

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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 15, 2024

MITEK SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35231
(Commission File Number)

87-0418827
(IRS Employer
Identification No.)

600 B Street, Suite 100
San Diego, California
(Address of principal executive offices)

92101
(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

This Amendment (this “Amendment”) to the Current Report on Form 8-K filed by Mitek Systems, Inc. (the “Company”) on April 15, 2024 (the “Original Form 8-K”) is being filed (A) to correct the following errors contained in the press release issued by the Company on April 15, 2024 announcing the Company’s financial results for the first fiscal quarter ended December 31, 2023 and the preliminary financial results for the second fiscal quarter ended March 31, 2024: (1) the Company stated that one of the drivers of its negative cash flow from operations was the \$4.6 million in cash paid for the final ID R&D earnout payment that should have instead been included as a driver of the decrease in its cash and investments balance at December 31, 2023; and (2) in the Conference Call Information section the Company stated that conference call was to discuss the Company’s financial results for the fourth quarter and fiscal year ending September 30, 2023, that should have been that the conference call was to discuss the Company’s financial results for the first quarter ending December 31, 2023 and (B) to furnish the transcript of its conference call held on April 15, 2024 for the reason described below in Item 2.02. A corrected copy of the Press Release is furnished as Exhibit 99.2 to this Amendment and is incorporated herein by reference.

Item 2.02 Results of Operations and Financial Condition.

On April 15, 2024, Mitek Systems, Inc. (the “Company”, “we”, “us” and “our”) issued a press release announcing the Company’s financial results for the first fiscal quarter ended December 31, 2023 and the preliminary financial results for the second fiscal quarter ended March 31, 2024. A copy of the Company’s press release is attached hereto as Exhibit 99.1. On April 15, 2024, the Company reissued its press release announcing the Company’s financial results for the first fiscal quarter ended December 31, 2023 and preliminary financial results for the second fiscal quarter ended March 31, 2024 to correct the following errors in its press release: (1) the Company stated that one of the drivers of its negative cash flow from operations was the \$4.6 million in cash paid for the final ID R&D earnout payment that should have instead been included as a driver of the decrease in the Company’s cash and investments balance at December 31, 2023; and (2) in the Conference Call Information section the Company stated that the conference call was to discuss the Company’s financial results for the fourth quarter and fiscal year ending September 30, 2023, that should have been that the conference call was to discuss the Company’s financial results for the first quarter ending December 31, 2023. A copy of the Company’s corrected press release is furnished as Exhibit 99.2 to this Amendment and is incorporated herein by reference.

The Company’s independent auditor has not reviewed or audited the preliminary estimated financial results for the second fiscal quarter ended March 31, 2024. The Company’s actual results may differ materially from these preliminary financial results, and may be outside the estimated ranges. This preliminary financial data has been prepared by and is the responsibility of the Company. The Company has not fully completed its review of these preliminary financial results for the fiscal quarter ended March 31, 2024.

On April 15, 2024, the Company held a conference call discuss the Company’s financial results for its fiscal 2024 first quarter ended December 31, 2023. The Company was unable to file the Original Form 8-K that furnished the press release announcing such results with the Securities and Exchange Commission (the “SEC”) prior to the commencement of the conference call. Accordingly, and in accordance with the rules of the SEC, the Company is furnishing a transcript of its conference call herewith as Exhibit 99.3 to this Current Report.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release issued by Mitek Systems, Inc. on April 15, 2024
99.2	Press Release issued by Mitek Systems, Inc. on April 15, 2024 (Corrected)
99.3	Transcript of Earnings Conference Call dated April 15, 2024
104	Cover Page Interactive Data File, formatting Inline Extensible Business Reporting Language (iXBRL)

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.

Mitek Systems, Inc.

April 16, 2024

By:

/s/ Dave Lyle

Dave Lyle
Chief Financial Officer

Mitek Reports Fiscal 2024 First Quarter Financial Results and Provides Preliminary Second Quarter Revenue Results

Company Reiterates Guidance for Fiscal 2024

SAN DIEGO, CA, April 15, 2024 - Mitek Systems, Inc. (NASDAQ: MITK, www.miteksystems.com, "Mitek" or the "Company"), a global leader in digital identity and fraud prevention, today reported financial results for its first quarter ended December 31, 2023, and provided select preliminary results for its second quarter ended March 31, 2024. Mitek also reiterated its previously provided guidance for its 2024 fiscal year ending September 30, 2024.

Fiscal 2024 First Quarter Financial Results

- Total revenue was \$36.9 million, compared to \$45.7 million a year ago.
- GAAP operating loss was \$6.9 million, an operating margin of negative 19%, compared to GAAP operating income of \$8.4 million, an operating margin of 18% a year ago.
- GAAP net loss was \$5.8 million, or negative \$0.13 per diluted share, compared to GAAP net income of \$4.7 million, or \$0.10 per diluted share a year ago.
- Non-GAAP operating income was \$5.6 million and non-GAAP operating margin was 15%, compared to non-GAAP operating income of \$18.4 million and a non-GAAP operating margin of 40% last year.
- Non-GAAP net income was \$6.3 million, or \$0.14 per diluted share, compared to \$14.3 million, or \$0.31 per diluted share last year.
- Cash flow from operations was a negative \$9.5 million, driven by \$7.8 million in cash taxes paid for FY2023 during the quarter and \$4.6 million in cash paid for the final ID R&D earnout payment.
- Total cash and investments was \$123.9 million at December 31, 2023, compared to \$134.9 million on September 30, 2023.

Preliminary Fiscal 2024 Second Quarter Revenue Results

- Mitek expects fiscal second quarter revenue to be in the range of \$46 million to \$47 million.

The Company's independent auditor has not reviewed or audited these preliminary estimated financial results. The Company's actual results may differ materially from these preliminary financial results, and may be outside the estimated ranges. This preliminary financial data has been prepared by and is the responsibility of the Company. The Company has not fully completed its review of these preliminary financial results for the fiscal quarter ended March 31, 2024.

Mitek CEO Max Carnecchia's Comments

"As previously discussed, in the first quarter of last year we had a large one-time multi-year mobile deposit reorder that pulled forward about \$7 million of future year revenue into that quarter, including \$2.7 million that would have been recognized in fiscal Q1'24, creating a very difficult year over year comparison. It's important to note that this quarter's results are not representative of a business trend, in fact, to the contrary. With our fiscal 2024 guidance, which we are reiterating today, we expect our Deposits product revenue to grow 10 to 12% year over year on a normalized basis and our Identity product revenue to grow 10 to 12% year over year. We anticipate that much of this growth will occur in the second half of the fiscal year, with growth continuing in fiscal 2025. Having achieved product market fit with our new products, including Check Fraud Defender, MiVIP, MiPass and ID R&D biometrics software products, we have several growth drivers in place leveraging advanced AI and machine learning to meet evolving customer needs to enhance trust and convenience in digital interactions."

Fiscal 2024 Full Year Guidance

Mitek is reiterating its previously provided guidance for its fiscal year ending September 30, 2024, as follows:

- Mitek expects full-year revenue to be in the range of \$180.0 million to \$185.0 million, a 6% growth rate at the midpoint of the range. In fiscal 2023, Mitek signed a large multi-year mobile deposit reorder with one customer that locked in favorable pricing over a four-year period. Due to the unique terms of this contract, Mitek recognized additional license revenue relating to future years of approximately \$7.0 million in fiscal 2023. If the Company backs out the future year revenue of \$7 million from its fiscal 2023 revenue and attributes the \$2.7 million that would have been attributable to fiscal 2024 to the midpoint of the fiscal 2024 revenue guidance, it would represent growth of approximately 12.0% at the revised midpoint.
- Mitek expects its non-GAAP operating margin for fiscal 2024 to be between 30.0% and 31.0%.

Conference Call Information

Mitek management will host a conference call and live webcast for analysts and investors today at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time) to discuss the Company's financial results for the fourth quarter and fiscal year ending September 30, 2023. To access the live call, dial 877-270-2148 (US and Canada) or +1 412-902-6510 (International) and ask to join the Mitek call. A live and archived webcast of the conference call will also be accessible on the Investor Relations section of the Company's website at www.miteksystems.com. A phone replay will be available approximately two hours following the end of the call, and it will remain available for one week. The phone call replay can be accessed by dialing 877-344-7529 (US or Canada) or 1-412-317-0088 (International) and entering the passcode: 1577571.

