

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

**Form 10-K**

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

**For the fiscal year ended September 30, 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**  
(State or other jurisdiction of  
incorporation or organization)  
**600 B Street, Suite 100**  
**San Diego, California**  
(Address of principal executive offices)

**87-0418827**  
(I.R.S. Employer  
Identification No.)

**92101**  
(Zip Code)

Registrant's telephone number: (619) 269-6800

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

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

**Preferred Stock Purchase Rights**  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 a 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	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the registrant's common stock on March 31, 2020, the last business day of the registrant's most recently completed second fiscal quarter, as reported on the NASDAQ Capital Market, was approximately \$317,317,789. Shares of stock held by officers and directors have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The registrant does not have any non-voting stock issued or outstanding.

There were 42,522,293 shares of the registrant's common stock outstanding as of November 30, 2020.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for the 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A are incorporated by reference into Part III of this Form 10-K to the extent stated herein.

**MITEK SYSTEMS, INC.**  
**FORM 10-K**  
**For The Fiscal Year Ended September 30, 2020**

[Important Note About Forward-Looking Statements](#)

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In this Annual Report on Form 10-K (“Form 10-K”), unless the context indicates otherwise, the terms “Mitek,” the “Company,” “we,” “us,” and “our” refer to Mitek Systems, Inc., a Delaware corporation.

### IMPORTANT NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), that involve risks and uncertainties, as well as assumptions that, if they never materialize or 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 Item 1—“Business,” Item 1A—“Risk Factors” and Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations,” but appear throughout this Form 10-K. Forward-looking statements may include, but are not limited to, statements relating to our outlook or expectations for earnings, revenues, expenses, asset quality or other future financial or business performance, strategies, expectations or business prospects, or the impact of legal, regulatory or supervisory matters on our business, results of operations, or financial condition. Specifically, forward-looking statements may include statements relating to our future business prospects, revenue, income, and 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,” 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.

In addition to those factors discussed under Item 1A—“Risk Factors,” important factors could cause actual results to differ materially from our expectations. These factors include, but are not limited to:

- adverse economic conditions;
- general decreases in demand for our products and services;
- changes in timing of introducing new products into the market;
- intense competition (including entry of new competitors), including among competitors with substantially greater resources than us;
- increased or adverse federal, state, and local government regulation;
- inadequate capital;
- unexpected costs;
- revenues and net income lower than anticipated;
- litigation;
- the possible fluctuation and volatility of operating results and financial conditions;
- the duration and impact of the novel COVID-19 pandemic on our business, our customers, and markets generally;
- the impact of legal, regulatory, or supervisory matters on our business, results of operations, or financial condition;
- inability to carry out our marketing and sales plans; and
- the loss of key employees and executives.

All forward-looking statements included in this Form 10-K speak only as of the date of this Form 10-K 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 that arise after the date of this Form 10-K or to reflect the occurrence of unanticipated events. The above list is not intended to be exhaustive and 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.

## PART I

### ITEM 1. BUSINESS.

#### 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 who count on Mitek to facilitate better online user experiences, detect and reduce fraud and document compliance with financial regulations. Our solutions are embedded in native mobile apps and browsers to facilitate better online user experiences, fraud detection and reduction, and compliant transactions. We work with partners and customers around the world to bring our technology to their platforms, offering customers assurance that allows them to safely and confidently transact business online.

Mitek’s identity verification technologies and services make it possible for banks, financial services organizations and the world’s leading marketplace and sharing platforms to verify an individual’s identity during digital transactions, allowing them to reduce risk and meet regulatory requirements. Our advanced mobile deposit system enables secure, fast and convenient deposit services. Thousands of organizations use Mitek solutions to optimize the security of mobile check deposits, new account openings and more.

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 (“AML”) 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 banks and customers and helps enable financial institutions 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.

#### Product and Technology Overview

##### *Technology*

During the fiscal year ended September 30, 2020, we had one operating segment: the development, sale, and service of our proprietary software solutions related to mobile image capture and identity verification.

Our digital technology solutions are provided in two parts: (i) a software development kit for mobile image capture and (ii) a software platform which utilizes artificial intelligence and machine learning to classify and extract data to enable mobile check deposit as well as aid the authentication of identity documents including passports, identity cards, and driver’s licenses using a camera-equipped device.

Our technology utilizes patented algorithms that analyze images of identity documents in many ways. These include image quality analysis, image repair and optimization, document identification and classification, data extraction, and authenticators.

## **Products**

### *Mobile Deposit®*

Mitek invented Mobile Deposit® to allow individuals and businesses to remotely deposit checks using their camera-equipped smartphone or tablet.

Mobile Deposit® is utilized by the mobile banking apps of retail banks. As of September 30, 2020, more than 7,500 U.S. financial institutions had signed agreements to deploy Mobile Deposit®.

The Mobile Deposit® process allows consumers to take photographs of the front and back of a check and then remotely deposit the check with their participating bank by submitting the images electronically. Mitek delivers a simple and easy user experience with our proprietary mobile automatic capture which assists users in capturing a usable image of a check by holding their mobile device over the check. We began selling Mobile Deposit® in early 2008.

### *Mobile Verify®*

Mobile Verify® is an identity verification solution that can be integrated into mobile apps, mobile websites, and desktop applications. Mobile Verify® combines an optimal image capture experience with our leading document authentication technology — assisting our customers validate that the identity document presented in a digital transaction is genuine and unaltered. Adding a second layer for identity proofing, Mobile Verify® ties the portrait extracted from the identity document with a selfie of its presenter by doing a biometric face comparison.

The Mobile Verify® identity verification engine is a modular cross-platform architecture, which is built on machine learning and advanced computer vision algorithms. In order to achieve the highest accuracy rates, Mitek's technology was conceptualized to verify the authenticity of an identity document in the following systematic approach:

- Guided document capture, enabling users to take a quality photo for optimal processing;
- Document classification computer vision algorithms recognize and classify thousands of diverse identity documents allowing for reliable data extraction;
- Data extraction that goes beyond traditional OCR to deconstruct the document and analyze the content of each field; and
- Evaluation of authenticity elements, using a combination of machine learning techniques and unique computer vision algorithms to help determine the authenticity of a document by evaluating several elements within the document.

### *Mobile Fill®*

Mobile Fill®, which includes automatic image capture, minimizes the numbers of clicks and expedites form fill completion. In mere seconds, and just by taking a photo, prospects can complete application forms and quickly become approved users. Organizations can use Mobile Fill® for a variety of purposes, including streamlining the process of opening a checking, savings, or credit card account, paying a bill, activating a 'switch and save' offer, and more. Mobile Fill® is available for native apps and browser applications.

### *Mobile Docs™*

Mobile Docs™ is a mobile document scanning solution. It enables consumers to take photos of documents resulting in scanner-quality images. Mobile Docs™ is used to submit the trailing documents required for digital account opening, lending, and other use cases where supporting documentation is required in a workflow.

### *CheckReader™*

CheckReader™ enables financial institutions to automatically extract data from checks once they have been scanned or photographed by the application. Easily integrated into mobile and server-based applications providing automatic image pre-processing and recognition capabilities, CheckReader™ allows for the automatic recognition of all fields on checks and generic payments documents, whether handwritten or machine print. CheckReader™ is utilized as a core component throughout a wide range of check processing applications; including ATMs, centralized and back office processes, remittance, merchants, and fraud applications. CheckReader™ is deployed within eight of the top ten U.S.-based banks, 90% of French and Brazilian Banks, and 100% of United Kingdom banks.

### *XE™*

XE™ is powered by a recurrent neural network engine and delivers significantly higher levels of accuracy for check image processing. The technology is designed to locate and extract key fields on checks such as the amount (Courtesy Amount and Legal Amount), date, and payee name, regardless of whether the data is handwritten, machine print, or cursive handwriting. With built-in

image quality analysis and image usability analysis, the toolkit also ensures that the check meets the Check Clearing for the 21<sup>st</sup> Century Act requirements and other industry and regulatory standards.

### *ID\_CLOUD™*

ID\_CLOUD™ is a fully automated identity verification solution that can be integrated into a customer's application to instantly read and validate identity documents. ID\_CLOUD™ automated technology enables global enterprises to improve their customer acquisition technology while meeting AML requirements in a safe and cost-effective manner. This solution is available in the cloud, via mobile websites, and desktop applications. Additionally, a version of ID\_CLOUD™ is available that works locally on a desktop which is connected to a proprietary hardware scanner for reading and validating identity documents.

### **Sales and Marketing**

We derive revenue predominately from the sale of licenses (to both our on premise and transactional software as a service ("SaaS") products) and transaction fees to use our Mobile Deposit®, Mobile Verify®, Mobile Fill®, Mobile Docs™, CheckReader™, and ID\_CLOUD™ products, and to a lesser extent by providing maintenance and professional services for the products we offer. The revenue we derive from the sale of such licenses is derived from both the sale to our channel partners of licenses to sell the applications we offer as well as the direct sale of licenses and services to customers.

We have an internal marketing group that develops corporate and digital marketing strategies. The internal team executes these strategies with the help of external resources as needed to support both direct sales and channel partners' sales efforts.

For the fiscal year ended September 30, 2020, we derived revenue of \$15.8 million from one customer, with such customer accounting for 16% of our total revenue. For the fiscal year ended September 30, 2019, we derived revenue of \$22.8 million from two customers, with such customers accounting for 17% and 10%, respectively, of our total revenue. For the fiscal year ended September 30, 2018, we derived revenue of \$20.0 million from two customers, with such customers accounting for 22% and 10%, respectively, of our total revenue.

Deposits revenue accounted for approximately 67%, 67%, and 65% of the Company's total revenue for the fiscal years ended September 30, 2020, 2019, and 2018, respectively. Identity verification revenue accounted for approximately 33%, 33%, and 35% of the Company's total revenue for the fiscal years ended September 30, 2020, 2019, and 2018, respectively. Revenue from international sales accounted for approximately 24%, 31%, and 27% of the Company's total revenue for the fiscal years ended September 30, 2020, 2019, and 2018, respectively.

### **Intellectual Property**

Our success depends in large part upon our proprietary technology. We attempt to protect our intellectual property rights primarily through a combination of patents, copyrights, trademarks, trade secrets, employee and third-party non-disclosure agreements, and other measures. We believe that factors such as the technological and creative skills of our personnel, new product development, frequent product enhancements, name recognition, and reliable product maintenance are essential to establishing and maintaining a technological leadership position. There can be no assurance that our means of protecting our proprietary rights in the U.S. or abroad will be adequate. We seek to protect our software, documentation, and other written materials under trade secret and copyright laws, which afford only limited protection. Further, there can be no assurance that our patents will offer any protection or that they will not be challenged, invalidated, or circumvented. If we are unable to protect our intellectual property, or we infringe on the intellectual property rights of a third-party, our operating results could be adversely affected.

As of September 30, 2020, the U.S. Patent and Trademark Office has issued us 67 patents with expiration dates ranging from 2026 through 2037 and we have filed for 20 additional domestic and international patents. We have 38 registered trademarks and will continue to evaluate the registration of additional trademarks, as appropriate. We claim common law protection for, and may seek to register, other trademarks. In addition, we generally enter into confidentiality agreements with our employees.

### **Market Opportunities, Challenges, and 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 consumers demands of 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 service. As the use of new technology increases, so does associated fraud and cyber-attacks. The negative outcomes of fraud and cyber-attacks 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 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.

## **Competition**

The market for our products and solutions is intensely competitive, subject to rapid change, and significantly affected by new product introductions and other market activities of industry participants. We face direct and indirect competition from a broad range of competitors who offer a variety of products and solutions to our current and potential customers. Our principal competition comes from: (i) customer-developed solutions; (ii) companies offering alternative methods of identity verification; and (iii) companies offering competing technologies capable of mobile remote deposit capture or authenticating identity documents and facial photo comparison.

It is also possible that we will face competition from new industry participants or alternative technologies. Moreover, as the market for automated document processing, image recognition and authentication, check imaging, and fraud detection software develops, a number of companies with significantly greater resources than we have could attempt to enter or increase their presence in our industry, either independently or by acquiring or forming strategic alliances with our competitors, or otherwise increase their focus on the industry. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products to address the needs of our current and potential customers.

Our products are compliant with Service-Oriented Architecture standards and compete, to various degrees, with products produced by a number of substantial competitors. Competition among product providers in this market generally focuses on price, accuracy, reliability, global coverage, and technical support. We believe our primary competitive advantages in this market are: (i) our mobile auto image capture user experience used by millions of consumers; (ii) our patented science; (iii) scalability; and (iv) an architectural software design that allows our products to be more readily modified, improved with added functionality, and configured for new products, thereby allowing our software to be easily upgraded.

Increased competition may result in price reductions, reduced gross margins, and loss of market share, any of which could have a material adverse effect on our business, operating results, and financial condition.

## **Research and Development**

We develop software products internally and also purchase or license rights to third-party intellectual property. We believe that our future success depends in part on our ability to maintain and improve our core technologies, enhance our existing products, and develop new products that meet an expanding range of customer requirements.

Internal research and development allows us to maintain closer technical control over our products and gives us the ability to determine which modifications and enhancements are most important and when they should be implemented to ensure the proper functioning and improved performance of our products. We intend to expand our existing product offerings and introduce new mobile

image capture and digital identity verification capabilities that meet a broader set of needs of our customers. We intend to continue to support the major industry standard operating environments.

Our research and development organization includes software engineers and scientists, many of whom have advanced degrees, as well as additional personnel in quality assurance and related disciplines. All our scientists and software engineers are involved in product development.

The development team includes specialists in artificial intelligence, computer vision, software engineering, user interface design, product documentation, product management, and quality assurance. The team is responsible for maintaining and enhancing the performance, quality, and utility of all of our products. In addition to research and development, our engineering staff provides customer technical support on an as-needed basis.

Our research and development expenses for the fiscal years ended September 30, 2020, 2019, and 2018 were \$22.9 million, \$21.9 million, and \$18.1 million, respectively. We expect research and development expenses during fiscal year 2021 to increase as compared with those incurred in fiscal year 2020 as we continue our new product research and development efforts.

### **Human Capital Resources**

As of September 30, 2020, we had 360 employees, 166 in the U.S. and 194 internationally, 350 of which are full time. Our total employee base consists of 189 sales and marketing, professional services, and document review employees, 127 research and development and support employees, and 44 employees in executive, finance, network administration, and other capacities. In addition, we engaged various consultants in the areas of research and development, product development, finance, and marketing during fiscal year 2020. We have never had a work stoppage and none of our employees are represented by a labor organization. Substantially all of our employees, other than certain number of our executive officers and employees with customary employment arrangements within Europe, are at will employees, which means that each employee can terminate his or her relationship with us and we can terminate our relationship with him or her at any time. We offer industry competitive wages and benefits and are committed to maintaining a workplace environment that promotes employee productivity and satisfaction. We consider our relations with our employees to be good. We are also focused on understanding our diversity and inclusion strengths and opportunities and executing on a strategy to support further progress. We continue to focus on building a pipeline for talent to create more opportunities for workplace diversity and to support greater representation within the Company.

### **Available Information**

Mitek was incorporated under the laws of the State of Delaware in 1986. Our principal offices are located at 600 B Street, Suite 100, San Diego, CA 92101 and our telephone number is (619) 269-6800. We are subject to the reporting requirements of the Exchange Act. Consequently, we are required to file reports and information with the Securities and Exchange Commission (the "SEC"), including reports on the following forms: annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports and other information concerning us may be accessed, free of charge, through the SEC's website at [www.sec.gov](http://www.sec.gov) and our website at [www.miteksystems.com](http://www.miteksystems.com). These reports are placed on our website as soon as reasonably practicable after they are filed with the SEC. Information contained in, or that can be accessed through, our website is not incorporated by reference into, nor is it in any way a part of, this Form 10-K.



## ITEM 1A. RISK FACTORS.

*The following risk factors and other information included in this Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the following risks actually occur, our business, financial condition, results of operations, cash flows, projected results, and future prospects could be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you could lose all or part of your investment or interest.*

### **Risks Associated With Our Business and Operations**

***We currently derive substantially all of our revenue from a few types of technologies. If these technologies and the related products do not achieve or continue to achieve market acceptance, our business, financial condition, and results of operations would be adversely affected.***

We currently derive substantially all of our revenue from license sales and services provided with our software products to customers incorporating our intelligent mobile imaging technology and software products. If we are unable to achieve or continue to achieve market acceptance of our core technologies or products incorporating such technologies, we will not generate significant revenue growth from the sale of our products.

Additionally, factors adversely affecting the pricing of or demand for our products and services, such as competition from other products or technologies, any decline in the demand for mobile image processing, negative publicity, or obsolescence of the software environments in which our products operate could adversely affect our business, financial condition, and results of operations.

***We cannot predict the impact that the decline of the use of checks, changes in consumer behavior facilitated by advances in technologies, and the development of check alternatives, or the plateau of the penetration of active mobile banking users may have on our business.***

Over the last few years, the use of checks has started to decline. Advances in technologies have enabled the development of check alternatives like Zelle and Venmo, which have caused certain changes in consumer behavior. As check alternatives become more widely accepted by consumers, the use of checks could continue to decline, which could have a negative effect on our business. In addition, as the mobile banking market matures, the growth of active mobile banking users is slowing, which may negatively impact our ability to grow our business.

***Claims that our products infringe upon the rights, or have otherwise utilized proprietary information, of third parties may give rise to costly litigation against us or our customers who we may be obligated to indemnify, and we could be prevented from selling those products, required to pay damages, and obligated to defend against litigation or indemnify our customers.***

In the past, third parties have brought claims against us and against our customers who use our products asserting that certain technologies incorporated into our products infringe on their intellectual property rights. Although we have resolved past claims against us that we have infringed on third-party patents, there can be no assurance that we will not receive additional claims against us asserting that our products infringe on the intellectual property rights of third parties or that our products otherwise utilize such third parties' proprietary information.

The Company is subject to indemnification demands related to various offers to license patents and allegations of patent infringement against several end-customers. 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 exact 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 us 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. 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. 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. The jury verdicts are subject to post-trial motions and appeal by Wells Fargo.

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, 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 or the ‘779 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. The PTAB is still considering the final Wells Fargo IPR petition (for the ‘517 patent) and has not yet issued a final written decision.

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. 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.

