents and marketable securities in a variety of securities, including corporate debt securities, commercial paper, certificates of deposit, and asset-backed securities. We have not used derivative financial instruments in our investment portfolio, and none of our investments are held for trading or speculative purposes. Short-term and long-term debt securities are generally classified as available-for-sale and consequently are recorded on the consolidated balance sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of estimated tax. As of December 31, 2020, our marketable securities had remaining maturities between approximately one and 22 months and a fair market value of $45.8 million, representing 26% of our total assets.

The fair value of our cash equivalents and debt securities is subject to change as a result of changes in market interest rates and investment risk related to the issuers' credit worthiness. We do not utilize financial contracts to manage our investment portfolio's exposure to changes in market interest rates. A hypothetical 100 basis point increase or decrease in market interest rates would not have a material impact on the fair value of our cash equivalents and debt securities due to the relatively short maturities of these investments. While changes in market interest rates may affect the fair value of our investment portfolio, any gains or losses will not be recognized in our results of operations until the investment is sold or if the reduction in fair value was determined to be an other-than-temporary impairment.

Foreign Currency Risk

As a result of past acquisitions, we have operations in France, the Netherlands, and Spain that are exposed to fluctuations in the foreign currency exchange rate between the U.S. dollar, the Euro, and the British pound sterling. The functional currency of our French, Dutch, and Spanish operations is the Euro. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro. Translation adjustments resulting from translating the functional currency financial statements into U.S. dollar equivalents are reported separately in the consolidated statements of operations and other comprehensive income.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as of the end of the period covered by this Form 10-Q pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. We recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2020.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding our legal proceedings, see Note 7 to the consolidated financial statements included in this Form 10-Q and Item 3—“Legal Proceedings” in the Form 10-K. In addition to the legal proceedings discussed in Note 7, the Company is subject to various claims and legal proceedings arising in the ordinary course of its business. While any legal proceeding has an element of uncertainty, the Company believes that the disposition of such matters, in the aggregate, will not have a material effect on the Company’s financial condition or results of operations.

ITEM 1A. RISK FACTORS

While we attempt to identify, manage, and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Item 1A—“Risk Factors” in the Form 10-K describes some of the risks and uncertainties associated with our business, which we strongly encourage you to review. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operations, cash flows, projected results, and future prospects. There have been no material changes in our risk factors from those disclosed in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of the Company’s equity securities during the quarter ended December 31, 2020, that were not previously disclosed in a Current Report on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description	Incorporated by Reference from Document
2.1**	Share Purchase Agreement, dated October 16, 2017, by and among Mitek Systems, Inc., Mitek Systems Holdings B.V., and the shareholders of ICAR Vision Systems, S.L.	(1)
2.2**	Share Purchase Agreement, dated May 23, 2018, by and among Mitek Systems, Inc., the shareholders of A2iA Group II, S.A.S. and Andera Partners, S.C.A., as representative of the Sellers.	(2)
3.1	Restated Certificate of Incorporation of Mitek Systems, Inc., as amended.	(3)
3.2	Second Amended and Restated Bylaws of Mitek Systems, Inc.	(4)
3.3	Certificate of Designation of Series B Junior Participating Preferred Stock.	(5)
10.1	Mitek Systems, Inc. Cash Incentive Program Fiscal 2021.	(6)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*
101.INS	Inline XBRL Instance Document. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.	*
101.SCH	Inline XBRL Taxonomy Extension Schema Linkbase Document.	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	*

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*	Filed herewith.
**	Certain schedules, appendices and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request.
(1)	Incorporated by reference to the Company’s Current Report on Form 8-K/A filed with the SEC on October 20, 2017.
(2)	Incorporated by reference to the Company’s Current Report on Form 8-K filed with the SEC on May 23, 2018.
(3)	Incorporated by reference to the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2015.
(4)	Incorporated by reference to the Company’s Current Report on Form 8-K filed with the SEC on November 10, 2014.
(5)	Incorporated by reference to the Company’s Current Report on Form 8-K filed with the SEC on October 23, 2018.
(6)	Incorporated by reference to the Company’s Current Report on Form 8-K filed with the SEC on January 25, 2021.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

February 1, 2021	MITEK SYSTEMS, INC.
	By: /s/ Scipio Maximus Carnecchia Scipio Maximus Carnecchia Chief Executive Officer (Principal Executive Officer)
	By: /s/ Jeffrey C. Davison Jeffrey C. Davison Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scipio Maximus Carnecchia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mitek Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 1, 2021

/s/ Scipio Maximus Carnecchia
Scipio Maximus Carnecchia
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey C. Davison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mitek Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

February 1, 2021

/s/ Jeffrey C. Davison
Jeffrey C. Davison
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATIONS
PURSUANT TO SECTION 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned, in his capacity as the principal executive officer and principal financial officer of Mitek Systems, Inc. (the “Company”), as the case may be, hereby certifies, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), that, to the best of his knowledge:

1. This Quarterly Report on Form 10-Q for the period ended December 31, 2020 (this “Quarterly Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. The information contained in this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by this Quarterly Report.

February 1, 2021	/s/ Scipio Maximus Carnecchia
	Scipio Maximus Carnecchia Chief Executive Officer (Principal Executive Officer)
February 1, 2021	/s/ Jeffrey C. Davison
	Jeffrey C. Davison Chief Financial Officer (Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission (“SEC”) or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of this Quarterly Report), irrespective of any general incorporation language contained in such filing.