About Mitek Systems, Inc.

Mitek (NASDAQ: MITK) is a global leader in digital access, founded to bridge the physical and digital worlds. Mitek's advanced identity verification technologies and global platform make digital access faster and more secure than ever, providing companies new levels of control, deployment ease and operation, while protecting the entire customer journey. Trusted by 99% of U.S. banks for mobile check deposits and 7,900 of the world's largest organizations, Mitek helps companies reduce risk and meet regulatory requirements. Learn more at www.miteksystems.com. [(MITK-F)]

Follow Mitek on [LinkedIn](#), [X](#) and [YouTube](#), and read Mitek's latest blog posts [here](#).

Notice Regarding Forward-Looking Statements

Statements contained in this news release relating to the Company or its management's intentions, hopes, beliefs, expectations or predictions of the future, including, but not limited to, statements relating to the Company's select preliminary revenue results for the second quarter ended March 31, 2024, the Company's fiscal 2024 guidance, its expectation regarding timing of revenue growth, its intent to use its growth drivers in place that leverage advanced AI and machine learning to meet evolving customer needs and its intent to enhance trust and convenience in digital interactions, are forward-looking statements. Such forward-looking statements are subject to a number of risks and uncertainties, including, but not limited to, risks related to the Company's ability to withstand negative conditions in the global economy, a lack of demand for or market acceptance of the Company's products, the impact of the Company's acquisition of HooYu Ltd. including any operational or cultural difficulties associated with the integration of the businesses of Mitek and HooYu Ltd., the Company's ability to continue to develop, produce and introduce innovative new products in a timely manner, the Company's ability to capitalize on a growing market, quarterly variations in revenue, the profitability of certain sectors of the Company, the performance of the Company's growth initiatives, the outcome of any pending or threatened litigation, and the timing of the implementation and launch of the Company's products by the Company's signed customers.

Additional risks and uncertainties faced by the Company are contained from time to time in the Company's filings with the U.S. Securities and Exchange Commission (SEC), including, but not limited to, the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023, as filed with the SEC on March 19, 2024 and its quarterly reports on Form 10-Q and current reports on Form 8-K, which you may obtain for free on the SEC's website at www.sec.gov. Collectively, these risks and uncertainties could cause the Company's actual results to differ materially from those projected in its forward-looking statements and you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company disclaims any intention or obligation to update, amend or clarify these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Investor Contact:

Todd Kehrli or Jim Byers
MKR Investor Relations, Inc.
mitk@mkr-group.com

Note Regarding Use of Non-GAAP Financial Measures

This news release contains non-U.S. generally accepted accounting principles ("GAAP") financial measures for non-GAAP net income and non-GAAP net income per share that exclude acquisition-related costs and expenses, litigation and other legal costs, executive transition costs, stock compensation expense, non-recurring audit fees, enterprise risk, portfolio positioning and other related costs, and restructuring costs. These financial measures are not calculated in accordance with GAAP and are not based on any comprehensive set of accounting rules or principles. In evaluating the Company's performance, management uses certain non-GAAP financial measures to supplement financial statements prepared under GAAP. Management believes these non-GAAP financial measures provide a useful measure of the Company's operating results, a meaningful comparison with historical results and with the results of other companies, and insight into the Company's ongoing operating performance. Further, management and the Board of Directors of the Company utilize these non-GAAP financial measures to gain a better understanding of the Company's comparative operating performance from period-to-period and as a basis for planning and forecasting future periods. Management believes these non-GAAP financial measures, when read in conjunction with the Company's GAAP financial statements, are useful to investors because they provide a basis for meaningful period-to-period comparisons of the Company's ongoing operating results, including results of operations against investor and analyst

financial models, which helps identify trends in the Company's underlying business and provides a better understanding of how management plans and measures the Company's underlying business.

The Company has not provided a reconciliation of its forward outlook for non-GAAP operating margin with its forward-looking GAAP operating margin in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company is unable, without unreasonable efforts, to quantify share-based compensation expense, which is excluded from our non-GAAP operating margin, as it requires additional inputs such as the number of shares granted and market prices that are not ascertainable due to the volatility of the Company's share price. Additionally, a significant portion of the Company's operations are in foreign countries and the transactional currencies are primarily Euros and British pound sterling and the Company is not able to predict fluctuations in those currencies without unreasonable efforts.

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

	December 31, 2023	September 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,538	\$ 58,913
Short-term investments	59,373	74,700
Accounts receivable, net	35,267	32,132
Contract assets, current portion	17,305	18,355
Prepaid expenses	6,908	3,513
Other current assets	2,573	2,396
Total current assets	185,964	190,009
Long-term investments	—	1,304
Property and equipment, net	2,695	2,829
Right-of-use assets	3,837	4,140
Goodwill and intangible assets	190,837	188,222
Deferred income tax assets	13,388	11,645
Contract assets, non-current portion	7,216	5,579
Other non-current assets	1,453	1,647
Total assets	405,390	405,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	10,169	7,589
Accrued payroll and related taxes	7,063	10,554
Accrued interest payable	598	305
Income tax payables	51	4,329
Deferred revenue, current portion	18,330	17,360
Lease liabilities, current portion	1,569	1,902
Acquisition-related contingent consideration	—	7,976
Other current liabilities	1,820	1,482
Total current liabilities	39,600	51,497
Convertible senior notes	137,486	135,516
Deferred revenue, non-current portion	1,051	957
Lease liabilities, non-current portion	2,792	2,867
Deferred income tax liabilities, non-current portion	6,757	6,476
Other non-current liabilities	3,906	2,874
Total liabilities	191,592	200,187
Stockholders' equity:		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value, 120,000,000 shares authorized, 46,631,594 and 45,591,199 issued and outstanding, as of December 31, 2023 and September 30, 2023, respectively	47	46
Additional paid-in capital	236,447	228,691
Accumulated other comprehensive loss	(7,591)	(14,237)
Accumulated deficit	(15,105)	(9,312)
Total stockholders' equity	213,798	205,188
Total liabilities and stockholders' equity	\$ 405,390	\$ 405,375

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

	Three Months Ended December 31,	
	2023	2022
Revenue		
Software and hardware	\$ 15,980	\$ 26,376
Services and other	20,937	19,327
Total revenue	<u>36,917</u>	<u>45,703</u>
Operating costs and expenses		
Cost of revenue—software and hardware (exclusive of depreciation & amortization)	40	169
Cost of revenue—services and other (exclusive of depreciation & amortization)	5,494	4,900
Selling and marketing	9,856	9,515
Research and development	8,874	7,670
General and administrative	15,538	8,479
Amortization and acquisition-related costs	3,983	4,821
Restructuring costs	48	1,776
Total operating costs and expenses	<u>43,833</u>	<u>37,330</u>
Operating income (loss)	(6,916)	8,373
Interest expense	2,263	2,137
Other income, net	1,642	336
Income (loss) before income taxes	(7,537)	6,572
Income tax benefit (provision)	1,744	(1,846)
Net income (loss)	<u>\$ (5,793)</u>	<u>\$ 4,726</u>
Net income (loss) per share—basic	<u>\$ (0.13)</u>	<u>\$ 0.11</u>
Net income (loss) per share—diluted	<u>\$ (0.13)</u>	<u>\$ 0.10</u>
Shares used in calculating net income (loss) per share—basic	<u>46,294</u>	<u>44,930</u>
Shares used in calculating net income (loss) per share—diluted	<u>46,294</u>	<u>45,634</u>

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

	Three Months Ended December 31,	
	2023	2022
Operating activities:		
Net income (loss)	\$ (5,793)	\$ 4,726
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation expense	3,430	2,442
Amortization of intangible assets	3,847	4,487
Depreciation and amortization	391	343
Amortization of investment premiums & other	(1,398)	13
Accretion and amortization on debt securities	1,970	1,844
Net changes in estimated fair value of acquisition-related contingent consideration	136	330
Deferred taxes	(1,708)	(3,459)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(2,771)	58
Contract assets	(511)	(5,507)
Other assets	(3,192)	(154)
Accounts payable	2,520	980
Accrued payroll and related taxes	(3,704)	(4,174)
Income taxes payable	(4,254)	5,149
Deferred revenue	857	(1,521)
Restructuring accrual	—	(651)
Other liabilities	717	354
Net cash provided by (used in) operating activities	(9,463)	5,260
Investing activities:		
Purchases of investments	(14,991)	—
Sales and maturities of investments	33,121	18,750
Purchases of property and equipment, net	(241)	(154)
Net cash provided by (used in) investing activities	17,889	18,596
Financing activities:		
Proceeds from the issuance of equity plan common stock	856	662
Payment of acquisition-related contingent consideration	(4,641)	—
Proceeds from other borrowings	707	—
Principal payments on other borrowings	(36)	(36)
Net cash provided by (used in) financing activities	(3,114)	626
Foreign currency effect on cash and cash equivalents	313	574
Net increase in cash and cash equivalents	5,625	25,056
Cash and cash equivalents at beginning of period	58,913	32,059
Cash and cash equivalents at end of period	\$ 64,538	\$ 57,115