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 the Company’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 USAA’s U.S. Patent Nos. 8,699,779 (the “‘779 Patent”); 9,336,517 (the “‘517 Patent”); 9,818,090 (the “‘090 Patent”); and 8,977,571 (the “‘571 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 the Company’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. 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, the PTAB decided to exercise its discretion and deny institution of three 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 PTAB has not yet decided whether it will institute the final IPR petition. The Company continues to believe that the prior art cited in the petitions renders all the claims of the Subject Patents invalid. The Company is evaluating all of its options, including a request for rehearing of the PTAB’s decisions.

If our technology or products are found to infringe upon or otherwise utilize the intellectual property rights of third parties, including USAA, we could incur substantial costs as we may have to:

- obtain licenses, which may not be available on commercially reasonable terms, if at all, and may be non-exclusive, thereby giving our competitors access to the same intellectual property licensed to us;
- expend significant resources to redesign our products or technology to avoid infringement;
- discontinue the use and sale of infringing products;
- pay substantial damages;
- incur substantial costs indemnifying our customers; or
- defend litigation or administrative proceedings which may be costly whether we are successful or not, and which could result in a substantial diversion of our management resources and limit our exclusive rights to the technology we have developed.

Furthermore, in addition to the DJ Action, we may initiate other claims or litigation against parties for infringement of our intellectual property rights or to establish the validity of our intellectual property rights. Litigation, either as plaintiff or defendant, could result in significant expense to us, whether or not such litigation is resolved in our favor. Even if we were to prevail, any litigation could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations.

***If the patents we own or license, or our other intellectual property rights, do not adequately protect our technologies, we may lose market share to our competitors and be unable to operate our business profitably.***

Our success depends significantly on our ability to protect our rights to the technologies used in our products, including Mobile Deposit®. We rely on trademark, trade secret, copyright, and patent law, as well as a combination of non-disclosure, confidentiality, and other contractual arrangements to protect our technology and rights. However, these legal protections afford only limited protection and may not adequately protect our rights or permit us to gain or maintain any competitive advantage.

In addition, we cannot be assured that any of our pending patent applications will result in the issuance of a patent. The Patent and Trademark Office (“PTO”) may deny or require significant narrowing of claims in our pending patent applications, and patents issued as a result of the pending patent applications, if any, may not provide us with significant commercial protection or may not be issued in a form that is advantageous to us. We could also incur substantial costs in proceedings before the PTO. Our issued and licensed patents and those that may be issued or licensed in the future may expire or may be challenged, invalidated, or circumvented, which could limit our ability to stop competitors from marketing technologies related to ours. Additionally, upon expiration of our issued or licensed patents, we may lose some of our rights to exclude others from making, using, selling or importing products using the technology based on the expired patents.

We also must rely on contractual provisions with the third parties that license technology to us and that obligate these third parties to protect our rights in the technology licensed to us. There is no guarantee that these third parties would be successful in attempting to protect our rights in any such licensed technology. There is no assurance that competitors will not be able to design around our patents or other intellectual property or any intellectual property or technology licensed to us.

We also rely on unpatented proprietary technology. We cannot assure you that we can meaningfully protect all our rights in our unpatented proprietary technology or that others will not independently develop substantially equivalent proprietary technology or otherwise gain access to our unpatented proprietary technology. We seek to protect our know-how and other unpatented proprietary technology with confidentiality agreements and intellectual property assignment agreements with our employees, consultants, partners, and customers. However, such agreements may not be enforceable or may not provide meaningful protection for our proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements or in the event that our competitors discover or independently develop similar or identical designs or other proprietary information.

In addition, we rely on the use of registered and common law trademarks with respect to the brand names of some of our products. Common law trademarks provide less protection than registered trademarks. Loss of rights in our trademarks could adversely affect our business, financial condition, and results of operations.

Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as the laws of the U.S. If we cannot adequately protect our intellectual property rights in these foreign countries, our competitors may be able to compete more effectively against us, which could adversely affect our competitive position, as well as our business, financial condition, and results of operations.

***We face competition from several companies that may have greater resources than we do, which could result in price reductions, reduced margins, or loss of market share.***

We compete against numerous companies in the mobile imaging software market. Competition in this market may increase as a result of a number of factors, such as the entrance of new or larger competitors or alternative technologies. These competitors may have greater financial, technical, marketing and public relations resources, larger client bases, and greater brand or name recognition. These competitors could, among other things:

- announce new products or technologies that have the potential to replace our existing product offerings;
- force us to charge lower prices; or
- adversely affect our relationships with current clients.

We may be unable to compete successfully against our current and potential competitors and if we lose business to our competitors or are forced to lower our prices, our revenue, operating margins, and market share could decline. If our competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products or services, we may need to lower prices or offer other favorable terms in order to compete successfully. For these and other reasons, in the future we may choose to make changes to our pricing practices. Such changes could materially and adversely affect our margins, and our revenues may be negatively affected if our competitors are able to recapture or gain market share.

***We must continue to engage in extensive research and development in order to remain competitive.***

Our ability to compete effectively with our mobile imaging software products depends upon our ability to meet changing market conditions and develop enhancements to our products on a timely basis in order to maintain our competitive advantage. The markets for products incorporating mobile imaging software technology and products are characterized by rapid advancements in technology and changes in user preferences. Our continued growth will ultimately depend upon our ability to develop additional technologies and attract strategic alliances for related or separate products. There can be no assurance that we will be successful in developing and marketing product enhancements and additional technologies, that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of these products, or that our new products and product enhancements will adequately meet the requirements of the marketplace, will be of acceptable quality, or will achieve market acceptance.

***Defects or malfunctions in our products could hurt our reputation, sales and profitability.***

Our business and the level of customer acceptance of our products depend upon the continuous, effective, and reliable operation of our products. Our products are extremely complex and are continually being modified and improved, and as such may contain undetected defects or errors when first introduced or as new versions are released. To the extent that defects or errors cause our products to malfunction and our customers' use of our products is interrupted, our reputation could suffer and our revenue could decline or be delayed while such defects are remedied. We may also be subject to liability for the defects and malfunctions of third-party technology partners and others with whom our products and services are integrated. In addition, our products are typically intended for use in applications that are critical to a customer's business. As a result, we believe that our customers and potential customers have a greater sensitivity to product defects than the market for software products in general. There can be no assurance that, despite our testing, errors will not be found in new products or releases after commencement of commercial shipments, resulting in loss of revenues or delay in market acceptance, diversion of development resources, damage to our reputation, adverse litigation, or increased service and warranty costs, any of which would have a material adverse effect upon our business, operating results, and financial condition.

***Our lengthy sales cycles and the difficulty in predicting timing of sales or delays may impair our operating results.***

The long sales cycle and the implementation cycles for our software and services may cause operating results to vary significantly from period to period. The sales cycle for our products can be six months or more and varies substantially from customer to customer. Because we sell complex and deeply integrated solutions, it can take many months of customer education to secure sales and implement our product. Since our potential customers may evaluate our products before, if ever, executing definitive agreements, we may incur substantial expenses and spend significant management and legal effort in connection with a potential customer.

***Our historical order flow patterns, which we expect to continue, have caused forecasting difficulties for us. If we do not meet our forecasts or analysts' forecasts for us, the price of our common stock may decline.***

Historically, a significant portion of our sales have resulted from shipments during the last few weeks of the quarter from orders received in the final month of the applicable quarter. We do, however, base our expense levels, in significant part, on our expectations of future revenue. As a result, we expect our expense levels to be relatively fixed in the short term. Any concentration of sales at the end of the quarter may limit our ability to plan or adjust operating expenses. Therefore, if anticipated shipments in any quarter do not occur or are delayed, expenditure levels could be disproportionately high as a percentage of sales, and our operating results for that quarter would be adversely affected. As a result, we believe that period-to-period comparisons of our results of operations are not and will not necessarily be meaningful, and you should not rely upon them as an indication of future performance. If our operating results for a quarter are below the expectations of public market analysts and investors, it could have a material adverse effect on the price of our common stock.

***Entry into new lines of business, and our offering of new products and services, resulting from our acquisitions may result in exposure to new risks.***

New lines of business, products or services could have a significant impact on the effectiveness of our system of internal controls and could reduce our revenues and potentially generate losses. New products and services, or entrance into new markets, may require substantial time, resources and capital, and profitability targets may not be achieved. Entry into new markets entails inherent risks associated with our inexperience, which may result in costly decisions that could harm our profit and operating results. There are material inherent risks and uncertainties associated with offering new products, and services, especially when new markets are not fully developed or when the laws and regulations regarding a new product are not mature. Factors outside of our control, such as developing laws and regulations, regulatory orders, competitive product offerings and changes in commercial and consumer demand for products or services may also materially impact the successful implementation of new products or services. Failure to manage these risks, or failure of any product or service offerings to be successful and profitable, could have a material adverse effect on our financial condition and results of operations.

***Adverse economic conditions or reduced spending on information technology solutions may adversely impact our revenue and profitability.***

Unpredictable and unstable changes in economic conditions, including a recession, inflation, increased government intervention, or measures taken in response to a global pandemic like COVID-19, or other changes, may adversely affect our general business strategy. In particular an economic downturn affecting small and medium sized businesses could significantly affect our business as many of our existing and target customers are in the small and medium sized business sector and these businesses are more likely to be significantly affected by economic downturns than larger, more established businesses. Additionally, these customers often have limited discretionary funds, which they may choose to spend on items other than our products and services, causing our revenue to decline.

***We may need to raise additional capital to fund continuing operations and an inability to raise the necessary capital or the inability to do so on acceptable terms could threaten the success of our business.***

We currently anticipate that our available capital resources and operating cash flows will be sufficient to meet our expected working capital and capital expenditure requirements for at least the next 12 months. However, such resources may not be sufficient to fund the long-term growth of our business. If we determine that it is necessary to raise additional funds, we may choose to do so

through public or private equity or debt financings, a bank line of credit, strategic collaborations, licensing, or other arrangements. We cannot be sure that any additional funding, if needed, will be available on terms favorable to us, if at all. Furthermore, any additional equity or equity-related financing may be dilutive to our stockholders, new equity securities may have rights, preferences or privileges senior to those of existing holders of our shares of common stock, and debt or equity financing, if available, may subject us to restrictive covenants and significant interest costs. If we obtain funding through a strategic collaboration or licensing arrangement, we may be required to relinquish our rights to certain of our technologies, products or marketing territories. If we are unable to obtain the financing necessary to support our operations, we may be required to defer, reduce or eliminate certain planned expenditures or significantly curtail our operations.

***We expect to incur additional expenses related to the integration of ICAR Vision Systems, S.L. and A2iA Group II, S.A.S.***

We expect to incur additional expenses in connection with the integration of the business, policies, procedures, operations, technologies, and systems of ICAR Vision Systems, S.L., a company incorporated under the laws of Spain (“ICAR”), and A2iA Group II, S.A.S., a simplified joint stock company formed under the laws of France (“A2iA”). There are a large number of systems and functions that are being integrated into our larger organization, including, but not limited to, management information, accounting and finance, billing, payroll and benefits, and regulatory compliance. In addition, acquisitions of foreign entities, such as ICAR and A2iA, are particularly challenging because their prior practices may not meet the requirements of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) and/or accounting principles generally accepted in the U.S. (“GAAP”). While we have assumed that a certain level of expenses would be incurred to integrate these businesses, there are a number of factors beyond our control that could affect the total amount or the timing of all of the expected integration expenses. Moreover, many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. During our fiscal year ended September 30, 2020, we reversed \$(0.1) million of previously accrued restructuring costs in connection with our strategic restructuring of A2iA in June 2019, as they were not incurred.

***We may be unable to successfully integrate our business with the respective businesses of ICAR and A2iA and realize the anticipated benefits of the acquisitions.***

Our management will be required to continue to devote significant attention and resources to integrating our business practices and operations with that of ICAR and A2iA. In particular, the acquisitions of ICAR and A2iA involve the combination of two companies that previously operated as independent companies in different countries. Potential difficulties we may encounter as part of the integration process include, but are not limited to, the following:

- complexities associated with managing our business and the respective businesses of ICAR and A2iA following the completion of the acquisition, including the challenge of integrating complex systems, technology, networks, and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, suppliers, employees, and other constituencies;
- integrating the workforces of the companies while maintaining focus on providing consistent, high quality customer service; and
- potential unknown liabilities and unforeseen increased expenses or delays associated with the acquisitions, including costs to integrate the companies that may exceed anticipated costs.

Any of the potential difficulties listed above could adversely affect our ability to maintain relationships with customers, suppliers, employees, and other constituencies or our ability to achieve the anticipated benefits of the acquisitions or otherwise adversely affect our business and financial results. For example, subsequent to the acquisition of A2iA, we evaluated A2iA’s operations and determined that the market for certain products was small and lacking growth opportunity, were not core to our strategy, and were not profitable for the Company. In order to streamline the organization and focus resources going forward, we undertook a strategic restructuring of A2iA’s Paris operations in June 2019, which included, among other things, suspending the sale of certain A2iA products and offerings and a reduction in workforce. While we expect meaningful financial benefits from our strategic restructuring plan, we may not be able to obtain the cost savings and benefits that were initially anticipated.

***Our actual financial and operating results following the acquisitions of ICAR and A2iA could differ materially from any expectations or guidance provided by us concerning our future financial and operating results.***

The combined company resulting from the acquisitions of ICAR and A2iA may not perform as we or the market expects. Expectations regarding each of ICAR’s and A2iA’s impact on our financial and operating results are subject to numerous assumptions, including assumptions derived from our diligence efforts concerning the status of and prospects for the businesses of ICAR and A2iA, respectively, and assumptions relating to the near-term prospects for our industry generally and the market for the products of ICAR and A2iA in particular. Additional assumptions that we have made relate to numerous matters, including, without limitation, the following:

- projections of future revenues;
- anticipated financial performance of products and products currently in development;

- our expected capital structure after the acquisitions, including after the distribution of any earnout-shares that may (under certain circumstances) become payable to the former shareholders of ICAR;
- our ability to maintain, develop and deepen relationships with the respective customers of ICAR and A2iA; and
- other financial and strategic risks of the acquisitions.

We cannot provide any assurances with respect to the accuracy of our assumptions, including our assumptions with respect to future revenues or revenue growth rates, if any, of ICAR or A2iA. Risks and uncertainties that could cause our actual results to differ materially from currently anticipated results include, but are not limited to, risks relating to our ability to realize incremental revenues from the acquisitions in the amounts that we currently anticipate; risks relating to the willingness of customers and other partners of ICAR or A2iA to continue to conduct business with the combined company; and numerous risks and uncertainties that affect our industry generally and the markets for our products and those of each of ICAR and A2iA. Any failure to realize the financial benefits we currently anticipate from the acquisitions would have a material adverse impact on our future operating results and financial condition and could materially and adversely affect the trading price or trading volume of our common stock.

***Our corporate strategy and restructuring may not be successful.***

Subsequent to the acquisition of A2iA, we evaluated A2iA's operations and determined that the market for certain products was small and lacking growth opportunity, were not core to our strategy, and were not profitable for the Company. In order to streamline the organization and focus resources going forward, we undertook a strategic restructuring of A2iA's Paris operations in June 2019, which included, among other things, suspending the sale of certain A2iA products and offerings and a reduction in workforce.

While we expect meaningful financial benefits from our strategic restructuring plan, we may not be able to obtain the cost savings and benefits that were anticipated when we decided to undertake the restructuring. Our ability to achieve the anticipated cost savings and other benefits from these actions within the expected timeframe is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, if we experience delays or if other unforeseen events occur, our business, financial position, results of operations, and cash flow could be materially adversely affected.

***Our annual and quarterly results have fluctuated greatly in the past and will likely continue to do so, which may cause substantial fluctuations in our common stock price.***

Our annual and quarterly operating results have in the past and may in the future fluctuate significantly depending on factors including the timing of customer projects and purchase orders, new product announcements and releases by us and other companies, gain or loss of significant customers, price discounting of our products, the timing of expenditures, customer product delivery requirements, the availability and cost of components or labor, and economic conditions, both generally and in the information technology market. Revenues related to our licenses for mobile imaging software products are required to be recognized upon satisfaction of all applicable revenue recognition criteria. The recognition of future revenues from these licenses is dependent on a number of factors, including, but not limited to, the terms 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. Any unfavorable change in these or other factors could have a material adverse effect on our operating results for a particular quarter or year, which may cause downward pressure on our common stock price.

Historically, sales of licenses to our channel partners have comprised a significant part of our revenue. This is attributable to the timing of the purchase or renewal 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 expect quarterly and annual fluctuations to continue for the foreseeable future. These fluctuations may result in volatility in our results of operations, have an adverse effect on the market price of our common stock, or both.

***We face risks related to the storage of our customers' and their end users' confidential and proprietary information. Our products may not provide absolute security. We may incur increasing costs in an effort to minimize those risks and to respond to cyber incidents.***

Our products are designed to maintain the confidentiality and security of our customers' and their end users' confidential and proprietary information that is stored on our systems, which may include sensitive financial data and personally identifiable information about consumers. However, any accidental or willful security breaches or other unauthorized access to this data could expose us to liability for the loss of such information, time-consuming and expensive litigation, and other possible liabilities as well as negative publicity.

We devote significant resources to addressing security vulnerabilities in our products, systems and processes, however our maintenance and regular upgrades of our products, systems and processes, which are designed to protect the security of our products and the confidentiality, integrity and availability of information belonging to us and our clients, may not provide absolute security.

Techniques used to obtain unauthorized access or to sabotage systems change frequently, are increasingly sophisticated, and generally are difficult to recognize and react to. We may be unable to anticipate these techniques or implement adequate preventative or reactionary measures.

As cyber-attacks become more sophisticated, the need to develop our infrastructure to secure our business and customer data can lead to increased cybersecurity protection costs. Such costs may include making organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third-party experts and consultants. These efforts come at the potential cost of revenues and human resources that could be utilized to continue to enhance our product offerings.

A successful penetration or circumvention of the security of our products could cause serious negative consequences, including significant disruption of our operations, misappropriation of our confidential information or that of our clients, or damage to our systems or those of our clients and counterparties, and could result in violations of applicable privacy and other laws, financial loss to us or to our clients, loss of confidence in our security measures, client dissatisfaction, significant litigation exposure, and harm to our reputation, all of which could have a material adverse effect on us. We may not have adequate insurance coverages for a cybersecurity breach or may realize increased insurance premiums as a result of a security breach.

If an actual or perceived breach of security occurs, client perception of the effectiveness of our security measures could be harmed and could result in the loss of clients. Actual or anticipated attacks and risks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third party experts and consultants.