MITEK SYSTEMS, INC.
DISAGGREGATION OF REVENUE
(Unaudited)
(amounts in thousands)

	Three Months Ended December 31,	
	2023	2022
Major product category		
Deposits software and hardware	\$ 14,048	\$ 24,453
Deposits services and other	7,029	5,828
Deposits revenue	21,077	30,281
Identity verification software and hardware	1,932	1,923
Identity verification services and other	13,908	13,499
Identity verification revenue	15,840	15,422
Total revenue	\$ 36,917	\$ 45,703

MITEK SYSTEMS, INC.
NON-GAAP NET INCOME RECONCILIATION
(Unaudited)
(amounts in thousands except per share data)

	Three Months Ended December 31,	
	2023	2022
Net income (loss)	\$ (5,793)	\$ 4,726
Non-GAAP adjustments:		
Acquisition-related costs and expenses	3,984	4,821
Litigation and other legal costs	2,169	253
Executive transition costs	209	—
Stock compensation expense	3,430	2,442
Non-recurring audit fees	1,638	740
Enterprise risk, portfolio positioning and other related costs	996	—
Restructuring costs	48	1,776
Amortization of debt discount and issuance costs	1,970	1,844
Income tax effect of pre-tax adjustments	(2,967)	(2,992)
Cash tax difference ⁽¹⁾	641	662
Non-GAAP net income	<u>\$ 6,325</u>	<u>\$ 14,272</u>
Non-GAAP income per share—basic	<u>\$ 0.14</u>	<u>\$ 0.32</u>
Non-GAAP income per share—diluted	<u>\$ 0.14</u>	<u>\$ 0.31</u>
Shares used in calculating non-GAAP net income per share—basic	<u>46,294</u>	<u>44,930</u>
Shares used in calculating non-GAAP net income per share—diluted	<u>46,294</u>	<u>45,634</u>

(1) The Company's non-GAAP net income is calculated using a cash tax rate of 13% in fiscal 2024 and 24% in fiscal 2023. The estimated cash tax rate is the estimated annual tax payable on the Company's tax returns as a percentage of estimated annual non-GAAP pre-tax net income. The Company uses an estimated cash tax rate to adjust for the historical variation in the effective book tax rate associated with the reversal of valuation allowances, and the utilization of research and development tax credits which currently have an overall effect of reducing taxes payable. The Company believes that the cash tax rate provides a more transparent view of the Company's operating results. The Company's effective tax rate used for the purposes of calculating GAAP net income for fiscal 2024 and 2023 was 23% and 28%, respectively.

MITEK SYSTEMS, INC.
NON-GAAP OPERATING INCOME RECONCILIATION
(Unaudited)
(amounts in thousands)

	Three Months Ended December 31,	
	2023	2022
GAAP operating income	\$ (6,916)	\$ 8,373
Non-GAAP adjustments:		
Acquisition-related costs and expenses	3,984	4,821
Litigation and other legal costs	2,169	253
Executive transition costs	209	—
Stock compensation expense	3,430	2,442
Non-recurring audit fees	1,638	740
Enterprise risk, portfolio positioning and other related costs	996	—
Restructuring costs	48	1,776
Non-GAAP operating income	\$ 5,558	\$ 18,405
Total Revenue	\$ 36,917	\$ 45,703
Non-GAAP operating margin	15 %	40 %

Mitek Reports Fiscal 2024 First Quarter Financial Results and Provides Preliminary Second Quarter Revenue Results

Company Reiterates Guidance for Fiscal 2024

SAN DIEGO, CA, April 15, 2024 - Mitek Systems, Inc. (NASDAQ: MITK, www.miteksystems.com, "Mitek" or the "Company"), a global leader in digital identity and fraud prevention, today reported financial results for its first quarter ended December 31, 2023, and provided select preliminary results for its second quarter ended March 31, 2024. Mitek also reiterated its previously provided guidance for its 2024 fiscal year ending September 30, 2024.

Fiscal 2024 First Quarter Financial Results

- Total revenue was \$36.9 million, compared to \$45.7 million a year ago.
- GAAP operating loss was \$6.9 million, an operating margin of negative 19%, compared to GAAP operating income of \$8.4 million, an operating margin of 18% a year ago.
- GAAP net loss was \$5.8 million, or negative \$0.13 per diluted share, compared to GAAP net income of \$4.7 million, or \$0.10 per diluted share a year ago.
- Non-GAAP operating income was \$5.6 million and non-GAAP operating margin was 15%, compared to non-GAAP operating income of \$18.4 million and a non-GAAP operating margin of 40% last year.
- Non-GAAP net income was \$6.3 million, or \$0.14 per diluted share, compared to \$14.3 million, or \$0.31 per diluted share last year.
- Cash flow from operations was a negative \$9.5 million, driven by \$7.8 million in cash taxes paid for FY2023 during the quarter.
- Total cash and investments was \$123.9 million at December 31, 2023, compared to \$134.9 million on September 30, 2023. The decrease was primarily driven by the \$7.8 million cash taxes paid mentioned above and \$4.6 million in cash paid for the final ID R&D earnout payment.

Preliminary Fiscal 2024 Second Quarter Revenue Results

- Mitek expects fiscal second quarter revenue to be in the range of \$46 million to \$47 million.

The Company's independent auditor has not reviewed or audited these preliminary estimated financial results. The Company's actual results may differ materially from these preliminary financial results, and may be outside the estimated ranges. This preliminary financial data has been prepared by and is the responsibility of the Company. The Company has not fully completed its review of these preliminary financial results for the fiscal quarter ended March 31, 2024.

Mitek CEO Max Carnecchia's Comments

"As previously discussed, in the first quarter of last year we had a large one-time multi-year mobile deposit reorder that pulled forward about \$7 million of future year revenue into that quarter, including \$2.7 million that would have been recognized in fiscal Q1'24, creating a very difficult year over year comparison. It's important to note that this quarter's results are not representative of a business trend, in fact, to the contrary. With our fiscal 2024 guidance, which we are reiterating today, we expect our Deposits product revenue to grow 10 to 12% year over year on a normalized basis and our Identity product revenue to grow 10 to 12% year over year. We anticipate that much of this growth will occur in the second half of the fiscal year, with growth continuing in fiscal 2025. Having achieved product market fit with our new products, including Check Fraud Defender, MiVIP, MiPass and ID R&D biometrics software products, we have several growth drivers in place leveraging advanced AI and machine learning to meet evolving customer needs to enhance trust and convenience in digital interactions."

Fiscal 2024 Full Year Guidance

Mitek is reiterating its previously provided guidance for its fiscal year ending September 30, 2024, as follows:

- Mitek expects full-year revenue to be in the range of \$180.0 million to \$185.0 million, a 6% growth rate at the midpoint of the range. In fiscal 2023, Mitek signed a large multi-year mobile deposit reorder with one customer that locked in favorable pricing over a four-year period. Due to the unique terms of this contract, Mitek recognized additional license revenue relating to future years of approximately \$7.0 million in fiscal 2023. If the Company backs out the future year revenue of \$7 million from its fiscal 2023 revenue and attributes the \$2.7 million that would have been attributable to fiscal 2024 to the midpoint of the fiscal 2024 revenue guidance, it would represent growth of approximately 12.0% at the revised midpoint.
- Mitek expects its non-GAAP operating margin for fiscal 2024 to be between 30.0% and 31.0%.

Conference Call Information

Mitek management will host a conference call and live webcast for analysts and investors today at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time) to discuss the Company's financial results for the first quarter ending December 31, 2023. To access the live call, dial 877-270-2148 (US and Canada) or +1 412-902-6510 (International) and ask to join the Mitek call. A live and archived webcast of the conference call will also be accessible on the Investor Relations section of the Company's website at www.miteksystems.com. A phone replay will be available approximately two hours following the end of the call, and it will remain available for one week. The phone call replay can be accessed by dialing 877-344-7529 (US or Canada) or 1-412-317-0088 (International) and entering the passcode: 1577571.

About Mitek Systems, Inc.

Mitek (NASDAQ: MITK) is a global leader in digital access, founded to bridge the physical and digital worlds. Mitek's advanced identity verification technologies and global platform make digital access faster and more secure than ever, providing companies new levels of control, deployment ease and operation, while protecting the entire customer journey. Trusted by 99% of U.S. banks for mobile check deposits and 7,900 of the world's largest organizations, Mitek helps companies reduce risk and meet regulatory requirements. Learn more at www.miteksystems.com. [(MITK-F)]

Follow Mitek on [LinkedIn](#), [X](#) and [YouTube](#), and read Mitek's latest blog posts [here](#).

Notice Regarding Forward-Looking Statements

Statements contained in this news release relating to the Company or its management's intentions, hopes, beliefs, expectations or predictions of the future, including, but not limited to, statements relating to the Company's select preliminary revenue results for the second quarter ended March 31, 2024, the Company's fiscal 2024 guidance, its expectation regarding timing of revenue growth, its intent to use its growth drivers in place that leverage advanced AI and machine learning to meet evolving customer needs and its intent to enhance trust and convenience in digital interactions, are forward-looking statements. Such forward-looking statements are subject to a number of risks and uncertainties, including, but not limited to, risks related to the Company's ability to withstand negative conditions in the global economy, a lack of demand for or market acceptance of the Company's products, the impact of the Company's acquisition of HooYu Ltd. including any operational or cultural difficulties associated with the integration of the businesses of Mitek and HooYu Ltd., the Company's ability to continue to develop, produce and introduce innovative new products in a timely manner, the Company's ability to capitalize on a growing market, quarterly variations in revenue, the profitability of certain sectors of the Company, the performance of the Company's growth initiatives, the outcome of any pending or threatened litigation, and the timing of the implementation and launch of the Company's products by the Company's signed customers.

Additional risks and uncertainties faced by the Company are contained from time to time in the Company's filings with the U.S. Securities and Exchange Commission (SEC), including, but not limited to, the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023, as filed with the SEC on March 19, 2024 and its quarterly reports on Form 10-Q and current reports on Form 8-K, which you may obtain for free on the SEC's website at www.sec.gov. Collectively, these risks and uncertainties could cause the Company's actual results to differ materially from those projected in its forward-looking statements and you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company disclaims any intention or obligation to update, amend or clarify these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Investor Contact:

Todd Kehrli or Jim Byers
MKR Investor Relations, Inc.
mitk@mkr-group.com

Note Regarding Use of Non-GAAP Financial Measures

This news release contains non-U.S. generally accepted accounting principles ("GAAP") financial measures for non-GAAP net income and non-GAAP net income per share that exclude acquisition-related costs and expenses, litigation and other legal costs, executive transition costs, stock compensation expense, non-recurring audit fees, enterprise risk, portfolio positioning and other related costs, and restructuring costs. These financial measures are not calculated in accordance with GAAP and are not based on any comprehensive set of accounting rules or principles. In evaluating the Company's performance, management uses certain non-GAAP financial measures to supplement financial statements prepared under GAAP. Management believes these non-GAAP financial measures provide a useful measure of the Company's operating results, a meaningful comparison with historical results and with the results of other companies, and insight into the Company's ongoing operating performance. Further, management and the Board of Directors of the Company utilize these non-GAAP financial measures to gain a better understanding of the Company's comparative operating performance from period-to-period and as a basis for planning and forecasting future periods. Management believes these non-GAAP financial measures, when read in conjunction with the Company's GAAP financial statements, are useful to investors because they provide a basis for meaningful period-to-period comparisons of the Company's ongoing operating results, including results of operations against investor and analyst

financial models, which helps identify trends in the Company's underlying business and provides a better understanding of how management plans and measures the Company's underlying business.

The Company has not provided a reconciliation of its forward outlook for non-GAAP operating margin with its forward-looking GAAP operating margin in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company is unable, without unreasonable efforts, to quantify share-based compensation expense, which is excluded from our non-GAAP operating margin, as it requires additional inputs such as the number of shares granted and market prices that are not ascertainable due to the volatility of the Company's share price. Additionally, a significant portion of the Company's operations are in foreign countries and the transactional currencies are primarily Euros and British pound sterling and the Company is not able to predict fluctuations in those currencies without unreasonable efforts.

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

	December 31, 2023	September 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,538	\$ 58,913
Short-term investments	59,373	74,700
Accounts receivable, net	35,267	32,132
Contract assets, current portion	17,305	18,355
Prepaid expenses	6,908	3,513
Other current assets	2,573	2,396
Total current assets	185,964	190,009
Long-term investments	—	1,304
Property and equipment, net	2,695	2,829
Right-of-use assets	3,837	4,140
Goodwill and intangible assets	190,837	188,222
Deferred income tax assets	13,388	11,645
Contract assets, non-current portion	7,216	5,579
Other non-current assets	1,453	1,647
Total assets	405,390	405,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	10,169	7,589
Accrued payroll and related taxes	7,063	10,554
Accrued interest payable	598	305
Income tax payables	51	4,329
Deferred revenue, current portion	18,330	17,360
Lease liabilities, current portion	1,569	1,902
Acquisition-related contingent consideration	—	7,976
Other current liabilities	1,820	1,482
Total current liabilities	39,600	51,497
Convertible senior notes	137,486	135,516
Deferred revenue, non-current portion	1,051	957
Lease liabilities, non-current portion	2,792	2,867
Deferred income tax liabilities, non-current portion	6,757	6,476
Other non-current liabilities	3,906	2,874
Total liabilities	191,592	200,187
Stockholders' equity:		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value, 120,000,000 shares authorized, 46,631,594 and 45,591,199 issued and outstanding, as of December 31, 2023 and September 30, 2023, respectively	47	46
Additional paid-in capital	236,447	228,691
Accumulated other comprehensive loss	(7,591)	(14,237)
Accumulated deficit	(15,105)	(9,312)
Total stockholders' equity	213,798	205,188
Total liabilities and stockholders' equity	\$ 405,390	\$ 405,375

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

	Three Months Ended December 31,	
	2023	2022
Revenue		
Software and hardware	\$ 15,980	\$ 26,376
Services and other	20,937	19,327
Total revenue	<u>36,917</u>	<u>45,703</u>
Operating costs and expenses		
Cost of revenue—software and hardware (exclusive of depreciation & amortization)	40	169
Cost of revenue—services and other (exclusive of depreciation & amortization)	5,494	4,900
Selling and marketing	9,856	9,515
Research and development	8,874	7,670
General and administrative	15,538	8,479
Amortization and acquisition-related costs	3,983	4,821
Restructuring costs	48	1,776
Total operating costs and expenses	<u>43,833</u>	<u>37,330</u>
Operating income (loss)	(6,916)	8,373
Interest expense	2,263	2,137
Other income, net	1,642	336
Income (loss) before income taxes	(7,537)	6,572
Income tax benefit (provision)	1,744	(1,846)
Net income (loss)	<u>\$ (5,793)</u>	<u>\$ 4,726</u>
Net income (loss) per share—basic	<u>\$ (0.13)</u>	<u>\$ 0.11</u>
Net income (loss) per share—diluted	<u>\$ (0.13)</u>	<u>\$ 0.10</u>
Shares used in calculating net income (loss) per share—basic	<u>46,294</u>	<u>44,930</u>
Shares used in calculating net income (loss) per share—diluted	<u>46,294</u>	<u>45,634</u>