***Due to our operations in non-U.S. markets, we are subject to certain risks that could adversely affect our business, results of operations or financial condition.***

We generate revenue in markets outside of the U.S. The risks inherent in global operations include:

- lack of familiarity with, and unexpected changes in, foreign laws and legal standards, including employment laws and privacy laws, which may vary widely across the countries in which we sell our products;
- increased expense to comply with U.S. laws that apply to foreign corporations, including the Foreign Corrupt Practices Act (the “FCPA”);
- compliance with, and potentially adverse tax consequences of, foreign tax regimes;
- fluctuations in currency exchange rates, currency exchange controls, price controls, and limitations on repatriation of earnings;
- local economic conditions;
- increased expense related to localization of products and development of foreign language marketing and sales materials;
- longer accounts receivable payment cycles and difficulty in collecting accounts receivable in foreign countries;
- increased financial accounting and reporting burdens and complexities;
- restrictive employment regulations;
- difficulties and increased expense in implementing corporate policies and controls;
- international intellectual property laws, which may be more restrictive or may offer lower levels of protection than U.S. law;
- compliance with differing and changing local laws and regulations in multiple international locations, including regional data privacy laws, as well as compliance with U.S. laws and regulations where applicable in these international locations; and
- limitations on our ability to enforce legal rights and remedies.

If we are unable to successfully manage these and other risks associated with managing and expanding our international business, the risks could have a material adverse effect on our business, results of operations, or financial condition. Further, operating in international markets requires significant management attention and financial resources. Due to the additional uncertainties and risks of doing business in foreign jurisdictions, international acquisitions tend to entail risks and require additional oversight and management attention that are typically not attendant to acquisitions made within the U.S. We cannot be certain that the investment and additional resources required to establish, acquire or integrate operations in other countries will produce desired levels of revenue or profitability.

***Our international operations may increase our exposure to potential liability under anti-corruption, trade protection, tax, and other laws and regulations.***

The FCPA and other anti-corruption laws and regulations (“Anti-Corruption Laws”) prohibit corrupt payments by our employees, vendors, or agents. From time to time, we may receive inquiries from authorities in the U.S. and elsewhere about our

business activities outside of the U.S. and our compliance with Anti-Corruption Laws. While we have implemented policies, training, and internal controls designed to reduce the risk of corrupt payments, our employees, vendors, or agents may violate our policies. Our acquisitions of ID Checker, ICAR, and A2iA may significantly increase our exposure to potential liability under Anti-Corruption Laws. ID Checker, ICAR, and A2iA were not historically subject to the FCPA, Sarbanes-Oxley, or other laws, to which we are subject, and we may become subject to liability if in the past, ID Checker's, ICAR's, and A2iA's operations did not comply with such laws.

Our failure to comply with Anti-Corruption Laws could result in significant fines and penalties, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation. Operations outside of the U.S. may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment.

The transfer of personal data from the European Union ("EU") to the U.S. has become a significant area of potential operational and compliance risk. Earlier this year, the Court of Justice of the European Union ("CJEU") and the Swiss Federal Data Protection and Information Commissioner invalidated the U.S.-EU and U.S.-Swiss Privacy Shield frameworks, respectively. Privacy Shield was a mechanism for companies to transfer data from EU member states or Switzerland to the U.S. In its decision, the CJEU also indicated that individual EU member states could determine whether Standard Contractual Clauses ("SCCs") (another "adequate" option for data transfers) are sufficient to securely transfer data out of the EU. A number of local country data protection authorities in the EU have since determined that SCCs are invalid for data transfers to the U.S. Because of the legal challenges presented by these court and data protection authority decisions, there is uncertainty regarding the legal basis for data transfers to the U.S., which could lead to interruption of such transfers. Recently, the EU Data Protection Board published draft updated SCCs to address some of the issues presented in the CJEU decision. Those new SCCs will likely not go into effect until early 2021 at which time companies will need to review and revise their EU-U.S. data transfer agreements. In addition, it is unclear whether EU-UK data transfers will also require execution of SCCs in light of Brexit and related UK legislation. The complex nature and shifting laws related to EU/UK/Switzerland to U.S. data transfers could cause operational interruptions, liabilities and reputational harm. These and other requirements could increase the cost of compliance for us and our customers, restrict our and our customers' ability to store and process data, negatively impact our ability to offer our solutions in certain locations and limit our customers' ability to deploy our solutions globally. These consequences may be more significant in countries with legislation that requires data to remain localized "in country," as this could require us or our customers to establish data storage in other jurisdictions or apply local operational processes that are difficult and costly to integrate with global processes.

If we fail to comply with such laws and regulations, we may be subject to significant fines, penalties or liabilities for noncompliance, thereby harming our business. For example, in 2016, the EU adopted the General Data Protection Regulation ("GDPR"), which establishes new requirements regarding the handling of personal data and which became effective in May 2018. Non-compliance with the GDPR may result in monetary penalties of up to 4% of worldwide revenue.

Due to our international operations, we are subject to certain foreign tax regulations. Such regulations may not be clear, not consistently applied, and subject to sudden change, particularly with regard to international transfer pricing. Our earnings could be reduced by the uncertain and changing nature of such tax regulations.

***Fluctuations in foreign currency exchange and interest rates could adversely affect our results of operations.***

Our business is generally conducted in U.S. dollars. However, we earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues and expenses into U.S. dollars at the average exchange rate during each reporting period, as well as assets and liabilities into U.S. dollars at exchange rates in effect at the end of each reporting period. The costs of operating in The Netherlands, Spain, France, and other European markets are subject to the effects of exchange fluctuations of the Euro and British pound sterling against the U.S. dollar. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect our net revenues, net income (loss), and the value of balance sheet items denoted in foreign currencies, and can adversely affect our operating results.

***Compliance with changing regulations concerning corporate governance and public disclosure may result in additional expenses.***

Our business is subject to laws, rules, regulations, and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), Sarbanes-Oxley, and various other new regulations promulgated by the SEC and rules promulgated by the national securities exchanges.

The Dodd-Frank Act, enacted in July 2010, expands federal regulation of corporate governance matters and imposes requirements on publicly-held companies, including us, to, among other things, provide stockholders with a periodic advisory vote on executive compensation and also adds compensation committee reforms and enhanced pay-for-performance disclosures. While some provisions of the Dodd-Frank Act were effective upon enactment, and others have been implemented upon the SEC's adoption of related rules and regulations, the Dodd-Frank Act is not yet fully implemented and the scope and timing of the adoption of additional rules and regulations thereunder is uncertain and accordingly, the cost of compliance with the Dodd-Frank Act is also uncertain. In addition, Sarbanes-Oxley specifically requires, among other things, that we maintain effective internal control over financial reporting



and disclosure of controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley Act (“Section 404”). We have in the past, and may in the future, not qualify as a smaller reporting company. To the extent we no longer qualify as a smaller reporting company, our independent registered public accounting firm will be required to attest to our internal control over financial reporting. Our testing, or the subsequent testing by our independent registered public accounting firm, if required, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expenses and expend significant management efforts. We currently have limited internal audit capabilities and will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm, if applicable, identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

These and other new or changed laws, rules, regulations and standards are, or will be, subject to varying interpretations in many cases due to their lack of specificity. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our efforts to comply with evolving laws, regulations and standards are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Further, compliance with new and existing laws, rules, regulations and standards may make it more difficult and expensive for us to maintain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. Members of our board of directors (the “Board”) and our principal executive officer and principal financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. We continually evaluate and monitor regulatory developments and cannot estimate the timing or magnitude of additional costs we may incur as a result.

***We have a history of losses and we may not be able to maintain profitability in the future.***

Although we generated net income for the years ended September 30, 2020, 2017, 2016, and 2015, our operations resulted in a net loss of \$0.7 million, \$11.8 million, \$5.3 million, and \$7.3 million for the years ended September 30, 2019, 2018, 2014, and 2013, respectively. We may continue to incur significant losses for the foreseeable future which may limit our ability to fund our operations and we may not generate income from operations in the future. As of September 30, 2020, September 30, 2019, and September 30, 2018, we had an accumulated deficit of \$14.0 million, \$20.8 million, and \$21.0 million, respectively. Our future profitability depends upon many factors, including several that are beyond our control. These factors include, without limitation:

- changes in the demand for our products and services;
- loss of key customers or contracts;
- the introduction of competitive software;
- the failure to gain market acceptance of our new and existing products;
- the failure to successfully and cost effectively develop, introduce and market new products, services and product enhancements in a timely manner; and
- the timing of recognition of revenue.

In addition, we incur significant legal, accounting, and other expenses related to being a public company. As a result of these expenditures, we will have to generate and sustain increased revenue to achieve and maintain future profitability.

***An “ownership change” could limit our ability to utilize our net operating loss and tax credit carryforwards, which could result in our payment of income taxes earlier than if we were able to fully utilize our net operating loss and tax credit carryforwards.***

Federal and state tax laws impose restrictions on the utilization of net operating loss (“NOL”) and tax credit carryforwards in the event of an “ownership change” as defined by Section 382 of the Internal Revenue Code of 1986, as amended (“Section 382”). Generally, an “ownership change” occurs if the percentage of the value of the stock that is owned by one or more direct or indirect “five percent shareholders” increases by more than 50% over their lowest ownership percentage at any time during an applicable testing period (typically, three years). Under Section 382, if a corporation undergoes an “ownership change,” such corporation’s ability to use its pre-change NOL and tax credit carryforwards and other pre-change tax attributes to offset its post-change income may be limited. While no “ownership change” has resulted in annual limitations, future changes in our stock ownership, which may be outside of our control, may trigger an “ownership change.” In addition, future equity offerings or acquisitions that have equity as a component of the consideration could result in an “ownership change.” If an “ownership change” occurs in the future, utilization of our NOL and tax credit carryforwards or other tax attributes may be limited, which could potentially result in increased future tax

liability to us. We have adopted a Section 382 Rights Agreement, discussed below, to protect our utilization of our NOL and tax credit carryforwards.

### **Risks Related to Investing in Our Common Stock**

***From time-to-time our Board explores and considers strategic alternatives, including financings, strategic alliances, acquisitions, or the possible sale of the Company. Our Board may not be able to identify or complete any suitable strategic alternatives, and announcements regarding any such strategic alternatives could have an impact on our operations or stock price.***

In December 2018, after receiving unsolicited expressions of interest from multiple parties, we announced that we retained Evercore Group L.L.C. and Paul Hastings LLP, our financial advisor and outside legal advisor, respectively, to assist the Board and our management team in exploring and reviewing strategic alternatives. On May 1, 2019, we announced that we concluded this process. This process did not result in an offer to purchase the Company on terms and conditions that were acceptable to the Board, given the Board's view of the value of the Company and its assets and the Board's belief that we, can ultimately create more value for our stockholders by continuing to execute our current business strategy.

Our announcement on May 1, 2019 and other announcements related to strategic alternatives may result in a perception that there is uncertainty about the future of our business and operations, regardless of the actual circumstances. Such perceptions may negatively affect our business, disrupt our operations and divert the attention of our Board, management, and employees, all of which could materially and adversely affect our business and operations. In addition, our stock price may experience periods of increased volatility as a result of such perceptions and speculation about the future of our business and operations.

While we have concluded the process started in December 2018, it is possible that a strategic transaction may arise in the future. We currently have no agreements or commitments to engage in any specific strategic transactions, and we cannot assure you that any future explorations of various strategic alternatives will result in any specific action or transaction. If we determine to engage in a strategic transaction, we cannot predict the impact that such strategic transaction might have on our operations or stock price. We do not intend to provide updates or make further comments regarding the evaluation of strategic alternatives, unless otherwise required by law.

***Concentration of ownership among our current and former directors and executive officers may limit our other stockholder's ability to influence significant corporate decisions.***

As noted in our 2020 annual proxy statement, filed January 27, 2020 our current and former directors and executive officers as a group beneficially owned approximately 3.6% of our outstanding common stock, and continue to increase their beneficial ownership in the Company in light of our equity compensation program and focus on aligning the long-term interests of our executives and directors with those of our stockholders. Subject to any fiduciary duties owed to our other stockholders under Delaware General Corporation Law (the "DGCL"), these stockholders may be able to exercise significant influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have some control over our management and policies. Some of these persons may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree. The concentration of ownership could delay or prevent a change in control of the Company or otherwise discourage a potential acquirer from attempting to obtain control of the Company, which in turn could reduce the price of our stock. In addition, these stockholders could use their voting influence to maintain our existing management and directors in office, delay or prevent changes in control of the Company, or support or reject other management and board proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

***Future sales of our common stock by our insiders may cause our stock price to decline.***

A significant portion of our outstanding shares are held by our current and former directors and executive officers. Resales of a substantial number of shares of our stock by these stockholders, announcements of the proposed resale of substantial amounts of our stock, or the perception that substantial resales may be made by such stockholders could adversely impact the market price of our stock. Some of our directors and executive officers have in the past and may in the future enter into Rule 10b5-1 trading plans pursuant to which they may sell shares of our stock from time to time in the future. Actual or potential sales by these individuals, including those under a pre-arranged Rule 10b5-1 trading plan, regardless of the actual circumstances, could be interpreted by the market as an indication that the insider has lost confidence in our stock and adversely impact the market price of our stock.

We have registered and expect to continue to register shares reserved under our equity plans under a registration statement on Form S-8. All shares issued pursuant to a registration statement on Form S-8 can be freely sold in the public market upon issuance, subject to restrictions on our affiliates under Rule 144 of the Securities Act. If a large number of these shares are sold in the public market, the sales could adversely impact the trading price of our stock.

***A potential proxy contest for the election of directors at our annual meeting could result in potential operational disruption, divert our resources, and could potentially result in adverse consequences under certain of our agreements.***

Our investors may launch a proxy contest to nominate director candidates for election to the Board at our annual meeting of stockholders. A proxy contest would require us to incur significant legal fees and proxy solicitation expenses and could result in potential operational disruption, including that the investor-nominated directors (if elected) may have a business agenda for the Company that is different than the strategic and operational plans of the existing Board, which agenda may adversely affect our stockholders. Further, any perceived uncertainties as to our future direction and control could result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel and business partners, any of which could adversely affect our business and operating results and create increased volatility in our stock price.

Further, a change in a majority of the Board may, under certain circumstances, result in a change of control under certain employment agreements we have with our executive management and our 2002 Stock Option Plan, 2010 Stock Option Plan, Amended and Restated 2012 Incentive Plan, 2020 Incentive Plan, Director Restricted Stock Unit Plan, and any equity based awards issued thereunder. Pursuant to the agreements and awards, certain payments and vesting provisions may be triggered following a change of control, conditioned upon a qualifying termination that occurs within 12 months of any such change of control.

***Our corporate documents and the DGCL contain provisions that could discourage, delay, or prevent a change in control of our company, prevent attempts to replace or remove current management, and reduce the market price of our stock.***

Provisions in our restated certificate of incorporation and second amended and restated bylaws may discourage, delay, or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, our restated certificate of incorporation authorizes our Board to issue up to one million shares of “blank check” preferred stock, sixty thousand of which are reserved in connection with the Section 382 Rights Agreement, discussed below. As a result, without further stockholder approval, the Board has the authority to attach special rights, including voting and dividend rights, to this preferred stock. With these rights, preferred stockholders could make it more difficult for a third-party to acquire us. We are also subject to the anti-takeover provisions of the DGCL. Under these provisions, if anyone becomes an “interested stockholder,” we may not enter into a “business combination” with that person for three years without special approval, which could discourage a third-party from making a takeover offer and could delay or prevent a change in control of us. An “interested stockholder” is, generally, a stockholder who owns 15% or more of our outstanding voting stock or an affiliate of ours who has owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in the DGCL.

***Our restated certificate of incorporation and second amended and restated bylaws provide for indemnification of officers and directors at our expense and limits their liability, which may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers and/or directors.***

Pursuant to our restated certificate of incorporation and second amended and restated bylaws and as authorized under applicable Delaware law, our directors and officers are not liable for monetary damages for breaches of fiduciary duties, except for liability (i) for any breach of the director’s duty of loyalty to the Company or its stockholders; (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the DGCL; or (iv) for any transaction from which the director derived an improper personal benefit.

We have entered into a separate indemnification agreement (the “Indemnification Agreement”) with each of our directors. Under the Indemnification Agreement, each director is entitled to be indemnified against all expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by or on behalf of such director in connection with any claims, proceedings or other actions brought against such director as a result of the director’s service to us, provided that the director: (i) acted in good faith; (ii) reasonably believed the action was in our best interest; and (iii) in criminal proceedings, reasonably believed the conduct was not unlawful. Additionally, the Indemnification Agreement entitles each director to contribution of expenses from us in any proceeding in which we are jointly liable with such director, but for which indemnification is not otherwise available. The Indemnification Agreement also entitles each director to advancement of expenses incurred by such director in connection with any claim, proceeding or other action in advance of the final adjudication of any such claim, proceeding or other action, provided the director agrees to reimburse us for all such advances if it shall ultimately be determined that the director is not entitled to indemnification.

The foregoing limitations of liability and provisions for expenses may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers and/or directors.

***The Company has entered into a Section 382 Rights Agreement, and if the share purchase rights issued pursuant to such agreement are exercised, it could materially and adversely affect the market price of our common stock.***

We entered into a Section 382 Rights Agreement on October 23, 2018, with Computershare Trust Company, N.A., a federally chartered trust company, as Rights Agent (the “Rights Agreement”). The Rights Agreement is intended to discourage acquisitions of our common stock which could result in a cumulative “ownership change” as defined under Section 382, thereby preserving our current ability to utilize net operating loss carryforwards to offset future income tax obligations, which would become subject to limitations if we were to experience an “ownership change,” as defined under Section 382. While this Rights Agreement is intended to preserve our current ability to utilize net operating loss carryforwards, it effectively deters current and future purchasers from accumulating more than 4.9% of our common stock, which could delay or discourage takeover attempts that our stockholders may

consider favorable. In addition, if the share purchase rights issued pursuant to the Rights Agreement are exercised, additional shares of our common stock will be issued, which could materially and adversely affect the market price of our common stock. Moreover, sales in the public market of any shares of our common stock issued upon such exercise, or the perception that such sales may occur, could also adversely affect the market price of our common stock. These issuances would also cause our per share net income, if any, to decrease in future periods.

***The market price of our common stock has been volatile and your investment in our stock could suffer a decline in value.***

The market price of our common stock has experienced significant price and volume fluctuations. For example, during the three year period ended September 30, 2020, the closing price of our common stock ranged from \$5.56 to \$13.20. In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices for the common stock of technology companies and that have often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. You may not be able to resell your shares at or above the price you paid for them due to fluctuations in the market price of our stock caused by changes in our operating performance or prospects and other factors.