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

	Three Months Ended December 31,	
	2023	2022
Operating activities:		
Net income (loss)	\$ (5,793)	\$ 4,726
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation expense	3,430	2,442
Amortization of intangible assets	3,847	4,487
Depreciation and amortization	391	343
Amortization of investment premiums & other	(1,398)	13
Accretion and amortization on debt securities	1,970	1,844
Net changes in estimated fair value of acquisition-related contingent consideration	136	330
Deferred taxes	(1,708)	(3,459)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(2,771)	58
Contract assets	(511)	(5,507)
Other assets	(3,192)	(154)
Accounts payable	2,520	980
Accrued payroll and related taxes	(3,704)	(4,174)
Income taxes payable	(4,254)	5,149
Deferred revenue	857	(1,521)
Restructuring accrual	—	(651)
Other liabilities	717	354
Net cash provided by (used in) operating activities	(9,463)	5,260
Investing activities:		
Purchases of investments	(14,991)	—
Sales and maturities of investments	33,121	18,750
Purchases of property and equipment, net	(241)	(154)
Net cash provided by (used in) investing activities	17,889	18,596
Financing activities:		
Proceeds from the issuance of equity plan common stock	856	662
Payment of acquisition-related contingent consideration	(4,641)	—
Proceeds from other borrowings	707	—
Principal payments on other borrowings	(36)	(36)
Net cash provided by (used in) financing activities	(3,114)	626
Foreign currency effect on cash and cash equivalents	313	574
Net increase in cash and cash equivalents	5,625	25,056
Cash and cash equivalents at beginning of period	58,913	32,059
Cash and cash equivalents at end of period	\$ 64,538	\$ 57,115

MITEK SYSTEMS, INC.
DISAGGREGATION OF REVENUE
(Unaudited)
(amounts in thousands)

	Three Months Ended December 31,	
	2023	2022
Major product category		
Deposits software and hardware	\$ 14,048	\$ 24,453
Deposits services and other	7,029	5,828
Deposits revenue	21,077	30,281
Identity verification software and hardware	1,932	1,923
Identity verification services and other	13,908	13,499
Identity verification revenue	15,840	15,422
Total revenue	<u>\$ 36,917</u>	<u>\$ 45,703</u>

MITEK SYSTEMS, INC.
NON-GAAP NET INCOME RECONCILIATION
(Unaudited)
(amounts in thousands except per share data)

	Three Months Ended December 31,	
	2023	2022
Net income (loss)	\$ (5,793)	\$ 4,726
Non-GAAP adjustments:		
Acquisition-related costs and expenses	3,984	4,821
Litigation and other legal costs	2,169	253
Executive transition costs	209	—
Stock compensation expense	3,430	2,442
Non-recurring audit fees	1,638	740
Enterprise risk, portfolio positioning and other related costs	996	—
Restructuring costs	48	1,776
Amortization of debt discount and issuance costs	1,970	1,844
Income tax effect of pre-tax adjustments	(2,967)	(2,992)
Cash tax difference ⁽¹⁾	641	662
Non-GAAP net income	<u>\$ 6,325</u>	<u>\$ 14,272</u>
Non-GAAP income per share—basic	<u>\$ 0.14</u>	<u>\$ 0.32</u>
Non-GAAP income per share—diluted	<u>\$ 0.14</u>	<u>\$ 0.31</u>
Shares used in calculating non-GAAP net income per share—basic	<u>46,294</u>	<u>44,930</u>
Shares used in calculating non-GAAP net income per share—diluted	<u>46,294</u>	<u>45,634</u>

(1) The Company's non-GAAP net income is calculated using a cash tax rate of 13% in fiscal 2024 and 24% in fiscal 2023. The estimated cash tax rate is the estimated annual tax payable on the Company's tax returns as a percentage of estimated annual non-GAAP pre-tax net income. The Company uses an estimated cash tax rate to adjust for the historical variation in the effective book tax rate associated with the reversal of valuation allowances, and the utilization of research and development tax credits which currently have an overall effect of reducing taxes payable. The Company believes that the cash tax rate provides a more transparent view of the Company's operating results. The Company's effective tax rate used for the purposes of calculating GAAP net income for fiscal 2024 and 2023 was 23% and 28%, respectively.

MITEK SYSTEMS, INC.
NON-GAAP OPERATING INCOME RECONCILIATION
(Unaudited)
(amounts in thousands)

	Three Months Ended December 31,	
	2023	2022
GAAP operating income	\$ (6,916)	\$ 8,373
Non-GAAP adjustments:		
Acquisition-related costs and expenses	3,984	4,821
Litigation and other legal costs	2,169	253
Executive transition costs	209	—
Stock compensation expense	3,430	2,442
Non-recurring audit fees	1,638	740
Enterprise risk, portfolio positioning and other related costs	996	—
Restructuring costs	48	1,776
Non-GAAP operating income	\$ 5,558	\$ 18,405
Total Revenue	\$ 36,917	\$ 45,703
Non-GAAP operating margin	15 %	40 %

Mitek Systems, Inc. (NASDAQ:MITK) Q1 2024 Earnings Conference Call April 15, 2024
5:00 PM ET

Company Participants

Todd Kehrli - MKR Investor Relations, Inc.
Max Carnecchia - CEO
Dave Lyle - CFO

Conference Call Participants

Jake Roberge - William Blair
Mike Grondahl - Northland Securities
Allen Klee - Maxim
Chad Bennett - Craig Hallam
Scott Buck - HC Wainwright

Operator

Hello, and welcome to Mitek's Fiscal 2024 First Quarter Earnings Conference Call. All participants will be in listen-only mode [Operator Instructions]. As a reminder, this conference is being recorded. I would now like to hand the call to Todd Kehrli of MKR Investor Relations. Todd, please go ahead.

Todd Kehrli

Thank you, operator. Good afternoon. And welcome to Mitek's fiscal 2024 first quarter earnings conference call. With me on today's call are Mitek's CEO, Max Carnecchia; and CFO, Dave Lyle. Before I turn the call over to Max and Dave, I'd like to cover a few quick items. Today, Mitek issued a press release announcing its financial results for its fiscal 2024 first quarter as well as preliminary results for its fiscal second quarter ended March 31, 2024. That release is available on the company's website at miteksystems.com. This call is being broadcast live over the Internet for all interested parties, and the webcast will be archived on the Investor Relations page of the company's website. I want to remind everyone that on today's call, management will discuss certain factors likely to influence the business going forward.

Any factors discussed today that are not historical facts, particularly comments regarding our long term prospects and market opportunities, should be considered forward-looking statements. These forward-looking statements may include comments about the company's plans and expectations of future performance. Forward-looking statements are subject to a number of risks and uncertainties, which could cause actual results to differ materially. We encourage all of our listeners to review our SEC filings, including our most recent 10-K and 10-Q for a complete description of these risks. Our statements on this call are made as of today, April 15, 2024, and the company undertakes no obligation to revise or update publicly any of the forward-looking

statements contained herein, whether as a result of new information, future events, changes in expectations or otherwise.

Additionally, throughout this call, we'll be discussing certain non-GAAP financial measures. Today's earnings release and the related current report on Form 8-K describe the differences between our non-GAAP and GAAP reporting and present the reconciliation between the two for the periods reported in the release.

With that said, I'll now turn the call over to Mitek's CEO, Max Carnecchia.

Max Carnecchia

Thanks, Todd. Welcome, everyone, to our fiscal year '24 Q1 earnings conference call. As always, we appreciate that you joined us today and thank you for your continued support and trust in Mitek. Today, I'll make some brief comments about Mitek's results and update you on the business priorities. I'll then turn the call over to Dave Lyle, our CFO, to review the first quarter financial results and provide our outlook. As previously discussed, in the first quarter of last year, we had a large one-time multi-year mobile deposit reorder that pulled forward three years of revenue into that quarter, creating a very difficult year-over-year comparison. It's important to note that this quarter's results are not representative of a business trend, in fact, to the contrary. With our fiscal 2024 guidance, we expect our Deposits product revenue to grow 10% to 12% year-over-year on a normalized basis and our Identity product revenue to grow 10% to 12% year-over-year on an organic basis. We anticipate that much of this growth will occur in the second half of the fiscal year, with the growth continuing in fiscal 2025.

Our conviction in Mitek's significant market opportunity continues to grow as we leverage our collective AI-powered data solutions to answer an accelerating fraud management need in the markets and geographies we serve. Evidence of this can be seen in three factors.

Number one, the accelerated need for identity verification as fraud and cybercrimes grow in sophistication and continue to plague banks and enterprises of all sizes. Number two, the rapidly growing misuse of deepfakes and voice cloning poses a significant threat to personal and financial security. As a result, our award-winning biometric authentication technology is seeing rapidly increasing demand. And number three, the momentum we are seeing with Check Fraud Defender product offering is exceeding our expectations and highlights the rise in fraud across the board as a critical problem to solve. These factors reinforce our purpose and strengthen our market opportunity.

As a reminder, our purpose is to empower regulated businesses to say yes to more good customers, more deposits, and more transactions with increased intelligence and customer safety. We focus on regulated businesses because the consequences are highest to those businesses and our core competency best suits those needs. Our mission informs our business decisions, and over the past decade we've steadfastly

developed solutions to fulfill this objective. With that said, let me briefly take you through our product evolution so you can better understand why we win.

First, we leveraged computer vision to develop the advanced image processing capabilities that underpin all our solutions today. Let's call that Mitek 1.0, which began in 2008 and remains the undisputed leader in mobile capture and deposit technology with over 90 patents and 99 of the top 100 banks in the U.S. using our solution. In Mitek 2.0, we began about seven to eight years ago, we applied machine learning and AI to automate identity verification, mainly by providing document verification. Anticipating the need for more advanced identity attributes, we then integrated the unparalleled technology and biometrics from ID R&D acquisition in 2021 to prove liveness and support identity authentication. Then, we added our low-code orchestration platform from HooYu acquisition in 2022, yielding a solution today, ready to tackle omnichannel identity fraud across the organization.

Today, harnessing the latest advancements in Gen-AI, coupled with the expansive capabilities of our orchestration platform, Mitek 3.0 is poised to be the leading authority in identity verification, authentication, and fraud management.

By demonstrating our industry leadership, we are winning new channels within the banks and helping drive new benefits and efficiency gains for our banking customers. Most recently, by reducing check fraud.

Banks are getting crushed by check fraud, which has reached an all-time high and rivals credit card fraud in the United States. In 2023, financial institutions reported unprecedented financial losses due to soaring check fraud. One institution reported \$135 million in losses, while total losses in the Americas were over \$20 billion, according to NASDAQ's Global Financial Crime Report.

We launched Check Fraud Defender two years ago to help banks address this growing problem. Our solution offers banks a secure cloud-hosted consortium that strengthens their existing fraud prevention and helps them significantly reduce financial losses.

One of our CFD customers reported saving over \$16 million in less than six months derived from both reductions in fraud check losses and reductions in operational expenses of dealing with this exploding problem. This significant cost savings benefit is driving substantial pipeline growth for this new product offering.

At the end of fiscal 2023, we had a handful of CFD customers, and we exited the March ending quarter with over 20. By the end of fiscal 2024, which ends in September, we're targeting to have over 50 CFD customers contracted to participate in the consortium. Even with this rapid customer adoption, we're just scratching the surface as we target our nearly 8,000 Mitek banking customers.

Starting to contribute to this pipeline are our channel partners. The channel has been a trusted blueprint for selling mobile deposits, and we're thrilled with the initial momentum we're seeing with the channel and Check Fraud Defender.

As I noted on our last call, CFD represents a noteworthy growth opportunity for Mitek. We estimate CFD has the potential to contribute \$200 million in annual revenue within the next five to seven years. CFD is also leading the way into adjacent opportunities for Mitek to help banks with new AI-driven fraud and identity management. By leveraging our unique access to rare and privileged customer data and transactional intelligence, we can deliver additional differentiated value to our customers and drive increased shareholder value.

Regarding the identity line of business, we continue to execute our strategic priorities. While it is early, and we have more to do, we are starting to see improved growth and increased market share for our identity orchestration platform, which we believe will drive higher returns over time.

Market tailwinds continue to fuel the identity opportunity. In 2023, fraud scams and bank fraud schemes totaled \$485 billion in losses globally, according to the Global Financial Crime Report from NASDAQ. Also in 2023, consumers reported losses exceeding \$10 billion to fraud, a 14% increase from the previous year. Digital identity verification is no longer a back-office concern, but a frontline in the fight against fraud. There has never been a greater need for banks and technology providers to innovate together.

NatWest is a great example of one such partnership and why our customers select Mitek's Verified Identity Platform, MiVIP, to take on these challenges. Like all major banks, NatWest faces rising threats from fraud rings and impersonation, but also the need to instill consumer confidence in their fraud defenses. Leveraging MiVIP, NatWest can configure different identity verification services to suit differing customer and business needs, as well as adjust for changing risk environments. As mandatory liveness detection becomes increasingly critical in digital identity processing, NatWest has enjoyed leveraging the platform to apply new biometric signals against growing use cases.

As the Wall Street Journal reported this month, deep fakes are coming for the financial sector. Companies using photos or audio to verify customers' identities are preparing for bad actors gaming the system with generative AI. The surge in deepfake-related fraud underscores the need for vigilance and robust detection mechanisms. Facial liveness detection technology stands at the forefront of combating these challenges, offering a sophisticated way to distinguish genuine human presence from fraudulent and deepfake attempts. IDLive Face Plus is designed to detect injection attacks and prevent deepfake fraud in a passive way. Thus dramatically improving the overall customer experience.

Most of today's facial liveness technologies are "active," requiring users to blink, turn their heads, or move their phones back and forth. These systems are frustrating to the customer and can be tricked by fraudsters using computer-generated images, masks, or

videos. Mitek's award-winning ID R&D teams have worked relentlessly to ensure our customers don't have to sacrifice usability for security. IDLive Face Plus combines groundbreaking presentation attack detection with a unique approach to injection attack detection to prevent deepfakes and other fraudulent digital content. Instead of just focusing on the content of digital fakes like the image, it helps shut down the channel used to deliver it, such as a virtual camera.

Customers and partners who have made the switch from active to passive facial liveness report a significant reduction in abandonment, lower false rejections of real users, and highly accurate presentation attack detection.

Our ID R&D team's ongoing innovation continues to be at the center of our identity verification solutions, and their rapid integration of Gen-AI solutions continues to yield outstanding products.

Leveraging the significant opportunities within burgeoning sectors influenced by AI and identity and fraud trends, Mitek is strategically positioned to expand its revenue and profitability.

Mitek remains at the technological forefront, providing advanced machine learning and AI solutions, enabling businesses to effectively counter fraud while improving trust and convenience in digital transactions through our leading orchestration platform.

Lastly, I'm thrilled that with the filing of our 10-Q today, we are now current and back on track to file our quarterly and annual filings in the normal fashion. This has been a long and difficult process, with significantly improved financial controls and reporting in place, we are confident in our ability to maintain our filings going forward.

I will now turn the call over to Dave to discuss the financial results in more detail. Following Dave's remarks, we will open the call for questions. Dave, please go ahead.

Dave Lyle

Thanks, Max. I'll begin by taking you through the fiscal Q1 2024 financial results and then comment on our outlook.

Looking first at fiscal Q1 revenue, top line revenue for the fiscal quarter declined 19% year-over-year to \$36.9 million due primarily to a large multi-year mobile check deposit reorder with one customer where Mitek recognized additional licensed revenue in fiscal Q1 2023, relating to future years, of approximately \$7.0 million and which deducted approximately \$2.7 million from fiscal Q1 2024. Adjusting for that entry, top line revenue would have grown by 3% year-over-year.

Software and hardware revenue declined 39% to \$16 million in fiscal Q1 2024, primarily due to the multi-year contract just discussed.

Services and other revenue grew 8% to \$20.9 million in fiscal Q1 2024. This increase was primarily due to strong growth in SaaS revenue, as well as increased maintenance revenue associated with Deposits product software sales.

Shifting to revenue for our two major product categories, Deposits and Identity, let's start with Deposits.

Deposits revenue declined 30% year-over-year in fiscal Q1 2024 to \$21.1 million, for reasons just described. Adjusting for that multi-year contract, Deposits revenue would have grown about 4% year-over-year. The quarter's revenue was also impacted by timing of reorders. Please note that 67% of Deposits revenue was in Mitek's software and hardware revenue, and 33% was in services and other revenue.

Identity revenue for the first fiscal quarter grew 3% year-over-year to \$15.8 million, driven by our SaaS products revenue. Growth from our newer identity authentication products, including MiVIP, MiPass, and ID R&D biometrics, which grew faster than the market, was somewhat offset by the sunsetting of our legacy ICAR hardware and software products, as well as some pressure from commoditization in the document verification market. Approximately 12% of Identity revenue was in Mitek's software and hardware revenue, and 88% was in services and other revenue for the first fiscal quarter of fiscal year 2024.

Moving on to gross margin, the total gross margin for fiscal Q1 2024 was 85%, down from 89% in fiscal Q1 2023, due to a product mix shift, which included less revenue in fiscal Q1 2024 from a strong gross margining Deposits product. We continue to deliver strong software and hardware gross margins of close to 100% for fiscal Q1 2024, while on services and other revenue our gross margin was 74%.