Some specific factors, in addition to the other risk factors identified above, that may have a significant effect on the price of our stock, many of which we cannot control, include but are not limited to:

- our announcements or our competitors' announcements of technological innovations;
- quarterly variations in operating results;
- changes in our product pricing policies or those of our competitors;
- claims of infringement of intellectual property rights or other litigation;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in our growth rate or our competitors' growth rates;
- developments regarding our patents or proprietary rights or those of our competitors;
- our inability to raise additional capital as needed;
- changes in financial markets or general economic conditions;
- sales of stock by us or members of our management team or Board; and
- changes in stock market analyst recommendations or earnings estimates regarding our stock, other comparable companies or our industry generally.

***Because we do not intend to pay cash dividends, our stockholders will benefit from an investment in our common stock only if our stock price appreciates in value.***

We have never declared or paid a cash dividend on our common stock. We currently intend to retain our future earnings, if any, for use in the operation and expansion of our business and do not expect to pay any cash dividends in the foreseeable future. As a result, the success of an investment in our common stock will depend entirely upon any future appreciation in its value. There is no guarantee that our common stock will appreciate in value or even maintain the price at which it was purchased.

***The COVID-19 outbreak could adversely impact our business.***

In December 2019, it was first reported that there had been an outbreak of a novel strain of COVID-19, in China. Since then, COVID-19 has continued to spread outside of China, including throughout the United States and other parts of the world, becoming a global pandemic. As of the filing of this Form 10-K, the COVID-19 pandemic has impacted our business and will likely continue to impact our business directly and/or indirectly for the foreseeable future.

Governments in affected regions have implemented and may continue to implement safety precautions, including stay-at-home orders, travel restrictions, business closures, cancellations of public gatherings, and other measures. Other organizations and individuals are taking additional steps to avoid or reduce infection, including limiting travel and having employees work remotely. These measures are disrupting normal business operations both in and outside of affected areas. We continue to monitor our operations and government recommendations and have made appropriate modifications to our operations because of COVID-19, including transitioning to a remote work environment, restrictions to employee travel, virtualization or cancellation of customer and employee events, and remote sales, implementation, and support activities, among other modifications which are planned to continue through the first quarter of fiscal 2021 and is likely to expand into future quarters. These decisions may delay or reduce sales and harm productivity and collaboration. The cancellation of industry events in the region reduces our ability to meet with existing and potential new customers. Our customers' businesses could be disrupted or they could seek to limit technology spending, either of which could foreclose future business opportunities, could negatively impact the willingness of our customers to enter into or renew contracts with

us, and ultimately adversely affect our revenues. As of September 30, 2020, we have not experienced significant adverse impacts to our business, results of operations, financial condition, or cash flows as a result of the pandemic. However, the situation remains fluid and governmental, individual, business and other organizational measures to limit the spread of the virus in the future could adversely affect our revenues, results of operations and financial condition, perhaps materially. This or any other outbreak and any additional preventative or protective actions that may be taken in response to this or any other global health threat or pandemic may result in additional business and/or operational disruption.

In addition, while the long-term economic impact and the duration of the COVID-19 pandemic may be difficult to assess or predict, the widespread pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, which could reduce our ability to access capital and could negatively affect our liquidity and the liquidity and stability of markets for our common stock. In addition, a recession, further market correction or depression resulting from the spread of COVID-19 could materially affect our business and the value our common stock.

### **General Risk Factors**

***If we are unable to retain and recruit qualified personnel, or if any of our key executives or key employees discontinues his or her employment with us, it may have a material adverse effect on our business.***

We are highly dependent on the key members of our management team and other key technical personnel. If we were to lose the services of one or more of our key personnel, or if we fail to attract and retain additional qualified personnel, it could materially and adversely affect our business. Furthermore, recruiting and retaining qualified highly skilled engineers involved in the ongoing development required to refine our technologies and introduce future products is critical to our success. We may be unable to attract, assimilate, and retain qualified personnel on acceptable terms given the competition within the high technology industry. We do not have any employment agreements providing for a specific term of employment with any member of our senior management. We do not maintain “key man” insurance policies on any of our officers or employees. We have granted and plan to grant restricted stock units or other forms of equity awards as a method of attracting and retaining employees, motivating performance and aligning the interests of employees with those of our stockholders. As of September 30, 2020, we had 3,816,753 shares of common stock available for issuance pursuant to future grants of equity awards under our existing equity compensation plans, which may limit our ability to provide equity incentive awards to existing and future employees. If we are unable to adopt, implement and maintain equity compensation arrangements that provide sufficient incentives, we may be unable to retain our existing employees and attract additional qualified candidates. If we are unable to retain our existing employees, including qualified technical personnel, and attract additional qualified candidates, our business and results of operations could be adversely affected.

***Legislation and governmental regulations enacted in the U.S. and other countries that apply to us or to our customers may require us to change our current products and services and/or result in additional expenses, which could adversely affect our business and results of operations.***

Legislation and governmental regulations including changes in legislation and governmental regulations impacting financial institutions, insurance companies, and mobile device companies, affect how our business is conducted. Globally, legislation and governmental regulations also influence our current and prospective customers’ activities, as well as their expectations and needs in relation to our products and services. Compliance with these laws and regulations may be onerous and expensive, and may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance. Any such increase in costs as a result of changes in these laws and regulations or in their interpretation could individually or in the aggregate make our products and services less attractive to our customers, delay the introduction of new products in one or more regions, cause us to change or limit our business practices or affect our financial condition and operating results.

***Future sales of our common stock could cause the market price of our common stock to decline.***

We cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. We currently have an effective universal shelf registration statement on file with the SEC, providing for the potential issuance of shares of our common stock and other securities. Sales of substantial amounts of shares of our common stock or other securities in the public market, or the perception that those sales could occur, may cause the market price of our common stock to decline. In addition, any such decline may make it more difficult for you to sell shares of our common stock at prices you may deem acceptable.

***If financial or industry analysts do not publish research or reports about our business, or if they issue negative or misleading evaluations of our stock, our stock price and trading volume could decline.***

The trading market for our common stock will be influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts or the content and opinions included in their reports. If one or more of the analysts who cover us were to adversely change their recommendation regarding our stock, or provide more favorable relative recommendations about our competitors, our stock price could decline. If one or more of the analysts who cover us cease coverage of our company or fail to publish reports on us regularly we could lose visibility in the financial markets which in turn could cause our stock price or trading volume to decline.

## ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

## ITEM 2. PROPERTIES.

Our principal executive offices, as well as our 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 average annual base rent under this lease is approximately \$1.2 million per year. In connection with this lease, we received tenant improvement allowances totaling approximately \$1.0 million. These lease incentives are being amortized as a reduction of rent expense over the term of the lease.

Our other offices are located in Paris, France; Amsterdam, The Netherlands; New York, New York; Barcelona, Spain; and London, United Kingdom. The term of the Paris, France lease continues through July 31, 2021, with an annual base rent of approximately €0.4 million (or \$0.4 million). The term of the Amsterdam, The Netherlands lease continues through December 31, 2022, with an annual base rent of approximately €0.3 million (or \$0.3 million). The term of the New York, New York lease continues through November 30, 2024, with an annual base rent of approximately \$0.2 million. The term of the Barcelona, Spain lease continues through May 31, 2023, with an annual base rent of approximately €0.1 million (or \$0.1 million). The term of the London, United Kingdom lease continues through February 28, 2021, with an annual base rent of approximately £112,200 (or approximately \$143,000).

Other than the lease for our office space in San Diego, California, we do not believe that the leases for our offices are material to the Company. We believe our existing properties are in good condition and are sufficient and suitable for the conduct of our business.

## ITEM 3. 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 is subject to indemnification demands related to various offers to license patents and allegations of patent infringement against several end-customers. 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.

On July 7, 2018, USAA filed the First Wells Lawsuit against 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. On August 17, 2018, USAA filed the Second Wells Lawsuit 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. 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 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 IPR with the 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, 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 or the '779 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. The PTAB is still considering the final Wells Fargo IPR petition (for the '517 patent) and has not yet issued a final written decision.

On September 30, 2020, USAA filed the "PNC Lawsuit against PNC Bank 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. 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.

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 the Company'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 Subject Patents. On January 15, 2020, USAA filed motions requesting the dismissal of the declaratory judgment 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 the Company's declaratory judgment 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, the PTAB decided to exercise its discretion and deny institution of three 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 PTAB has not yet decided whether it will institute the final IPR petition. 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, 2020, the Company filed requests for rehearing and Precedential Opinion Panel ("POP") review of the denied IPR petition for the '090 Patent. The Company is evaluating all of its options with respect to the remaining petitions, including requests for rehearing and POP review.

The Company incurred legal fees of \$3.2 million in the fiscal year ended September 30, 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 (loss).

#### *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 Urban FT 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 to the complaint but did not file any cross-claims for infringement. UrbanFT later amended its answer to assert 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 because UrbanFT's affiliates did not pay the purchase price owed to the prior owner. Pleadings were closed on April 28, 2020. On September 8, 2020, the Company filed a motion for summary judgment on its breach of contract claim, and on September 15, 2020, the district court issued an order to show cause regarding jurisdiction over patent issues given the Oregon judgment. The Company's summary judgment and the patent jurisdiction issues are fully briefed to the court. All trial and other dates have been vacated pending these rulings. The Company intends to vigorously pursue its claims and defend against any claims of infringement.

#### *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.

#### **ITEM 4. MINE SAFETY DISCLOSURES.**

None.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

#### Market Information

Our common stock trades on the NASDAQ Capital Market under the ticker symbol "MITK." The closing sales price of our common stock on November 30, 2020 was \$11.78.

#### Holders

As of November 30, 2020, there were 260 stockholders of record of our common stock and an undetermined number of beneficial owners.

#### Dividends

We have not paid any cash dividends on our common stock. We currently intend to retain earnings for use in our business and do not anticipate paying cash dividends in the foreseeable future.

During the first quarter of fiscal 2019, our Board authorized and declared a dividend distribution of one preferred share purchase right (each a "Right") for each share of common stock payable on November 2, 2018 to the stockholders of record on that date. Each Right entitles registered holders to purchase from us one one-thousandth of a share of Series B Junior Preferred Stock, par value \$0.001 per share, of the Company, at a price of \$35.00 per one one-thousandth of a preferred share represented by a Right, subject to adjustment. Prior to exercise, the Rights do not give the holder any rights as a stockholder, including any dividend or voting rights.

#### Securities Authorized for Issuance Under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K is incorporated by reference to our definitive proxy statement filed in connection with our 2021 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2020.

#### Sales of Equity Securities During the Period

All equity securities that we sold during the period covered by this Form 10-K that were not registered under the Securities Act have been previously reported in our quarterly reports on Form 10-Q or on our current reports on Form 8-K.

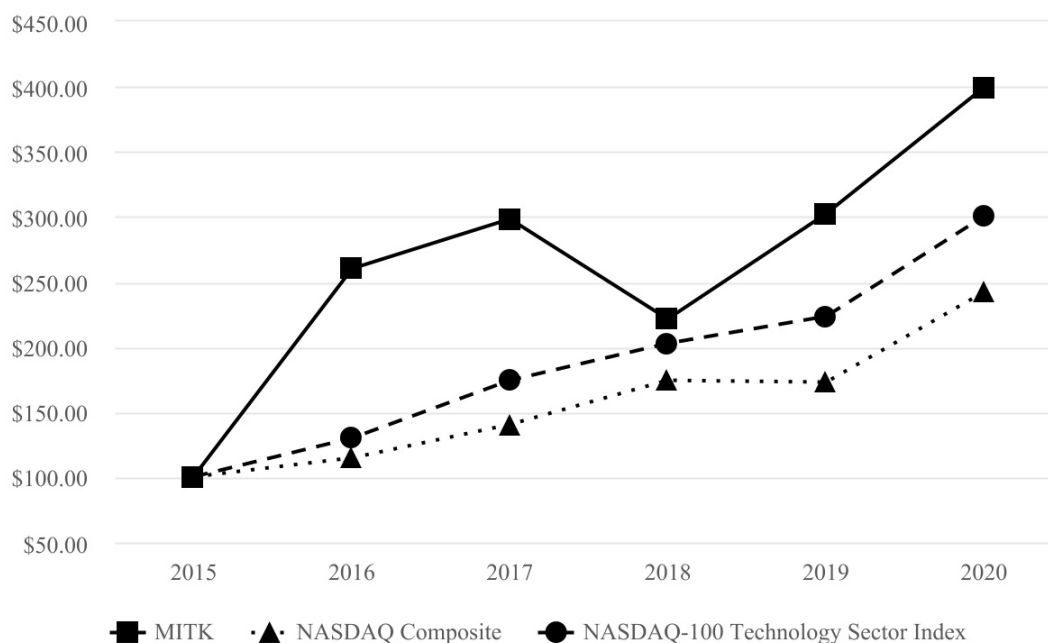


## Performance Graph

The following information shall not be deemed to be “filed” with the SEC nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such future filing.

The following graph and table compare the cumulative total stockholder return data for our common stock from September 30, 2015 through September 30, 2020 to the cumulative return over such period of (i) a broad market index, the NASDAQ Composite Index and (ii) an industry index, the NASDAQ-100 Technology Sector Index. The graph and table assume that \$100 was invested in our common stock at \$3.19 per share on September 30, 2015, and in each of the referenced indices, and assumes reinvestment of all dividends. The stock price performance on the following graph and table is not necessarily indicative of future stock price performance.

**Comparison of 5 Year Cumulative Total Return**  
Among Mitek Systems, Inc., the NASDAQ Composite Index and the NASDAQ-100 Technology Sector Index



The graph above reflects the following values:

	2015	2016	2017	2018	2019	2020
MITK	\$ 100.00	\$ 259.87	\$ 297.81	\$ 221.00	\$ 302.51	\$ 399.37
NASDAQ Composite	\$ 100.00	\$ 114.97	\$ 140.60	\$ 174.16	\$ 173.14	\$ 241.71
NASDAQ-100 Technology Sector Index	\$ 100.00	\$ 129.99	\$ 173.93	\$ 202.63	\$ 223.52	\$ 299.87

**ITEM 6. SELECTED FINANCIAL DATA.**

The following selected financial data has been derived from our audited financial statements. This data should be read in conjunction with Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes thereto included elsewhere in this Form 10-K. Our historical results are not necessarily indicative of operating results to be expected in the future.

**Selected Financial Data**  
*(in thousands, except per share data)*

	Year Ended September 30,				
	2020	2019	2018	2017	2016
<b>Income Statement Data</b>					
Revenue	\$ 101,310	\$ 84,590	\$ 63,559	\$ 45,390	\$ 34,701
Operating income (loss)	\$ 8,868	\$ (4,590)	\$ (7,806)	\$ 2,769	\$ 1,824
Net income (loss)	\$ 7,814	\$ (724)	\$ (11,807)	\$ 14,092	\$ 1,959
Net income (loss) per share—basic	\$ 0.19	\$ (0.02)	\$ (0.33)	\$ 0.43	\$ 0.06
Net income (loss) per share—diluted	\$ 0.18	\$ (0.02)	\$ (0.33)	\$ 0.40	\$ 0.06
<b>Balance Sheet Data</b>					
Working capital	\$ 59,770	\$ 34,082	\$ 17,221	\$ 41,342	\$ 31,980
Total assets	\$ 169,154	\$ 135,897	\$ 127,150	\$ 71,719	\$ 48,385
Other borrowings	\$ 722	\$ 556	\$ 810	\$ —	\$ —
Stockholders’ equity	\$ 132,243	\$ 107,333	\$ 95,394	\$ 61,408	\$ 39,485

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*You should read this discussion together with the financial statements, related notes and other financial information included in this Form 10-K. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed under Item 1A—"Risk Factors" and elsewhere in this Form 10-K. These risks could cause our actual results to differ materially from any future performance suggested below. Please see "Important Note About Forward-Looking Statements" at the beginning of this Form 10-K.*

### 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.

### ***Fiscal Year 2020 Highlights***

- Revenues for the fiscal year ended September 30, 2020 were \$101.3 million, an increase of 20% compared to revenues of \$84.6 million for the fiscal year ended September 30, 2019.
- Net income was \$7.8 million, or \$0.18 per share, for the fiscal year ended September 30, 2020, compared to a net loss of \$0.7 million, or \$0.02 per share, for the fiscal year ended September 30, 2019.
- Cash provided by operating activities was \$24.1 million for the fiscal year ended September 30, 2020, compared to \$14.3 million for the fiscal year ended September 30, 2019.
- During fiscal 2020 the total number of financial institutions licensing our technology exceeded 7,500. All of the top 10 U.S. retail banks, and nearly all of the top 50 U.S. retail banks utilize our technology.

- We added new patents to our portfolio during fiscal year 2020, bringing our total number of issued patents to 67 as of September 30, 2020. In addition, we have 20 patent applications as of September 30, 2020.

#### ***Acquisition of A2iA Group II, S.A.S.***

On May 23, 2018, Mitek acquired all of the issued and outstanding shares of A2iA Group II, S.A.S. ("A2iA"), a simplified joint stock company formed under the laws of France, pursuant to a share purchase agreement, by and among Mitek, each of the holders of outstanding shares of A2iA and Andera Partners, S.C.A., as representative of the sellers (the "A2iA Acquisition"). A2iA is a software development organization focused on delivering specialized and highly intelligent data extraction tools that enable customers to optimize their data capture, document processing, and workflow automation capabilities. Upon completion of the A2iA Acquisition, A2iA became a direct wholly owned subsidiary of Mitek. As consideration for the A2iA Acquisition, we (i) made a cash payment of \$26.8 million, net of cash acquired; (ii) issued 2,514,588 shares, or \$21.9 million, of Mitek's common stock, par value \$0.001 per share ("Common Stock"); and (iii) incurred liabilities of \$0.2 million. The A2iA Acquisition extends our global leadership position in both mobile check deposit and digital identity verification and combines the two market leaders in document recognition and processing.