GAAP operating expense for fiscal Q1 2024 was \$38.3 million compared to \$32.3 million a year ago. Non-GAAP operating expense for fiscal Q1 2024 was \$25.8 million compared to \$22.2 million last year, and favorable when compared to the prior quarter, fiscal Q4 2023. The year-over-year increase in non-GAAP operating expense was primarily related to fees associated with our delayed filings, including audit, accounting and legal support, and to a lesser extent, the addition of resources to our corporate services team to accommodate our scaling business. Excluded from our non-GAAP operating expense was \$12.5 million of non-recurring items, of which \$7.3 million were non-cash accounting items and \$5.2 million were cash items. The non-cash items were comprised of amortization of purchased intangibles and stock-based compensation expense. Cash items were comprised of non-recurring fees from delayed filings, legal, and other expenses. Please see our earnings release for a more detailed reconciliation.

Our non-GAAP operating income was \$5.6 million in fiscal Q1 2024, or a 15% non-GAAP operating margin. Excluded from non-GAAP operating income was \$12.5 million in expenses, as described above and as detailed in our GAAP to non-GAAP reconciliation included in today's earnings release.

GAAP net loss for fiscal Q1 2024 was \$5.8 million, or a loss of \$0.13 per basic share versus net income of \$4.7 million, or \$0.10 per diluted share in the prior fiscal year.

Non-GAAP net income for fiscal Q1 2024 was \$6.3 million, or \$0.14 per diluted share versus \$14.3 million, or \$0.31 per diluted share in the prior fiscal year.

Our diluted share count for the year was 46.3 million, compared to 45.6 shares a year ago.

Turning to our balance sheet, our cash and investments declined sequentially \$11 million from \$134.9 million in fiscal Q4'23 to \$123.9 million at the end of fiscal Q1 2024, primarily because in fiscal Q1 we paid out \$7.8 million in cash for 2023 taxes and also paid \$4.6 million for the cash portion of the final earnout from the ID R&D acquisition.

Moving on to guidance, we are reiterating our fiscal year 2024 revenue guidance range of \$180 million to \$185 million. Looking more closely at fiscal Q2, we are providing a preliminary revenue range of \$46 million to \$47 million, almost \$9 million sequentially higher than fiscal Q1 2024 at the midpoint of the range, driven by a return to a more typical quarter from our Deposits product revenue.

From a quarterly trending perspective, we continue to expect top-line revenue to grow year-over-year and sequentially in Q3, and with Q4 expected to be in the range of Q3 revenue. Quarter-to-quarter changes due to deal timing may influence these expectations.

We continue to expect our Identity business to reach stand-alone profitability on a fully-burdened basis in the fourth fiscal quarter.

With regard to taxes, we expect to be a taxpayer in fiscal 2024 with a tax rate in the 25% plus or minus range of GAAP pre-tax net income.

In addition, we are reiterating our full-year fiscal 2024 non-GAAP operating margin guidance range of 30% to 31%.

Before I conclude, I would like to touch on where we are with our SEC filings. With our 10-K filing done in March and the filing of our 10-Q today, we are now current on our filings and are already working diligently on the fiscal second quarter 10-Q for the period ended March 31, 2024 and are targeting to file in a timely manner.

Operator, that concludes our prepared remarks, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions]

Today's first question comes from Jake Roberge of William Blair.

Jake Roberge

Hey, thanks for taking the question. Appreciate the color on the one-time contract that was pulled forward last year, but even excluding that, the full year guide assumes a fairly large back half ramp, so could you just walk us through the building blocks that give you confidence in that guide, whether it be the new products like Check Fraud Defender ramping more meaningfully, easier comps just given the large contracts and end-of-life products, would just be helpful to unpack what's exactly driving that strong back half ramp in the guide.

Max Carnecchia

Hey Jake, thanks for calling. I'll let Dave give you the building blocks. I think the top cap comment I would make is we've tried to, as we've shared with you guys before, we've tried to kind of provide some guidance around the idea that you need to look at these businesses not on a month-to-month, week-to-week basis. You got to look over a longer span of time and I think that's definitely what's going to come into play here, but I'll let the building blocks come from Dave.

Dave Lyle

Yes, I think you were characterizing it correctly. We have our kind of heritage business in mobile Deposits as well as kind of document verification, those kinds of products, and we've got these new products that Max has talked about in the last couple of earnings calls on the Deposits side, the Check Fraud Defender product, which we think is very promising and it's kind of just now starting to pick up momentum and so we think that will drive growth in the second half of the fiscal year. And then also on the kind of ID R&D biometrics, as well as the MiVIP platform, including MiPass, are all opportunities for growth in the second half, all of which are kind of ramping at the same time.

Jake Roberge

Okay, very helpful. And then, yes, great to hear that you had over 20 customers using Check Fraud Defender exiting that March quarter. Could you just give us a little more detail on those deals and maybe walk through how long those sales cycles took, what those customers were using before Check Fraud Defender, and then if you could just give us any insight into just how large an annual contract value could be for some of those bigger deals that you've landed thus far, that would just be helpful in understanding kind of the opportunity with check fraud.

Max Carnecchia

Sure, there's a lot to unpack in there, so if I miss anything, you just remind me which elements I missed with the question, Jake. So, as a reminder for folks, we co-created Check Fraud Defender in conjunction with one of the top five banks in the United States, obviously using the intellectual property and knowhow and kind of all of our frameworks around computer vision and machine learning and how to visually inspect the check and

use over 20 different elements to pull that check apart and determine whether it's fraudulent or not. And so, we've been at that, as I said, we introduced the product about two years ago, and as you'd imagine with any kind of consortium, especially in a banking environment that's so highly regulated and so full of lawyers and compliance professionals the first sales cycle there was well over 12 months. And if you kind of laid down the 20 contracted customers we have today, you're almost watching the sales cycles fall into half-lives, right? So to give you a sense, if I had to kind of paint a picture of those 20 participating consortium members, we focused very heavily on the top 100 banks, right?

So we've got a healthy dose of the top 100 banks, but we also, about four or five months ago, announced a relationship with Abrigo, and Abrigo, back in February, introduced kind of their first product based on CFD, and in the quarter, had success in this quarter, the March ending quarter, had success closing some smaller financial institutions. So now we've got some really big guys, and we're focused on that in a very direct way with our direct sellers. And now we're starting to light up that channel that has been so successful for mobile deposit, starting with a relationship I just mentioned, but to be followed very, very quickly by some of the other traditional channel partners we've had, the core banking service providers. So that hopefully gives you a flavor for it. It's hard to give you an average if you think about top 100 banks. Those contracts are multi-hundreds of thousands of dollars a year to low millions of dollars a year, and then some of these ones that we're now seeing in the longer tail through the Abrigo relationship they're under \$100,000 a year. But there so many of them. There's just such a big opportunity there with the 8,000 financial institutions that already know and really enjoy a relationship with Mitek.

Jake Roberge

Okay, very very very helpful there. And then if I could just sneak one more in. Now that you're current on the filings, have the 10-Q published, working on the 2Q filing, just curious if you could just give us any updated thoughts around capital allocation, whether it be buybacks or converse, just how you're thinking about capital allocation, whether Max being at the helm for a few years now, or Dave, now you're taking a new look at the business. Just curious how you two are thinking about those plans moving forward.

Max Carnecchia

Yes, I don't think we have anything new to announce today. I will remind you that almost on a monthly basis, certainly no less than quarterly, we're reviewing our capital allocation approach with our board, with our senior team, and with our outside advisors. Let us get the Q2 on file, and let us get current, and see if we've got more to talk about in the next call.

Operator

The next question comes from Mike Grondahl with Northland Securities.

Mike Grondahl

Hey, thanks guys. A couple of follow-up questions on Check Fraud Defender. The first one is, you guys said that was exceeding your internal expectations. Just curious what that relates to, is that revenue, number of banks, maybe if you can cover that. And then secondly, as you're expanding that reseller channel past Abrigo, is that going to include like the Fiservs, Jack Henry, FISs of the world? Like how extensive will your reseller partners be, and when do you expect that to start?

Max Carnecchia

Yes, some great questions in there, Mike. So obviously, we're very bullish about Check Fraud Defender, both in the near term, but also on the more intermediate term. For the other callers or listeners here, just to state the top cap point of this, check fraud has become a board level issue for every financial institution in the United States. If you're a board meeting in a bank in the United States, it doesn't matter whether you're a small community bank or whether you're Jamie Dimon of JPMC, this is coming up in that meeting. I mean, that's the level of losses and the kind of disruption and damage to customer relationships that is going on with this activity. So back to your question, I put the spotlight on Abrigo because they started to have success and they turned the sales cycles very, very quickly, which we're quite impressed with. But you pointed to some of the longer term, much larger institutions that serve as core service providers to the banks and that have, for the better part of 15 years, been very trusted partners, both to the banks and to Mitek. And I don't want to use any of the names, but we're very close to getting those folks signed up and getting them online with Check Fraud Defender.

The start of your question was around our internal expectations. And I think if you had sat down with me and asked at the beginning of the year, on October 1st, the beginning of the fiscal year, you know how many consortiums contracted customers will you have coming out of March? I would have said, if we do this the right way, we'll have 15, and we're over 20. So that's the reason that I feel like we're ahead of expectations is largely around that.

Mike Grondahl

Got it. And then just one question on mobile check Deposits. I think you talked about, for the year 2024, sort of like 10% to 12% normalized growth. Roughly, is that half of that coming from price and half of that coming from transactions? How do we just get a feel for the mix there?

Mike Grondahl

Yes, I'll let Dave see if he wants to take a swing at how we break the mix up. But when we said the normalized, again, it's trying to do the math backing out the additional three years of the contract, the very large contract we took in Q1 of fiscal year '23, and then laying in one third of that into Q1 of '24. I think we lay that map out either in the press release. Anyway, in the press release, yes. As far as that 10% to 12% it's, part of it is

price increases and part of it is increased adoption of mobile banking. I don't know if you break it out, Dave.

Dave Lyle

I haven't broken that further than that publicly, but those are the two variables that are at play.

Max Carnecchia

And we probably shouldn't do that today.

Dave Lyle

No.

Operator

The next question is from Allen Klee with Maxim.

Allen Klee

Yes, hi. Just some of the add-backs you have for coming up with your adjusted numbers. I had questions if you could kind of go into what was happening there, and if you're expecting any large ones in the first quarter, in the March quarter, you had a \$2.2 million litigation cost in the December quarter or legal costs, and what is enterprise risk portfolio positioning and other related costs? Thank you.

Dave Lyle

Yes, thanks. It's a good question. In fiscal quarter one, taking out the, we'll address the legal questions in a second, but in fiscal quarter one, we used third-party experts to evaluate our product portfolio positioning, competitive landscape, enterprise risk, as well as some other related analyses, and that's really a one-time kind of study cost, so you won't see that come back in fiscal quarter two. And then on the legal side, yes we had a \$2 million higher legal expense. And if you look back into the details of fiscal quarter one, the legal team used quite a few third-party legal experts to do a variety of important activities. Some of those activities include getting our SEC filings current, navigating the NASDAQ, the potential delisting activities that happen with NASDAQ. There's some ongoing litigation that we show in the Q that continues. And there was some outside legal expert help there. And then lastly, providing some support for customers in their own litigation. So it was a combination of events, not necessarily one thing that was specific.

Operator

The next question is from Chad Bennett with Craig Hallam.

Chad Bennett

Great. Thanks for taking my questions. So just maybe shifting over to the ID verification business and the 10% to 12% growth expectations there, is there a way to think about that side of the business from a transaction growth kind of same store sales standpoint versus a cross-sell upsell of MiVIP and MiPass, ID R&D type offerings and kind of how you think about that. And just generally from a transaction growth rate standpoint, are we seeing just year-over-year volume or transaction growth in that business this year? And do you see that strengthening throughout the year? And then maybe last one tied to all of it is, Max, you mentioned in the press release, I think product market fit for MiVIP and MiPass, and ID R&D. How do you kind of define that or what are examples of that? Thanks.

Max Carnecchia

Sure, lots to unpack there, Chad. I'll do my best. Maybe to start with a little bit of a bigger picture here. The identity market has changed pretty significantly in the last two or three years with all that's happened with interest rates and the slowing of maybe some of the new competitor formation and them trying to get funding. And we've definitely seen some pressure on some of our high-flying competitors from the last three or four years, which I think both in the intermediate term and long-term is going to benefit Mitek. And the reason I start there is today, our model is very much a land and expand model. We're targeted on these regulated industries, the top companies within those regulated industries, primarily in North America and in Europe. The majority of the Identity business is done through our direct selling activities, so about 80% of the revenues come from our direct selling activities and about 20% from our valued partners that get us into geographies, use cases, and certain industries that we don't necessarily focus on. But if I had to look back on the last 18 months, I would tell you that probably 75% of the growth that we've enjoyed in Identity has been from the expand part of land and expand. We've reported this before, but new logo acquisition has become a very, very hard fought battlefield, both because of the desperation of some of the competitors that I started with explaining, but also just because of the uncertainty, the geopolitical landscape and the global economic uncertainty.

And so we've really been able to enjoy the relationships that we have with these big institutions where we might start in the retail bank in one geography with an onboarding journey, and then two to three years later we woke up and through our activities and working with that customer, the success that they're having, we'll find ourselves in five or six different use cases, some of which are onboarding, some are in new geographies, but many are identity authentication. So those are those step-up transactions or re-verifications of identity in the real world. So when I come back to your question, and then I'll talk about product market fit, we have seen transaction volumes grow and some geographies and some areas grow quite nicely. We've also been able to do a good job of cross selling, so some of the new capabilities that we have back into, again, that expand within the previously landed logo. But we've also, as Dave alluded to, in some of the heritage areas of identity attributes, we've seen some per unit pricing pressure. So

when it all washes out, I think you get the complexion of where we are today. From a product market fit perspective driving it, these are some basic value proposition things. Do you have all the key features that are needed, right? Does the audience really care? And do you have a business model that is enticing? And if all of that resonates, then you've established product market fit in a given segment. And our segments are based on industries, they're based on geographies, and they're based on use cases. So that's what I'm referring to.

Chad Bennett

Got it. And no, that's great color. And then just in terms of the ability to get and maybe timing more importantly to get to what I think you guys have talked about on the identity part of the business as kind of an industry or market growth rate of kind of high teens. Is that a potential fourth quarter event or fiscal year '25 event? Is there anything company specific that needs to happen to achieve those growth rates or is it macro related or none of the above?

Max Carnecchia

I think it's a combination of those things. Yes, so if we talk about 14% to 16% CAGR growth over the next five years, those numbers come from third parties like Gartner or Liminal, third party analyst firms that focus on this identity category that is a five year CAGR, so that's going to bounce around a little bit. We talked about the macroeconomic circumstance. But if we go back to some of the comments that both I made in the prepared remarks, but also Dave made in the prepared remarks, the composition of the Mitek Identity portfolio today is just head and shoulders over where it was three or four years ago between the biometrics and liveness category creation that we're doing with ID R&D, then translating that into something that could be cloud consumed for customers through MiPass, obviously plugging that into MiVIP, the end-to-end, low-code no-code orchestration layer, there's just so many things going on there that we have to offer customers that just a short three years ago we didn't have. Those are the growth drivers in the Identity side of things, and I think you'll see that in the second half of this year, but you'll see it going into '25 as well. And that's without even, I don't want to reach back, but that's without even talking about CFD again, which very much is a digital banking offering, but I've said this many times now that there's this very growing important intersection between what we do for fighting fraud for these financial institutions and what we do from an Identity perspective. It's very rare for somebody to perpetrate check fraud without simultaneously perpetrating identity fraud, and the access that we're having to these customers for Check Fraud Defender, the insights and the kind of challenges that they face, is helping us in both lines of business.

Operator

The next question is from Scott Buck with HC Wainwright.

Scott Buck

Hi. Good afternoon, guys. Just one for me. With the ID business moving towards breakeven in the fourth quarter, what kind of margin tailwind on a consolidated basis should we be thinking about for fiscal '25?

Max Carnecchia

We don't guide for '25.

Dave Lyle

Yes, not guiding for '25 outside of what we already did, but I wouldn't say we're going to see directionally material changes to what we've seen in the past.

Operator

Thank you. This concludes our question-and-answer session. I'd like to turn the call back over to Todd Kehrli for closing remarks.

Todd Kehrli

Thank you, operator, and thank you all for joining us today and for your continued support. As always, if you have any follow-up questions or would like to meet with management, please feel free to reach out to me, and I'll set something up. Thanks again, and have a great rest of your day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.