#### ***Acquisition of ICAR Vision Systems, S.L.***

On October 16, 2017, Mitek Holding B.V., a company incorporated under the laws of The Netherlands and our wholly owned subsidiary ("Mitek Holding B.V."), acquired all of the issued and outstanding shares of ICAR Vision Systems, S.L. ("ICAR") and each of its subsidiaries (the "ICAR Acquisition"), pursuant to a Share Purchase Agreement (the "ICAR Purchase Agreement"), by and among, Mitek, Mitek Holding B.V., and each of the shareholders of ICAR (the "ICAR Sellers"). ICAR is a technology provider of identity fraud proofing and document management solutions for web, desktop, and mobile platforms. Upon completion of the ICAR Acquisition, ICAR became a direct wholly owned subsidiary of Mitek Holding B.V. and our indirect wholly owned subsidiary. Under the terms of the ICAR Purchase Agreement, Mitek Holding B.V. agreed to purchase all of the outstanding shares of ICAR for an aggregate purchase price of up to \$13.9 million, net of cash acquired. On closing, \$3.0 million was paid in cash, net of cash acquired and \$5.6 million in shares of Common Stock, or 584,291 shares, were issued to the ICAR Sellers. The ICAR Purchase Agreement also provides for additional payments of up to approximately \$5.3 million upon the achievement of certain financial milestones during fiscal 2018 and fiscal 2019. As of September 30, 2020, \$4.6 million of the earnout consideration has been paid. The remaining portion of the earnout consideration of \$0.8 million will be paid out during the second quarter of fiscal 2021. ICAR is a leading provider of consumer identity verification solutions in Spain and Latin America. The ICAR Acquisition strengthens our position as a global digital identity verification powerhouse in the consumer identity and access management solutions market.

#### ***Restructuring***

Subsequent to the acquisition of A2iA Group II, S.A.S. ("A2iA"), we evaluated A2iA's operations and determined that the market for certain products was small and lacking growth opportunity, were not core to our strategy, and were not profitable for the Company. In order to streamline the organization and focus resources going forward, we undertook a strategic restructuring of A2iA's Paris operations in June 2019, which included, among other things, ceasing the sale of certain A2iA products and offerings and a reduction in workforce. The restructuring was completed during the fourth quarter of fiscal 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 Years Ended September 30, 2020 and 2019

The following table summarizes certain aspects of our results of operations for the fiscal year ended September 30, 2020 compared to the fiscal year ended September 30, 2019 (*in thousands, except percentages*):

	Twelve Months Ended September 30,					
			Percentage of Total Revenue		Increase (Decrease)	
	2020	2019	2020	2019	\$	%
Revenue						
Software and hardware	\$ 54,152	\$ 46,845	53 %	55 %	7,307	16 %
Services and other	47,158	37,745	47 %	45 %	9,413	25 %
Total revenue	\$ 101,310	\$ 84,590	100 %	100 %	16,720	20 %
Cost of revenue	13,192	12,266	13 %	15 %	926	8 %
Selling and marketing <sup>(1)</sup>	27,646	24,550	27 %	29 %	3,096	13 %
Research and development <sup>(1)</sup>	22,859	21,873	23 %	26 %	986	5 %
General and administrative	22,284	19,861	22 %	23 %	2,423	12 %
Acquisition-related costs and expenses	6,575	7,563	6 %	9 %	(988)	(13)%
Restructuring costs	(114)	3,067	— %	4 %	(3,181)	(104)%
Other income, net	541	602	1 %	1 %	(61)	(10)%
Income tax benefit (provision)	(1,595)	3,264	(2)%	4 %	(4,859)	(149)%

(1) 2019 amount reflects reclassification to conform to the current year presentation.

#### Revenue

Total revenue increased \$16.7 million, or 20%, to \$101.3 million in 2020 compared to \$84.6 million in 2019. Software and hardware revenue increased \$7.3 million, or 16%, to \$54.2 million in 2020 compared to \$46.8 million in 2019. This increase is primarily due to an increase in sales of our Mobile Deposit®, ID\_CLOUD™, and CheckReader™ software products. The 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 \$9.4 million, or 25%, to \$47.2 million in 2020 compared to \$37.7 million in 2019. This increase is primarily due to strong growth in Mobile Verify® transactional SaaS revenue of \$7.7 million, or 36%, in 2020 compared to 2019, as well as an increase in maintenance revenue associated with CheckReader™ and Mobile Deposit® software sales.

#### 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 \$0.9 million, or 8%, to \$13.2 million in 2020 compared to \$12.3 million in 2019. As a percentage of revenue, cost of revenue decreased to 13% in 2020 from 15% in 2019. The increase in cost of revenue is primarily due to an increase in variable personnel, royalty, and hosting costs associated with a higher volume of Mobile Verify® transactions processed during 2020 compared to 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 \$3.1 million, or 13%, to \$27.6 million in 2020 compared to \$24.6 million in 2019. As a percentage of revenue, selling and marketing expenses decreased to 27% in 2020 from 29% in 2019. The increase in sales and marketing expense is primarily due to higher personnel-related costs of \$2.9 million resulting from our increased headcount in 2020 compared to 2019, and higher product promotion costs of \$0.8 million in 2020. 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 \$3.0 million, \$2.9 million, and \$2.4 million in fiscal years 2020, 2019, and 2018, respectively.

### *Research and Development Expenses*

Research and development expenses include payroll, employee benefits, stock-based compensation, third-party contractor expenses, product management and other headcount-related costs associated with software engineering and mobile image capture science. Research and development expenses increased \$1.0 million, or 5%, to \$22.9 million in 2020 compared to \$21.9 million in 2019. As a percentage of revenue, research and development expenses decreased to 23% in 2020 from 26% in 2019. The increase in research and development expenses is primarily due to higher personnel-related costs in 2020 compared to 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 increased \$2.4 million, or 12%, to \$22.3 million in 2020 compared to \$19.9 million in 2019. As a percentage of revenue, general and administrative expenses decreased to 22% in 2020 from 23% in 2019. The increase in general and administrative expenses is primarily due to an increase in intellectual property litigation costs of \$2.3 million in 2020 compared to 2019, a \$1.0 million insurance settlement received in 2019 and a \$0.4 million increase in third-party outside service costs. This increase is partially offset by a decrease in third-party costs associated with our strategic process of \$1.2 million incurred in 2019, compared to \$0 in 2020.

### *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 decreased \$1.0 million, or 13%, to \$6.6 million in 2020 compared to \$7.6 million in 2019. As a percentage of revenue, acquisition-related costs and expenses decreased to 6% in 2020 from 9% in 2019. The decrease in acquisition-related costs and expenses is primarily due to a decrease in the amortization of intangible assets of \$0.6 million as certain assets associated with the ICAR Acquisition became fully amortized during 2020 and a decrease in the fair value of acquisition-related contingent consideration of \$0.3 million in 2020 as compared to 2019.

### *Restructuring Costs*

Restructuring costs consist of employee severance obligations and other related costs. Restructuring costs were negative \$0.1 million in 2020 and are due to a reversal of costs accrued for the restructuring plan implemented in June 2019. Restructuring costs were \$3.1 million in 2019 and related to the restructuring plan implemented in June 2019.

### *Other Income, Net*

Other income, net includes interest income net of amortization and net realized gains or losses on our marketable securities portfolio, foreign currency transactional gains or losses, and interest expense. Other income, net decreased \$0.1 million, to a net income of \$0.5 million in 2020 compared to a net income of \$0.6 million in 2019, primarily due to lower foreign currency exchange transactional gains in 2020 compared to 2019.

### *Income Tax Benefit (Provision)*

The income tax provision for 2020 was \$1.6 million compared to an income tax benefit of \$3.3 million in 2019. The income tax provision for 2020 was primarily due to our positive net income for the year. Our effective tax rate for fiscal year 2020 was lower than the U.S. federal statutory rate of 21% due primarily to the impact of federal and state research and development credits and the impact of foreign and state taxes. The income tax benefit of \$3.3 million in 2019 was primarily due to changes in our deferred tax benefit of \$3.2 million related to excess tax benefits from the exercise of stock options, as well as additional research and development credits associated with the provision to return true-up.

## Results of Operations

### Comparison of the Years Ended September 30, 2019 and 2018

The following table summarizes certain aspects of our results of operations for the fiscal year ended September 30, 2019 compared to the fiscal year ended September 30, 2018 (*in thousands, except percentages*):

	Twelve Months Ended September 30,					
	2019	2018	Percentage of Total Revenue		Increase (Decrease)	
			2019	2018	\$	%
Revenue						
Software and hardware	\$ 46,845	\$ 40,698	55 %	64 %	6,147	15 %
Services and other	37,745	22,861	45 %	36 %	14,884	65 %
Total revenue	\$ 84,590	\$ 63,559	100 %	100 %	21,031	33 %
Cost of revenue	12,266	8,686	15 %	14 %	3,580	41 %
Selling and marketing <sup>(1)</sup>	24,550	19,254	29 %	30 %	5,296	28 %
Research and development <sup>(1)</sup>	21,873	18,118	26 %	29 %	3,755	21 %
General and administrative	19,861	17,067	23 %	27 %	2,794	16 %
Acquisition-related costs and expenses	7,563	8,239	9 %	13 %	(676)	(8)%
Restructuring costs	3,067	—	4 %	— %	3,067	100 %
Other income (expense), net	602	(935)	1 %	(1)%	1,537	164 %
Income tax benefit (provision)	3,264	(3,066)	4 %	(5)%	6,330	206 %

(1) 2019 and 2018 amounts reflect reclassifications to conform to the current year presentation.

#### Revenue

Total revenue increased \$21.0 million, or 33%, to \$84.6 million in 2019 compared to \$63.6 million in 2018. Software and hardware revenue increased \$6.1 million, or 15%, to \$46.8 million in 2019 compared to \$40.7 million in 2018. This increase is primarily due to an increase from the sale of A2iA products in 2019 compared to 2018, as well as an increase in sales of our Mobile Deposit® software products, partially offset by declining software revenue from our legacy on-premise identity products which are being phased out. Services and other revenue increased \$14.9 million, or 65%, to \$37.7 million in 2019 compared to \$22.9 million in 2018. This increase is primarily due to strong growth in transaction SaaS revenue of \$8.3 million, or 63%, in 2019 compared to 2018 and maintenance associated with the sale of our A2iA and Mobile Deposit® products.

#### 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 \$3.6 million, or 41%, to \$12.3 million in 2019 compared to \$8.7 million in 2018. As a percentage of revenue, cost of revenue increased to 15% in 2019 from 14% in 2018. The increase in cost of revenue is primarily due to an increase in variable personnel, hosting, and royalty costs associated with a higher volume of Mobile Verify™ transactions processed during 2019 compared to 2018, additional costs associated with the sale of ICAR hardware products, and additional labor costs associated with the delivery of A2iA maintenance.

#### Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits, stock-based compensation, and other headcount-related costs associated with sales, marketing, and product management 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 \$5.3 million, or 28%, to \$24.6 million in 2019 compared to \$19.3 million in 2018. As a percentage of revenue, selling and marketing expenses decreased to 29% in 2019 from 30% in 2018. The increase in sales and marketing expense is primarily due to higher personnel-related costs of \$2.4 million resulting from our increased headcount in 2019 compared to 2018, additional sales and marketing expenses associated with the A2iA Acquisition of \$2.3 million, and higher product promotion costs of \$0.7 million 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 image capture science. Research and development expenses increased \$3.8 million, or 21%, to \$21.9 million in 2019 compared to \$18.1 million in 2018. As a percentage of revenue, research and development expenses decreased to 26% in 2019 from 29% in 2018. The increase in research and development expenses is primarily due to additional research and development costs associated with the A2iA Acquisition of \$2.5 million and higher personnel-related costs of \$0.7 million resulting from our increased headcount in 2019 compared to 2018.

### *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 increased \$2.8 million, or 16%, to \$19.9 million in 2019 compared to \$17.1 million in 2018. As a percentage of revenue, general and administrative expenses decreased to 23% in 2019 from 27% in 2018. The increase in general and administrative expenses is primarily due to additional general and administrative costs associated with the A2iA Acquisition of \$1.8 million, higher personnel-related costs of \$1.5 million resulting from our increased headcount in 2019 compared to 2018, third-party costs associated with our strategic process of \$1.2 million, and higher litigation costs of \$0.8 million in 2019 compared to 2018, partially offset by a decrease in executive transition costs of \$1.5 million in 2019 compared to 2018 and a \$1.0 million insurance settlement received in 2019.

### *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 decreased \$0.7 million, or 8%, to \$7.6 million in 2019 compared to \$8.2 million in 2018. As a percentage of revenue, acquisition-related costs and expenses decreased to 9% in 2019 from 13% in 2018. The decrease in acquisition-related costs and expenses is primarily due to a decrease in expenses associated with changes in the fair value of acquisition-related contingent consideration of \$1.6 million in 2019 compared to 2018, \$1.1 million of legal and other integration costs associated with the ICAR and A2iA Acquisitions which both occurred in 2018, and \$1.0 million of executive separation costs associated with the A2iA Acquisition which was incurred in 2018. These decreases are partially offset by an increase expense related to the amortization of intangible assets associated with the A2iA Acquisition of \$3.0 million in 2019 compared to 2018.

### *Restructuring Costs*

Restructuring costs consist of employee severance obligations and other related costs. Restructuring costs were \$3.1 million in 2019 and related to the restructuring plan implemented in June 2019.

### *Other Income (Expense), Net*

Other income (expense), net includes interest income net of amortization and net realized gains or losses on our marketable securities portfolio, foreign currency transactional gains or losses, and interest expense. Other income (expense), net increased \$1.5 million, to a net income of \$0.6 million in 2019 compared to a net expense of \$0.9 million in 2018, primarily due to a \$1.3 million foreign currency exchange remeasurement loss on the Euro for the acquisition of A2iA in 2018 as well as higher interest income earned on our cash balances in 2019 compared to 2018.

### *Income Tax Benefit (Provision)*

The income tax benefit for 2019 was \$3.3 million compared to an income tax provision of \$3.1 million in 2018. The income tax benefit for 2019 is primarily due to changes in our deferred tax benefit of \$3.2 million related to excess tax benefits from the exercise of stock options, as well as additional research and development credits associated with the provision to return true-up. The income tax provision for 2018 is primarily due to \$4.9 million of tax expense related to the revaluation of our U.S. deferred tax assets and liabilities as a result of the enactment of the Tax Cuts and Jobs Act of 2017 (the "Tax Cuts and Jobs Act"). The impact of the Tax Cuts and Jobs Act reduced the Federal Corporate tax rate from 35% to 21%. This expense was partially offset by an income tax benefit related to our net loss before income taxes for the year (see Note 8 in the Consolidated Financial Statements).

## **Liquidity and Capital Resources**

On September 30, 2020, we had \$62.0 million in cash and cash equivalents and investments compared to \$34.8 million on September 30, 2019, an increase of \$27.2 million, or 78%. The increase in cash and cash equivalents and investments was primarily due to net cash provided by operating activities of \$24.1 million and net proceeds from the issuance of Common Stock under our equity plan of \$4.8 million, favorable foreign currency gains of \$0.4 million, and proceeds from other borrowings of \$0.2 million, partially offset by repurchases and retirements of Common Stock of \$1.0 million, capital expenditures of \$0.8 million, payment of acquisition-related contingent consideration of \$0.5 million and principal payments on other borrowings of \$0.1 million.

### *Cash Flows from Operating Activities*

Net cash provided by operating activities during fiscal 2020 was \$24.1 million and resulted primarily from net income of \$7.8 million adjusted for net non-cash charges of \$19.6 million partially offset by unfavorable changes in operating assets and liabilities of \$3.3 million. The primary non-cash adjustments to operating activities were stock-based compensation expense, amortization of intangible assets, depreciation and amortization, and deferred taxes totaling \$9.6 million, \$6.4 million, \$1.5 million, and \$1.9 million, respectively.

Net cash provided by operating activities during fiscal 2019 was \$14.3 million and resulted primarily from a net loss of \$0.7 million adjusted for net non-cash charges of \$14.6 million and favorable changes in operating assets and liabilities of \$0.4 million. The primary non-cash adjustments to operating activities were stock-based compensation expense, amortization of intangible assets, and depreciation and amortization totaling \$9.6 million, \$7.0 million, and \$1.4 million, respectively, which were partially offset by changes in deferred income taxes of \$3.8 million.

### *Cash Flows from Investing Activities*

Net cash used in investing activities was \$24.7 million during fiscal 2020, which consisted primarily of net purchases of investments of \$23.9 million and capital expenditures of \$0.8 million.

Net cash used in investing activities was \$10.5 million during fiscal 2019, which consisted primarily of net purchases of investments of \$9.4 million and capital expenditures of \$1.1 million.

### *Cash Flows from Financing Activities*

Net cash provided by financing activities was \$3.4 million during fiscal 2020, which consisted of proceeds from the issuance of equity plan Common Stock of \$4.8 million and net proceeds from other borrowings of \$0.1 million, partially offset by repurchases and retirements of Common Stock of \$1.0 million and payment of acquisition-related contingent consideration of \$0.5 million.

Net cash provided by financing activities was \$4.4 million during fiscal 2019, which consisted of proceeds from the issuance of equity plan Common Stock of \$5.6 million, partially offset by a payment of acquisition-related contingent consideration of \$1.0 million and net payments on other borrowings of \$0.2 million.

### *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, we 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 (as defined in the Loan Agreement) 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.

### *Rights Agreement*

On October 23, 2018, we entered into 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 (each, 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, our Board of Directors authorized and approved a share repurchase program for up to \$10.0 million of the currently outstanding shares of our Common Stock. The share repurchase program will expire December 16, 2020. The purchases under the share repurchase program may be made from time to time in the open market, through block trades, 10b5-1 trading plans, privately negotiated transactions or otherwise, in each case, in accordance with applicable laws, rules, and regulations. The timing and actual number of the shares repurchased will depend on a variety of factors including price, market conditions and corporate and regulatory requirements. We intend to fund the share repurchases from cash on hand. The share repurchase program does not commit us to repurchase shares of our Common Stock and it may be amended, suspended, or discontinued at any time.

We made purchases of \$1.0 million, or approximately 137,000 shares, during fiscal 2020 at an average price of \$7.33 per share.

### 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. The Company continues to examine the impacts the CARES Act may have on our business. For the year ended September 30, 2020, the CARES Act has been considered for the income tax provision.

### Other Liquidity Matters

On September 30, 2020, we had investments of \$42.0 million, designated as available-for-sale debt securities, which consisted of U.S. Treasury notes, commercial paper, and corporate issuances, 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 for which 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 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. At September 30, 2019, we had \$16.5 million of our available-for-sale securities classified as current and \$1.6 million of our available-for-sale securities classified as long-term.

We had working capital of \$59.8 million at September 30, 2020 compared to \$34.1 million at September 30, 2019.

Based on our current operating plan, we believe the current cash balance 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

We have no off-balance sheet arrangements as of September 30, 2020.

### Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2020 (*in thousands*):

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Operating lease obligations	\$ 2,243	\$ 3,348	\$ 1,189	\$ —	\$ 6,780
Other borrowings	87	224	321	90	722
Total	<u>\$ 2,330</u>	<u>\$ 3,572</u>	<u>\$ 1,510</u>	<u>\$ 90</u>	<u>\$ 7,502</u>

Our principal executive offices, as well as our 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 average annual base rent under this lease is approximately \$1.2 million per year. In connection with this lease, we received tenant improvement allowances totaling approximately \$1.0 million. These lease incentives are being amortized as a reduction of rent expense over the term of the lease.

Our other offices are located in Paris, France; Amsterdam, The Netherlands; New York, New York; Barcelona, Spain; and London, United Kingdom. The term of the Paris, France lease continues through July 31, 2021, with an annual base rent of approximately €0.4 million (or \$0.4 million). The term of the Amsterdam, The Netherlands lease continues through December 31, 2022, with an annual base rent of approximately €0.3 million (or \$0.3 million). The term of the New York, New York lease continues through November 30, 2024, with an annual base rent of approximately \$0.2 million. The term of the Barcelona, Spain lease continues through May 31, 2023, with an annual base rent of approximately €0.1 million (or \$0.1 million). The term of the London, United

Kingdom lease continues through February 28, 2021, with an annual base rent of approximately £112,200 (or approximately \$143,000).

Other than the lease for our office space in San Diego, California, we do not believe that the leases for our offices are material to the Company. We believe our existing properties are in good condition and are sufficient and suitable for the conduct of its business.

### **Critical Accounting Policies**

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, stockholders’ equity, revenue, and expenses and related disclosure of contingent assets and liabilities. Management regularly evaluates its estimates and assumptions. These estimates and assumptions are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, and form the basis for making management’s most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Actual results could vary from those estimates under different assumptions or conditions. We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

#### ***Revenue Recognition***

We enter into contractual arrangements with integrators, resellers, and directly with our customers that may include licensing of our software products, product support and maintenance services, SaaS services, consulting services, or various combinations thereof, including the sale of such products or services separately. Our accounting policies regarding the recognition of revenue for these contractual arrangements are fully described in Note 2 to our consolidated financial statements included in this Form 10-K.

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services over the term of the agreement. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized based on the following five step model in accordance with ASC 606, *Revenue from Contracts with Customers*:

- Identification of the contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

#### ***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, we recognize 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. We recognize services and other revenue over the period in which such services are performed. Our 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 our services, at which point the up-front fee is recognized ratably over the life of the customer arrangement. We do not view the signing of the contract or the provision of initial setup services as discrete earnings events that are distinct.

#### ***Contract Assets and Liabilities***

The Company recognizes revenue when control of the license or transactional SaaS service 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 customer-by-customer 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.

#### *Significant Judgments*

We use the following methods, inputs, and assumptions in determining amounts of revenue to recognize. For multi-element arrangements, we account for individual goods or services as a separate performance obligation if they are distinct, 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. Determining whether goods or services are distinct performance obligations that should be accounted for separately may require significant judgment.

The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring products or services to the customer. We include any fixed charges within our contracts as part of the total transaction price. To the extent that variable consideration is not constrained, we include an estimate of the variable amount, as appropriate, within the total transaction price and update our assumptions over the duration of the contract. We 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. The transaction price, including any discounts, is allocated between separate goods and services in a multi-element arrangement based on their relative standalone selling prices. For items that are not sold separately, we estimate the standalone selling prices using available information such as market conditions and internally approved pricing guidelines. Significant judgment may be required to determine standalone selling prices for each performance obligation and whether it depicts the amount we expect to receive in exchange for the related good or service.

Contract modifications occur when we and our customers agree to modify existing customer contracts to change the scope or price or both of the contract or when a customer terminates some, or all, of the existing services provided by us. When a contract modification occurs, it requires us to exercise judgment to determine if the modification should be accounted for as: (i) a separate contract, (ii) the termination of the original contract and creation of a new contract, or (iii) a cumulative catch up adjustment to the original contract. Further, contract modifications require the identification and evaluation of the performance obligations of the modified contract, including the allocation of revenue to the remaining performance obligations and the period of recognition for each identified performance obligation.

#### *Accounts Receivable*

We consistently monitor collections from our customers and maintain a provision for estimated credit losses that is based on historical experience and on specific customer collection issues. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Since our revenue recognition policy requires customers to be deemed creditworthy, our accounts receivable are based on customers whose payment is reasonably assured. Our accounts receivable are derived from sales to a wide variety of customers. We do not believe a change in liquidity of any one customer or our inability to collect from any one customer would have a material adverse impact on our financial position.

#### *Investments*

We determine the fair value of our assets and liabilities based on 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 maximize the use of observable inputs and minimize the use of unobservable inputs. We use a fair value hierarchy with three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 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.

In using this fair value hierarchy, management may be required to make assumptions about pricing by market participants and assumptions about risk, specifically when using unobservable inputs to determine fair value. These assumptions are subjective in nature and may significantly affect our results of operations.

### ***Fair Value of Equity Instruments***

The valuation of certain items, including compensation expense related to equity awards granted, involves significant estimates based on underlying assumptions made by management. The valuation of stock options is based upon a Black-Scholes valuation model, which involves estimates of stock volatility, expected life of the instruments and other assumptions. The valuation of performance options, Senior Executive Long Term Incentive Restricted Stock Units, and similar awards are based upon the Monte-Carlo simulation, which involves estimates of our stock price, expected volatility, and the probability of reaching the performance targets.

### ***Goodwill and Purchased Intangible Assets***

Our goodwill resulted from prior acquisitions. Goodwill and intangible assets with indefinite useful lives are not amortized, but intangible assets that are deemed to have definite lives are amortized over their useful lives, generally ranging from two to seven years. See Note 6 to our consolidated financial statements included in this Form 10-K for additional information regarding our goodwill and other intangible assets.

Goodwill and intangible assets with indefinite useful lives 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 Topic 350”), we review our goodwill and indefinite-lived intangible asset for impairment at least annually in our fiscal fourth quarter and more frequently if events or changes in circumstances occur that indicate a potential reduction in the fair value of our reporting unit and/or our indefinite-lived intangible asset below their respective carrying values. Examples of such events or circumstances include, but are not limited to: a significant adverse change in legal factors or in the business climate, a significant decline in our stock price, a significant decline in our 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.

Our goodwill is considered to be impaired if we determine 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 Topic 350 and ASC Topic 280, *Segment Reporting*, (“ASC Topic 280”) management has determined that the Company operates in one segment and consists of one reporting unit. Because we have only one reporting unit, and because we are publicly traded, we determine the fair value of the reporting unit based on our market capitalization as we believe this represents the best evidence of fair value. In the fourth quarter of fiscal 2020, we completed our annual goodwill impairment test and concluded that our goodwill was not impaired. Our conclusion that goodwill was not impaired was based on a comparison of our net assets to our market capitalization.

Because we determine the fair value of our reporting unit based on our market capitalization, our future reviews of goodwill for impairment may be impacted by changes in the price of our Common Stock. For example, a significant decline in the price of our Common Stock may cause the fair value of our goodwill to fall below its carrying value. Therefore, we cannot assure you that when we complete our future reviews of goodwill for impairment a material impairment charge will not be recorded.

Intangible assets with definite lives are amortized over their useful lives. Each period, we evaluate the estimated remaining useful life of our 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 fiscal years ended September 30, 2020, 2019, and 2018.

### ***Business Combinations***

Accounting for business combinations requires us to make significant estimates and assumptions, especially at the acquisition date with respect to tangible and intangible assets acquired, liabilities assumed, and pre-acquisition contingencies. We use our best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date.

Examples of critical estimates in valuing certain of the intangible assets and goodwill we have acquired include but are not limited to:

- future expected cash flows from license sales, software services contracts, professional services contracts, other customer contracts, and acquired developed technologies and patents;

- the acquired company's trade name, trademark and existing customer relationships, as well as assumptions about the period of time the acquired trade name and trademark will continue to be used in our offerings;
- uncertain tax positions and tax related valuation allowances assumed; and
- discount rates.

### ***Accounting for Income Taxes***

We estimate income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. These differences result in deferred tax assets and liabilities, which are reflected in our balance sheets. We then assess the likelihood that deferred tax assets will be realized. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. When a valuation allowance is established or increased, we record a corresponding tax expense in our statements of operations. We review the need for a valuation allowance each interim period to reflect uncertainties about whether we will be able to utilize deferred tax assets before they expire. The valuation allowance analysis is based on estimates of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that has more than a 50% chance of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate uncertain tax positions on a quarterly basis. The evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits, and effective settlement of audit issues.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We will continue to assess the need for a valuation allowance on the deferred tax asset by evaluating both positive and negative evidence that may exist. Any adjustment to the net deferred tax asset valuation allowance would be recorded in the income statement for the period that the adjustment is determined to be required.

### ***Capitalized Software Development Costs***

Research and development costs are charged to expense as incurred. Costs incurred for the development of computer software that will be sold, leased, or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in hardware and software technologies. Costs that are capitalized include direct labor and related overhead. No such costs were capitalized during the fiscal years ended September 30, 2020 and 2019 because the time period and cost incurred between technological feasibility and general release for all software product releases were not material.

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 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 \$0.3 million and \$0.2 million of costs related to computer software developed for internal use during the years ended September 30, 2020 and 2019, respectively. The Company recognized \$0.4 million and \$0.3 million of amortization expense from internal use software during the years ended September 30, 2020 and 2019, respectively.

## **ITEM 7A. 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 and certificates of deposit. 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 loss, net of estimated tax. As of September 30, 2020, our marketable securities had remaining maturities between one and twenty months and a fair market value of \$42.0 million, representing 25% 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 (loss).

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

Our financial statements and supplementary data required by this item are set forth at the pages indicated in Part IV, Item 15(a)(1) and (a)(2), respectively, of this Form 10-K.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

#### **ITEM 9A. 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) under the Securities and 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-K. 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 September 30, 2020.

##### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of September 30, 2020.

##### **Changes in Internal Control over Financial Reporting**

During the fiscal year ended September 30, 2019, we completed the implementation of a new Enterprise Resource Planning ("ERP") system. In connection with this ERP system implementation, we updated our internal controls over financial reporting, as necessary, to accommodate modifications to our business processes and accounting procedures. This ERP system implementation did



not have an adverse effect on our internal control over financial reporting. There were no changes in internal controls over financial reporting during the fiscal year ended September 30, 2020.

**ITEM 9B. OTHER INFORMATION.**

None.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2021 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2020.

#### **ITEM 11. EXECUTIVE COMPENSATION.**

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2021 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2020.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2021 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2020.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2021 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2020.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2021 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2020.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

**(a)(1) Financial Statements**

The Financial Statements of Mitek Systems, Inc. and Report of Independent Registered Public Accounting Firm are included in a separate section of this Form 10-K beginning on page F-1.

**(a)(2) Financial Statement Schedules**

These schedules have been omitted because the required information is included in the financial statements or notes thereto or because they are not applicable or not required.

**(a)(3) Exhibits**

Exhibit No.	Description	Incorporated by Reference from Document
2.1**	<a href="#"><u>Share Purchase Agreement, dated May 26, 2015, by and among Mitek Systems, Inc., ID Checker NL B.V., ID Checker Holding B.V., Stichting Administratiekantoor OPID, Pierre L.M. deBoer, and Michael Hagen.</u></a>	(1)
2.2**	<a href="#"><u>Share Purchase Agreement, dated October 16, 2017, by and among Mitek Systems, Inc., Mitek Holding B.V., and the shareholders of ICAR Vision Systems, S.L.</u></a>	(2)
2.3**	<a href="#"><u>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.</u></a>	(3)
3.1	<a href="#"><u>Restated Certificate of Incorporation of Mitek Systems, Inc., as amended.</u></a>	(4)
3.2	<a href="#"><u>Second Amended and Restated Bylaws of Mitek Systems, Inc.</u></a>	(5)
3.3	<a href="#"><u>Certificate of Designation of Series B Junior Participating Preferred Stock.</u></a>	(6)
4.1	<a href="#"><u>Section 328 Rights Agreement, dated October 23, 2018, between Mitek Systems, Inc. and Computershare Trust Company, N.A., as Rights Agent.</u></a>	(6)
4.2	<a href="#"><u>Description of Equity Securities Registered under Section 12 of the Exchange Act.</u></a>	*
10.1	<a href="#"><u>Mitek Systems, Inc. 2002 Stock Option Plan.</u></a>	(7)
10.2	<a href="#"><u>Mitek Systems, Inc. 2006 Stock Option Plan.</u></a>	(8)
10.3	<a href="#"><u>Mitek Systems, Inc. 2010 Stock Option Plan.</u></a>	(9)
10.4	<a href="#"><u>Amended and Restated Mitek Systems, Inc. 2012 Incentive Plan and the forms of agreement related thereto.</u></a>	(10)
10.5	<a href="#"><u>Mitek Systems, Inc. 2020 Incentive Plan and the forms of agreement related thereto.</u></a>	*
10.6	<a href="#"><u>Mitek Systems, Inc. Director Restricted Stock Unit Plan, as amended, and the forms of agreement related thereto.</u></a>	(10)
10.7	<a href="#"><u>Mitek Systems, Inc. 401(k) Savings Plan.</u></a>	(11)
10.8	<a href="#"><u>Executive Employment Agreement, dated November 6, 2018, between Mitek Systems, Inc. and Scipio “Max” Carneccchia.</u></a>	(12)

10.9	<a href="#"><u>Executive Severance and Change of Control Plan, dated February 28, 2011, by and between Mitek Systems, Inc. and James B. DeBello.</u></a>	(13)
10.10	<a href="#"><u>Offer Letter, dated June 6, 2012, by and between Mitek Systems, Inc. and Michael Diamond.</u></a>	(11)
10.11	<a href="#"><u>Offer Letter, dated June 21, 2017, by and between Mitek Systems, Inc. and Jeffrey C. Davison.</u></a>	(14)
10.12	<a href="#"><u>Executive Severance and Change of Control Plan, dated June 21, 2017, by and between Mitek Systems, Inc. and Jeffrey C. Davison.</u></a>	(14)
10.13	<a href="#"><u>Executive Severance and Change of Control Plan, dated August 10, 2017, by and between Mitek Systems, Inc. and Michael Diamond.</u></a>	(15)
10.14	<a href="#"><u>Stock Option Agreement, dated as of November 6, 2018, between Scipio “Max” Carneccchia and Mitek Systems, Inc.</u></a>	(12)
10.15	<a href="#"><u>Conditional Stock Option Agreement, dated November 6, 2018, by and between Scipio “Max” Carneccchia and Mitek Systems, Inc.</u></a>	(12)
10.16	<a href="#"><u>Performance Stock Option Agreement, dated as of November 6, 2018, between Scipio “Max” Carneccchia and Mitek Systems, Inc.</u></a>	(12)
10.17	<a href="#"><u>Restricted Stock Unit Award Agreement, dated as of November 6, 2018, between Scipio “Max” Carneccchia and Mitek Systems, Inc.</u></a>	(12)
10.18	<a href="#"><u>Conditional Restricted Stock Unit Award Agreement, dated November 6, 2018, between Scipio “Max” Carneccchia and Mitek Systems, Inc.</u></a>	(12)
10.19	<a href="#"><u>Form of Executive Severance and Change of Control Plan.</u></a>	(15)
10.20	<a href="#"><u>Form of Indemnification Agreement.</u></a>	(4)
10.21	<a href="#"><u>Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2017.</u></a>	(16)
10.22	<a href="#"><u>Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2018.</u></a>	(17)
10.23	<a href="#"><u>Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2019.</u></a>	(18)
10.24	<a href="#"><u>Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2020.</u></a>	(19)
10.25	<a href="#"><u>Mitek Systems, Inc. Employee Stock Purchase Plan</u></a>	(20)
10.24	<a href="#"><u>Sublease, dated August 12, 2016, by and between Bridgepoint Education, Inc. and Mitek Systems, Inc.</u></a>	(21)
10.25	<a href="#"><u>Lease Termination Agreement, dated July 29, 2016, by and between The Realty Associated Fund VIII, L.P. and Mitek Systems, Inc.</u></a>	(21)
10.26	<a href="#"><u>Lease, dated October 5, 2017, by and between 600 B Street San Diego Owner, LLC and Mitek Systems, Inc.</u></a>	(22)
10.26	<a href="#"><u>Amendment No.1 to Section 382 Rights Agreement, dated as of February 28, 2019, by and between Mitek Systems, Inc., and Computershare Trust Company, N.A.</u></a>	(23)
21.1	<a href="#"><u>List of Subsidiaries</u></a>	*
23.1	<a href="#"><u>Consent of Mayer Hoffman McCann P.C.</u></a>	*
24.1	<a href="#"><u>Power of Attorney (included on the signature page).</u></a>	*

31.1	<a href="#">Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.</a>	*
31.2	<a href="#">Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.</a>	*
32.1	<a href="#">Certification Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	*
101.INS	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	XBRL Taxonomy Extension Schema Document.	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	*

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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.
- # Management contract, compensatory plan arrangement.
- (1) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2015.
- (2) Incorporated by reference to the Company's Current Report on Form 8-K/A filed with the SEC on October 20, 2017.
- (3) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 23, 2018.
- (4) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014 filed with the SEC on December 5, 2014.
- (5) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 10, 2014.
- (6) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2018.
- (7) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on July 7, 2003.
- (8) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on May 3, 2006.
- (9) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 14, 2011.
- (10) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on August 16, 2017.
- (11) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013 filed with the SEC on December 12, 2013.
- (12) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 7, 2018.
- (13) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 1, 2011.
- (14) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on June 22, 2017.
- (15) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 11, 2017.
- (16) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 21, 2016.
- (17) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 29, 2017.
- (18) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 10, 2018.
- (19) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2019.
- (20) Incorporated by reference to the Company's Registration Statement on Form S-8 filed with the SEC on March 22, 2018.
- (21) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016 filed with the SEC on December 9, 2016.
- (22) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 10, 2017.
- (23) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 28, 2019.

**ITEM 16. FORM 10-K SUMMARY.**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

December 7, 2020

MITEK SYSTEMS, INC.

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

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby severally constitutes and appoints Scipio Maximus Carnecchia and Jeffrey C. Davison, his or her true and lawful agent and attorney-in-fact, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorney-in-fact full power and authority to do and perform each and every act and thing requisite or necessary fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ Scipio Maximus Carnecchia</u> Scipio Maximus Carnecchia	Chief Executive Officer, Director (Principal Executive Officer)	December 7, 2020
<u>/s/ Jeffrey C. Davison</u> Jeffrey C. Davison	Chief Financial Officer (Principal Financial and Accounting Officer)	December 7, 2020
<u>/s/ Bruce E. Hansen</u> Bruce E. Hansen	Chairman of the Board of Directors	December 7, 2020
<u>/s/ William K. Aulet</u> William K. Aulet	Director	December 7, 2020
<u>/s/ James C. Hale</u> James C. Hale	Director	December 7, 2020
<u>/s/ Alex W. Hart</u> Alex W. Hart	Director	December 7, 2020
<u>/s/ Kim S. Stevenson</u> Kim S. Stevenson	Director	December 7, 2020
<u>/s/ Jane J. Thompson</u> Jane J. Thompson	Director	December 7, 2020
<u>/s/ Donna Wells</u> Donna Wells	Director	December 7, 2020

**INDEX TO FINANCIAL STATEMENTS  
MITEK SYSTEMS, INC.**

<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	F-2
<a href="#"><u>Consolidated Balance Sheets as of September 30, 2020 and 2019</u></a>	F-3
<a href="#"><u>Consolidated Statements of Operations and Other Comprehensive Income (Loss) for the Years Ended September 30, 2020, 2019, and 2018</u></a>	F-4
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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and  
Stockholders of Mitek Systems, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mitek Systems, Inc. ("Company") as of September 30, 2020 and 2019, and the related consolidated statements of operations and other comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

### Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective October 1, 2019, under the retrospective method.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2007.

/s/ Mayer Hoffman McCann P.C.

San Diego, California

December 7, 2020

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

	September 30,	
	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 19,986	\$ 16,748
Short-term investments	40,035	16,502
Accounts receivable, net	15,612	14,938
Contract assets	5,187	2,350
Prepaid expenses	1,338	1,487
Other current assets	1,968	2,105
Total current assets	84,126	54,130
Long-term investments	1,963	1,552
Property and equipment, net	3,610	4,231
Right-of-use assets	5,407	—
Intangible assets, net	19,289	24,405
Goodwill	35,669	32,636
Deferred income taxes, net	13,484	16,596
Other non-current assets	5,606	2,347
Total assets	\$ 169,154	\$ 135,897
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,909	\$ 3,555
Accrued payroll and related taxes	8,882	6,410
Deferred revenue, current portion	7,973	5,612
Lease liabilities, current portion	1,819	—
Acquisition-related contingent consideration	753	1,036
Restructuring accrual	—	1,526
Other current liabilities	1,020	1,909
Total current liabilities	24,356	20,048
Deferred revenue, non-current portion	1,597	736
Lease liabilities, non-current portion	5,327	—
Deferred income tax liabilities	4,649	5,555
Other non-current liabilities	982	2,225
Total liabilities	36,911	28,564
Stockholders' equity		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding, as of September 30, 2020 and 2019	—	—
Common stock, \$0.001 par value, 60,000,000 shares authorized, 41,779,853 and 40,367,456 issued and outstanding, as of September 30, 2020 and 2019, respectively	42	40
Additional paid-in capital	146,518	132,160
Accumulated other comprehensive loss	(323)	(4,061)
Accumulated deficit	(13,994)	(20,806)
Total stockholders' equity	132,243	107,333
Total liabilities and stockholders' equity	\$ 169,154	\$ 135,897

See accompanying notes to consolidated financial statements.

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

	For the years ended September 30,		
	2020	2019	2018
Revenue			
Software and hardware	\$ 54,152	\$ 46,845	\$ 40,698
Services and other	47,158	37,745	22,861
Total revenue	<u>101,310</u>	<u>84,590</u>	<u>63,559</u>
Operating costs and expenses			
Cost of revenue—software and hardware	3,303	3,711	3,064
Cost of revenue—services and other	9,889	8,555	5,622
Selling and marketing <sup>(1)</sup>	27,646	24,550	19,254
Research and development <sup>(1)</sup>	22,859	21,873	18,118
General and administrative	22,284	19,861	17,067
Acquisition-related costs and expenses	6,575	7,563	8,239
Restructuring costs	(114)	3,067	—
Total operating costs and expenses	<u>92,442</u>	<u>89,180</u>	<u>71,365</u>
Operating income (loss)	8,868	(4,590)	(7,806)
Other income (expense), net	541	602	(935)
Income (loss) before income taxes	9,409	(3,988)	(8,741)
Income tax benefit (provision)	(1,595)	3,264	(3,066)
Net income (loss)	<u>\$ 7,814</u>	<u>\$ (724)</u>	<u>\$ (11,807)</u>
Net income (loss) per share—basic	<u>\$ 0.19</u>	<u>\$ (0.02)</u>	<u>\$ (0.33)</u>
Net income (loss) per share—diluted	<u>\$ 0.18</u>	<u>\$ (0.02)</u>	<u>\$ (0.33)</u>
Shares used in calculating net income (loss) per share—basic	<u>41,410</u>	<u>39,341</u>	<u>35,811</u>
Shares used in calculating net income (loss) per share—diluted	<u>42,533</u>	<u>39,341</u>	<u>35,811</u>
Other comprehensive income (loss)			
Net income (loss)	\$ 7,814	\$ (724)	\$ (11,807)
Foreign currency translation adjustment	3,635	(3,504)	(723)
Unrealized gain (loss) on investments	103	29	(10)
Other comprehensive income (loss)	<u>\$ 11,552</u>	<u>\$ (4,199)</u>	<u>\$ (12,540)</u>

(1) September 30, 2019 and 2018 consolidated statements of operations reflect reclassifications to conform to the current year presentation.

See accompanying notes to consolidated financial statements.

**MITEK SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**For the years ended September 30, 2020, 2019, and 2018**  
(amounts in thousands)

	Common Stock Outstanding Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, September 30, 2017	33,724	\$ 34	\$ 78,677	\$ (17,450)	\$ 147	\$ 61,408
Exercise of stock options	251	—	743	—	—	743
Settlement of restricted stock units	745	1	(1)	—	—	—
Issuance of common stock under employee stock purchase plan	61	—	382	—	—	382
Acquisition-related shares issued	3,180	3	27,483	—	—	27,486
Stock-based compensation expense	—	—	8,950	—	—	8,950
Amortization of closing shares and earnout shares	—	—	710	—	—	710
Cumulative-effect adjustment from the adoption of ASU 2016-09	—	—	—	8,255	—	8,255
Components of other comprehensive loss:						
Net loss	—	—	—	(11,807)	—	(11,807)
Currency translation adjustment	—	—	—	—	(723)	(723)
Change in unrealized gain (loss) on investments	—	—	—	—	(10)	(10)
Total other comprehensive loss						(12,540)
Balance, September 30, 2018	37,961	\$ 38	\$ 116,944	\$ (21,002)	\$ (586)	\$ 95,394
Exercise of stock options	1,385	1	4,499	—	—	4,500
Settlement of restricted stock units	881	1	(1)	—	—	—
Issuance of common stock under employee stock purchase plan	140	—	1,081	—	—	1,081
Stock-based compensation expense	—	—	9,637	—	—	9,637
Cumulative-effect adjustment from the adoption of ASU 2014-09	—	—	—	920	—	920
Components of other comprehensive loss:						
Net loss	—	—	—	(724)	—	(724)
Currency translation adjustment	—	—	—	—	(3,504)	(3,504)
Change in unrealized gain (loss) on investments	—	—	—	—	29	29
Total other comprehensive loss						(4,199)
Balance, September 30, 2019	40,367	\$ 40	\$ 132,160	\$ (20,806)	\$ (4,061)	\$ 107,333
Exercise of stock options	581	1	3,571	—	—	3,572
Settlement of restricted stock units	819	1	(1)	—	—	—
Issuance of common stock under employee stock purchase plan	150	—	1,237	—	—	1,237
Stock-based compensation expense	—	—	9,551	—	—	9,551
Repurchases and retirements of common stock	(137)	—	—	(1,002)	—	(1,002)
Components of other comprehensive loss:						
Net income	—	—	—	7,814	—	7,814
Currency translation adjustment	—	—	—	—	3,635	3,635
Change in unrealized gain (loss) on investments	—	—	—	—	103	103
Total other comprehensive income						11,552
Balance, September 30, 2020	41,780	\$ 42	\$ 146,518	\$ (13,994)	\$ (323)	\$ 132,243

See accompanying notes to consolidated financial statements.

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

	For the years ended September 30,		
	2020	2019	2018
<b>Operating activities:</b>			
Net income (loss)	\$ 7,814	\$ (724)	\$ (11,807)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Stock-based compensation expense	9,551	9,637	8,950
Amortization of closing shares and earnout shares	—	—	355
Amortization of acquisition-related intangible assets	6,439	7,024	4,023
Depreciation and other amortization	1,504	1,388	615
Accretion and amortization on debt securities and other	63	(134)	(14)
Net change in the estimated fair value of acquisition-related contingent consideration	136	472	1,750
Deferred income taxes	1,903	(3,775)	3,636
Changes in assets and liabilities:			
Accounts receivable	(361)	1,564	(5,673)
Contract assets	(6,695)	(1,757)	—
Other assets	173	(769)	(1,676)
Accounts payable	277	28	309
Accrued payroll and related taxes	2,343	(1,529)	2,553
Deferred revenue	3,141	1,125	1,670
Restructuring accrual	(1,562)	1,573	—
Other liabilities	(604)	127	935
Net cash provided by operating activities	<u>24,122</u>	<u>14,250</u>	<u>5,626</u>
<b>Investing activities:</b>			
Purchases of investments	(44,725)	(24,410)	(15,391)
Sales and maturities of investments	20,822	14,966	41,018
Payments for business acquisitions, net of cash acquired	—	—	(29,744)
Purchases of property and equipment	(803)	(1,063)	(4,307)
Net cash used in investing activities	<u>(24,706)</u>	<u>(10,507)</u>	<u>(8,424)</u>
<b>Financing activities:</b>			
Proceeds from the issuance of equity plan common stock	4,809	5,581	1,125
Repurchases and retirements of common stock	(1,002)	—	—
Payment of acquisition-related contingent consideration	(478)	(1,030)	(1,284)
Proceeds from other borrowings	217	128	—
Principal payments on other borrowings	(143)	(296)	(270)
Net cash provided by (used in) financing activities	<u>3,403</u>	<u>4,383</u>	<u>(429)</u>
Foreign currency effect on cash and cash equivalents	419	(406)	(34)
Net increase (decrease) in cash and cash equivalents	3,238	7,720	(3,261)
Cash and cash equivalents at beginning of period	16,748	9,028	12,289
Cash and cash equivalents at end of period	<u>\$ 19,986</u>	<u>\$ 16,748</u>	<u>\$ 9,028</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid for interest	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29</u>
Cash paid (received) for income taxes	<u>\$ (451)</u>	<u>\$ 310</u>	<u>\$ 402</u>
<b>Supplemental disclosures of non-cash investing and financing activities:</b>			
Unrealized holding gain (loss) on available for sale investments	<u>\$ 103</u>	<u>\$ 29</u>	<u>\$ (10)</u>

See accompanying notes to consolidated financial statements.

**MITEK SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED September 30, 2020, 2019, AND 2018**

**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 September 30, 2020, the Company has been granted 67 patents and it has an additional 20 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 (“AML”) and Know Your Customer (“KYC”) 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 financial statements are prepared under the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 105-10, *Generally Accepted Accounting Principles*, in accordance with accounting principles generally accepted in the U.S. (“GAAP”).

*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 equivalents 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 loss in the consolidated balance sheet. The Company recorded net gains resulting from foreign exchange translation of \$3.6 million for the fiscal year ended September 30, 2020, net losses resulting from foreign exchange translation of \$3.5 million for the fiscal year ended September 30, 2019, and net losses resulting from foreign exchange translation of \$0.7 million for the fiscal year ended September 30, 2018.

### *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 \$3.0 million, \$2.9 million, and \$2.4 million in fiscal years 2020, 2019, and 2018, respectively.

### *Revenue Recognition*

The Company recognizes revenue in accordance with FASB 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 and related services to customers (for both on premise and transactional software as a service ("SaaS") products), 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 customer-by-customer 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 (Loss) Per Share

The Company calculates net income (loss) per share in accordance with FASB ASC Topic 260, *Earnings per Share*. Basic net income (loss) per share is based on the weighted-average number of common shares outstanding during the period. Diluted net income (loss) 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 fiscal years ended September 30, 2020, 2019 and 2018, the following potentially dilutive common shares were excluded from the net income (loss) per share calculation, as they would have been antidilutive (*amounts in thousands*):

	2020	2019	2018
Stock options	239	1,687	2,806
RSUs	1,519	2,352	2,580
ESPP common stock equivalents	14	74	71
Performance RSUs	32	—	—
Total potentially dilutive common shares outstanding	1,804	4,113	5,457

The calculation of basic and diluted net income (loss) per share for the fiscal years ended September 30, 2020, 2019, and 2018 is as follows (*amounts in thousands, except per share data*):

	2020	2019	2018
Net income (loss)	\$ 7,814	\$ (724)	\$ (11,807)
Weighted-average shares outstanding—basic	41,410	39,341	35,811
Common stock equivalents	1,123	—	—
Weighted-average shares outstanding—diluted	42,533	39,341	35,811
Net income (loss) per share:			
Basic	\$ 0.19	\$ (0.02)	\$ (0.33)
Diluted	\$ 0.18	\$ (0.02)	\$ (0.33)

### Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid financial instruments with original maturities of three months or less. The Company's cash and cash equivalents are composed of interest and non-interest-bearing deposits and money market funds.

### 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 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 (expense), net in the consolidated statements of operations and other comprehensive income (loss). No other-than-temporary impairment charges were recognized in the fiscal years ended September 30, 2020, 2019, and 2018.

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 \$0.2 million and \$0.1 million of write-offs to the allowance for doubtful accounts for the fiscal years ended September 30, 2020 and 2019, respectively. The Company had no write-offs to the allowance for doubtful accounts for the fiscal year ended September 30, 2018. The Company maintained an allowance for doubtful accounts of \$0.2 million and \$0.2 million as of September 30, 2020 and 2019, respectively.

### *Property and Equipment*

Property and equipment are carried at cost. The following is a summary of property and equipment as of September 30, 2020 and 2019 (*amounts shown in thousands*):

	2020	2019
Property and equipment—at cost:		
Leasehold improvements	\$ 3,639	\$ 3,575
Equipment	3,545	3,041
Capitalized internal-use software development costs	1,363	1,088
Furniture and fixtures	618	526
	9,165	8,230
Less: accumulated depreciation and amortization	(5,555)	(3,999)
Total property and equipment, net	\$ 3,610	\$ 4,231

Depreciation and amortization of property and equipment are provided using the straight-line method over estimated useful lives ranging from three to ten years. Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the assets. Depreciation and amortization of property and equipment totaled \$1.5 million, \$1.4 million, and \$0.6 million for the fiscal years ended September 30, 2020, 2019, and 2018, respectively. Expenditures for repairs and maintenance are charged to operations. Total repairs and maintenance expenses were \$0.1 million, \$0.1 million and \$0.1 million for the fiscal years ended September 30, 2020, 2019, and 2018, respectively.

### *Long-Lived Assets*

The Company evaluates the carrying value of long-lived assets, including license agreements and other intangible assets, when events and circumstances indicate that these assets may be impaired or in order to determine whether any revision to the related amortization periods should be made. This evaluation is based on management's projections of the undiscounted future cash flows associated with each product or asset. If management's evaluation indicates that the carrying values of these intangible assets were impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company did not record any impairment of long-lived assets for the fiscal years ended September 30, 2020, 2019, and 2018.

### *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 fiscal years ended September 30, 2020 and 2019, no software development costs were capitalized because the time period and cost incurred between technological feasibility and general release for all software product releases were not material or were not realizable. The Company had no amortization expense from capitalized software costs during the years ended September 30, 2020, 2019, or 2018.

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 \$0.3 million, \$0.2 million, and \$0.9 million of costs related to computer software developed for internal use during the years ended September 30, 2020, 2019 and 2018, respectively. The Company

recognized \$0.4 million, \$0.3 million and \$0.1 million of amortization expense from internal use software during the years ended September 30, 2020, 2019 and 2018, respectively.

#### *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 Topic 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. 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 fiscal years ended September 30, 2020, 2019, and 2018.

#### *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 September 30, 2020, \$0.7 million, was outstanding under these agreements and approximately \$0.1 million and \$0.6 million is recorded in other current liabilities and other non-current liabilities, respectively, in the consolidated balance sheets. As of September 30, 2019, \$0.6 million, was outstanding under these agreements and \$0.2 million and \$0.4 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 8 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 8 of the consolidated financial statements for additional details.

### *Stock-Based Compensation*

The Company issues RSUs, stock options, performance options, and Senior Executive Long-Term Incentive Restricted Stock Units (“Senior Executive 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* (“ASC 718”). 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.

### *Advertising Expense*

Advertising costs are expensed as incurred and totaled \$1.6 million, \$0.8 million and \$0.5 million during the fiscal years ended September 30, 2020, 2019, and 2018, respectively.

### *Research and Development*

Research and development costs are expensed in the period incurred.

### *Segment Reporting*

FASB ASC Topic 280, *Segment Reporting*, requires the use of a management approach in identifying segments of an enterprise. During the fiscal year ended September 30, 2020, management determined that the Company has only one operating segment: the development, sale, and service of proprietary software solutions related to mobile imaging.

### *Comprehensive Income (Loss)*

Comprehensive income (loss) consists of net income (loss), unrealized gains and losses on available-for-sale securities, and foreign currency translation adjustments. Included on the consolidated balance sheet is an accumulated other comprehensive loss of \$0.3 million and \$4.1 million at September 30, 2020 and 2019, respectively.

## Recently Adopted Accounting Pronouncements

In February 2018, the FASB issued Accounting Standards Update (“ASU”) No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the “Jobs Act”). The Company elected not to reclassify the stranded tax effects to retained earnings as they were not material to the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 and its related amendments (collectively, known as “ASC 842”) which require lessees to record most leases on the balance sheet but recognize expenses in the income statement in a manner similar to previous guidance. The way in which entities classify leases determines how to recognize lease-related revenue and expenses.

The Company adopted ASC 842 as of October 1, 2019 using the optional transition method and will not adjust the comparative period financial statements for the effects of the new standard or make the new, expanded required disclosures for periods prior to the adoption date. Accordingly, the results for the twelve months ended September 30, 2019 continue to be reported under the accounting guidance, ASC Topic 840, *Leases* (“ASC 840”), in effect for that period. The Company elected to use the package of practical expedients to not reassess: (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases, and (iii) initial direct costs for any existing leases. The Company also elected the practical expedient not to separate the non-lease components of a contract from the lease component to which they relate. In addition, the Company made an accounting policy election that will keep leases with an initial term of twelve months or less off the consolidated balance sheet. The adoption of ASC 842 had a material impact on the consolidated balance sheet as of October 1, 2019, and resulted in the recognition of \$8.2 million of lease liabilities and \$6.8 million of right-of-use (“ROU”) assets for those leases classified as operating leases. The adoption of ASC 842 did not have a material impact on the Company’s consolidated statements of operations and other comprehensive income (loss) or consolidated statements of cash flows. See Note 9 of the consolidated financial statements for additional details.

## Change in Significant Accounting Policy

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in its consolidated financial statements. The details of the significant changes and quantitative impact of the changes are disclosed below.

### *Leases*

The Company determines if an arrangement is a lease at inception in accordance with ASC 842. The lease term begins on the commencement date, which is the date the Company takes possession of the property, and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The lease term is used to determine lease classification as an operating or finance lease and is used to calculate straight-line expense for operating leases.

ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make payments arising from the lease. As a practical expedient, lease agreements with lease and non-lease components are accounted for as a single lease component for all asset classes, which are comprised of real estate leases and auto leases. ROU assets and lease liabilities are recognized at commencement date based upon the present value of lease payments over the lease term. ROU assets also include prepaid lease payments and exclude lease incentives received. The Company estimates contingent lease incentives when it is probable that the Company is entitled to the incentive at lease commencement. Since the Company’s leases do not typically provide an implicit rate, the Company uses its incremental borrowing rate based upon the information available at commencement date of each lease. The determination of the incremental borrowing rate requires judgment. The Company determines the incremental borrowing rate using the Company’s current secured borrowing rate. The Company elected the short-term lease recognition exemption for all leases that qualify. Therefore, leases with an initial term of twelve months or less are not recorded on the consolidated balance sheet; instead, lease payments are recognized as lease expenses on a straight-line basis over the lease term. See Note 9 of the consolidated financial statements for additional details.

Operating lease assets and liabilities are recognized for leases with lease terms greater than 12 months based on the present value of the future lease payments over the lease term at the commencement date. Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheet. Operating leases are included in Right-of-use-assets, Lease liabilities, current portion and Lease liabilities, non-current portion on our consolidated balance sheet. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such option. We account for substantially all lease and related non-lease components together as a single lease component. Operating lease expense is recognized on a straight-line basis over the lease term.

## 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.

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. ASU 2018-15 is effective either prospectively or retrospectively for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of ASU 2018-15 to 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 guidance is effective for annual and interim periods beginning after December 15, 2019, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. The Company does not expect the adoption of ASU 2018-13 to 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. ASU 2017-04 will be effective prospectively for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company does not expect the adoption of ASU 2017-04 to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which requires entities to use a Current Expected Credit Loss model which is a new impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost. The entity’s estimate would consider relevant information about past events, current conditions and reasonable and supportable forecasts. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 31, 2019 with early adoption permitted for annual reporting periods beginning after December 31, 2018. The Company does not expect the adoption of ASU 2016-13 to have a material impact on its consolidated financial statements.

No other new accounting pronouncement issued or effective during the year ended September 30, 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*):

Major product category	Twelve Months Ended September 30,		
	2020	2019	2018
Deposits software and hardware	\$ 49,765	\$ 41,860	\$ 33,071
Deposits services and other	17,965	15,170	8,437
Deposits revenue	67,730	57,030	41,508
Identity verification software and hardware	4,387	4,985	7,627
Identity verification services and other	29,193	22,575	14,424
Identity verification revenue	33,580	27,560	22,051
Total revenue	\$ 101,310	\$ 84,590	\$ 63,559

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*):

	September 30, 2020	September 30, 2019
Contract assets, current	\$ 5,187	\$ 2,350
Contract assets, non-current	4,468	581
Contract liabilities (deferred revenue), current	7,973	5,612
Contract liabilities (deferred revenue), non-current	1,597	736

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 customer-by-customer basis at the end of each reporting period. The Company recognized \$3.9 million and \$4.4 million of revenue during the twelve months ended September 30, 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 \$1.5 million and \$1.5 million at September 30, 2020 and September 30, 2019, 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 (loss) and totaled \$0.8 million and \$0.6 million during the years ended September 30, 2020 and 2019, respectively. There were no impairment losses recognized during the years ended September 30, 2020 and 2019 related to capitalized contract costs.

## 3. BUSINESS COMBINATIONS

### *A2iA Group II, S.A.S.*

On May 23, 2018, the Company acquired all of the issued and outstanding shares of A2iA Group II, S.A.S. (“A2iA”), a simplified joint stock company formed under the laws of France, pursuant to a share purchase agreement, by and among the Company, each of the holders of outstanding shares of A2iA and Andera Partners, S.C.A., as representative of the sellers (the “A2iA Acquisition”). A2iA is a software development organization focused on delivering specialized and highly intelligent data extraction tools that enable customers to optimize their data capture, document processing, and workflow automation capabilities. Upon completion of the A2iA Acquisition, A2iA became a direct wholly owned subsidiary of the Company. The A2iA Acquisition extends Mitek’s global leadership position in both mobile check deposit and digital identity verification and combines the two market leaders in document recognition and processing.

As consideration for the A2iA Acquisition, the Company (i) made a cash payment of \$26.8 million, net of cash acquired; (ii) issued 2,514,588 shares, or \$21.9 million, of the Company’s Common Stock; and (iii) incurred transaction related liabilities of \$0.2 million.

The Company incurred \$2.2 million of expense in fiscal year 2018 in connection with the A2iA Acquisition primarily related to legal fees, outside service costs, and travel expense, which are included in acquisition-related costs and expenses in the consolidated statements of operations and other comprehensive income (loss).

On May 23, 2018, the Company deposited \$0.7 million of the cash payment and 508,479 shares, or \$4.4 million, of Common Stock into an escrow fund to serve as collateral and partial security for certain indemnification rights of the Company. The escrow fund was maintained for 24 months following the completion of the A2iA Acquisition and no claims were made against the escrow fund.

The Company used cash on hand for the cash paid on May 23, 2018.



*ICAR Vision Systems, S.L.*

On October 16, 2017, Mitek Holding B.V., a company incorporated under the laws of The Netherlands and a wholly owned subsidiary of the Company (“Mitek Holding B.V.”), acquired all of the issued and outstanding shares of ICAR, a company incorporated under the laws of Spain (the “ICAR Acquisition”), and each of its subsidiaries, pursuant to a Share Purchase Agreement (the “Purchase Agreement”), by and among, the Company, Mitek Holding B.V., and each of the shareholders of ICAR (the “Sellers”). ICAR is a technology provider of identity fraud proofing and document management solutions for web, desktop, and mobile platforms. Upon completion of the ICAR Acquisition, ICAR became a direct wholly owned subsidiary of Mitek Holding B.V. and an indirect wholly owned subsidiary of the Company. ICAR is a leading provider of consumer identity verification solutions in Spain and Latin America. The ICAR Acquisition strengthens the Company’s position as a global digital identity verification powerhouse in the Consumer Identity and Access Management solutions market.

As consideration for the ICAR Acquisition, the Company agreed to an aggregate purchase price of up to \$13.9 million, net of cash acquired. On October 16, 2017, the Company: (i) made a cash payment to Sellers of \$3.0 million, net of cash acquired and subject to adjustments for transaction expenses, escrow amounts, indebtedness, and working capital adjustments; and (ii) issued to Sellers 584,291 shares, or \$5.6 million, of Common Stock. In addition to the foregoing, the Sellers may be entitled to additional cash consideration upon achievement of certain milestones as follows: (a) subject to achievement of the revenue target for the fourth quarter of calendar 2017, the Company will pay to Sellers up to \$1.5 million (the “Q4 Consideration”), which amount shall be deposited (as additional funds) into the escrow fund described below; and (b) subject to achievement of certain revenue and net income targets for ICAR for the twelve-month period ending on September 30, 2018, and the twelve-month period ending on September 30, 2019, the Company will pay to Sellers up to \$3.8 million in additional cash consideration (the “Earnout Consideration”); provided that if the revenue target set forth in clause (a) is not met, then the Q4 Consideration will instead be added to the Earnout Consideration payable upon (and subject to) achievement of the revenue and net income targets for the twelve-month period ending on September 30, 2018. The Company estimated the fair value of the total Q4 Consideration and Earnout Consideration to be \$2.9 million on October 16, 2017, which was determined using a discounted cash flow methodology based on financial forecasts determined by management that included assumptions about revenue growth and discount rates. Each quarter the Company revises the estimated fair value of the Earnout Consideration and revises as necessary.

The Company incurred \$0.5 million of expense in connection with the ICAR Acquisition primarily related to legal fees, outside service costs, and travel expense, which are included in acquisition-related costs and expenses in the consolidated statements of operations and other comprehensive income (loss).

On October 16, 2017, the Company deposited \$1.5 million of cash into an escrow fund to serve as collateral and partial security for working capital adjustments and certain indemnification rights. In April 2018, the Q4 Consideration of \$1.5 million was deposited into the escrow fund. As a result of the achievement of earnout targets during fiscal 2018, the Company paid \$1.8 million in January 2019. The Company extended the period over which the remaining \$1.8 million of Earnout Consideration is earned. \$1.1 million of the Earnout Consideration was paid during second quarter of fiscal 2020 based on the achievement of revenue and income targets earned during fiscal 2019. The remaining portion of the Earnout Consideration of \$0.8 million will be paid out during the second quarter of fiscal 2021 due to the achievement of certain revenue, income, development and corporate targets during fiscal 2020. During the first quarter of fiscal 2020, the Company released all escrow funds, excluding \$1.0 million which is being held for any potential settlement relating to the claims which may arise from the litigation which was brought on by Global Equity & Corporate Consulting, S.L. against ICAR as more fully described in Note 9.

The Company used cash on hand for cash paid on October 16, 2017, and under the terms of the Purchase Agreement, the Company has agreed to guarantee the obligations of Mitek Holding B.V. thereunder.

Acquisitions are accounted for using the purchase method of accounting in accordance with ASC Topic 805, *Business Combinations*. Accordingly, the results of operations of A2iA and ICAR have been included in the accompanying consolidated financial statements since the date of each acquisition. The purchase price for both the A2iA Acquisition and the ICAR Acquisition have been allocated to the tangible and intangible assets acquired and liabilities assumed based upon the respective estimates of fair value as of the date of each acquisition, and are based on assumptions that the Company’s management believes are reasonable given the information currently available.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed during the year ended September 30, 2018 (amounts shown in thousands):

	A2iA	ICAR	Total
Current assets	\$ 3,929	\$ 2,036	\$ 5,965
Property, plant, and equipment	307	83	390
Intangible assets	28,610	6,407	35,017
Goodwill	24,991	6,936	31,927
Other non-current assets	1,177	87	1,264
Current liabilities	(2,688)	(1,652)	(4,340)
Deferred income tax liabilities	(7,503)	(1,602)	(9,105)
Other non-current liabilities	(7)	(828)	(835)
Net assets acquired	<u>\$ 48,816</u>	<u>\$ 11,467</u>	<u>\$ 60,283</u>

The goodwill recognized is due to expected synergies and other factors and is not expected to be deductible for income tax purposes. The Company estimated the fair value of identifiable acquisition-related intangible assets with definite lives primarily based on discounted cash flow projections that will arise from these assets. The Company exercised significant judgment with regard to assumptions used in the determination of fair value such as with respect to discount rates and the determination of the estimated useful lives of the intangible assets.

The following table summarizes the estimated fair values and estimated useful lives of intangible assets with definite lives acquired during the year ended September 30, 2018 (amounts shown in thousands, except for years):

	Amortization Period	Amount assigned
<b>A2iA</b>		
Completed technologies	7.0 years	\$ 13,015
Customer relationships	5.0 years	15,360
Trade names	5.0 years	235
Total intangible assets acquired from A2iA		<u>\$ 28,610</u>
<b>ICAR</b>		
Completed technologies	5.0 years	\$ 4,956
Customer relationships	2.0 years	1,298
Trade names	3.0 years	153
Total intangible assets acquired from ICAR		<u>\$ 6,407</u>

The following unaudited pro forma financial information is presented as if the acquisitions had taken place at the beginning of the periods presented and should not be taken as representative of the Company's future consolidated results of operations. The following unaudited pro forma information includes adjustments for the amortization expense related to the identified intangible assets.

The following table summarizes the Company's unaudited pro forma financial information is presented as if the acquisitions occurred on October 1, 2017 (amounts shown in thousands):

	For the years ended September 30,		
	2020	2019	2018
Pro forma revenue	\$ 101,310	\$ 86,206	\$ 78,130
Pro forma net income (loss)	\$ 7,814	\$ 889	\$ (12,268)

For the year ended September 30, 2018, revenue of \$9.1 million and a net loss of \$5.3 million from the A2iA and ICAR businesses since the respective acquisition dates are included in the Company's consolidated statements of operations.

#### 4. RESTRUCTURING

Subsequent to the A2iA Acquisition, the Company evaluated A2iA's operations and determined that the market for certain products was small and lacking growth opportunity and that its products were not core to Mitek's strategy, nor were they profitable for the Company. In order to streamline the organization and focus resources going forward, the Company undertook a strategic restructuring of A2iA's Paris operations in June 2019, which included, among other things, ceasing the sale of certain A2iA products and offerings and a reduction in workforce. Restructuring costs consist of employee severance obligations and other related costs. As the restructuring plan has been completed, the Company reversed the remaining accrued costs in the fourth quarter of fiscal 2020.

The following table summarizes changes in the restructuring accrual during the year ended September 30, 2020 (*amounts shown in thousands*):

Balance at September 30, 2019	\$	1,526
Accrual reversed		(114)
Payments		(1,412)
Foreign currency effect on the restructuring accrual		—
Balance at September 30, 2020	\$	—

#### 5. INVESTMENTS

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 September 30, 2020 and 2019, the Company's short-term investments have maturity dates of less than one year from the balance sheet date. 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 (loss). No other-than-temporary impairment charges were recognized in the fiscal years ended September 30, 2020, 2019, and 2018. There were no realized gains or losses from the sale of available-for-sale securities during the years ended September 30, 2020 and 2019. The Company recorded a net realized loss from the sale of available-for-sale securities of \$49,000 during the year ended September 30, 2018.

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 (loss).

The following tables summarize investments by type of security as of September 30, 2020 and 2019, respectively (*amounts shown in thousands*):

<b>September 30, 2020:</b>	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	<u>\$ 41,890</u>	<u>\$ 111</u>	<u>\$ (3)</u>	<u>\$ 41,998</u>

<b>September 30, 2019:</b>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
<b>Available-for-sale securities:</b>				
U.S. Treasury, short-term	\$ 4,240	\$ 2	\$ —	\$ 4,242
Corporate debt securities, short-term	12,258	2	—	12,260
U.S. Treasury, long-term	1,102	—	(1)	1,101
Corporate debt securities, long-term	451	—	—	451
<b>Total</b>	<b>\$ 18,051</b>	<b>\$ 4</b>	<b>\$ (1)</b>	<b>\$ 18,054</b>

*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, that may be used to measure fair value which consists of the following:

- 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 September 30, 2020 and 2019, respectively (*amounts shown in thousands*):

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

<b>September 30, 2019:</b>	Balance	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Short-term investments:				
U.S. Treasury	\$ 4,242	\$ 4,242	\$ —	\$ —
Corporate debt securities				
Financial	2,503	—	2,503	—
Industrial	1,371	—	1,371	—
Commercial paper				
Financial	5,560	—	5,560	—
Industrial	2,826	—	2,826	—
Total short-term investments at fair value	<u>16,502</u>	<u>4,242</u>	<u>12,260</u>	<u>—</u>
Long-term investments:				
U.S. Treasury	1,101	1,101	—	—
Corporate debt securities				
Financial	451	—	451	—
Industrial	—	—	—	—
Total assets at fair value	<u>\$ 18,054</u>	<u>\$ 5,343</u>	<u>\$ 12,711</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Acquisition-related contingent consideration	1,601	—	—	1,601
<b>Total liabilities at fair value</b>	<u>\$ 1,601</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,601</u>

As of September 30, 2020, total acquisition-related contingent consideration related to the ICAR Acquisition of \$0.8 million is recorded in acquisition-related contingent consideration and other non-current liabilities, 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 year ended September 30, 2020 (*amounts shown in thousands*):

Balance at September 30, 2019	\$ 1,601
Expenses recorded due to changes in fair value	136
Payment of contingent consideration	(1,049)
Foreign currency effect on contingent consideration	65
Balance at September 30, 2020	<u>\$ 753</u>

## 6. GOODWILL AND INTANGIBLE ASSETS

### *Goodwill*

The Company has goodwill balances of \$35.7 million and \$32.6 million at September 30, 2020 and 2019, respectively, representing the excess of costs over fair value of net 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 Topic 350. The following table summarizes changes in the balance of goodwill during the year ended September 30, 2020 (*amounts shown in thousands*):

Balance at September 30, 2019	\$ 32,636
Other adjustments <sup>(1)</sup>	806
Foreign currency effect on goodwill	2,227
Balance at September 30, 2020	<u>\$ 35,669</u>

(1) During the three months ended December 31, 2019, the Company determined that it had incorrectly classified \$0.8 million of contract assets in its fair value estimate associated with the A2iA Acquisition. This asset was incorrectly recorded as other non-current assets with an offset to goodwill on the Company's consolidated balance sheet during the three months ended June 30, 2018 and subsequent financial statements. The Company has determined that the adjustment was not material to any previously reported financial statements. Therefore, the consolidated balance sheet as of September 30, 2020 has been adjusted

### *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 September 30, 2020 and 2019 are summarized as follows (*amounts shown in thousands, except for years*):

<b>September 30, 2020:</b>	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		<u>\$ 38,587</u>	<u>\$ 19,298</u>	<u>\$ 19,289</u>

<b>September 30, 2019:</b>	Weighted Average Amortization Period	Cost	Accumulated Amortization	Net
Completed technologies	6.4 years	\$ 20,341	\$ 7,104	\$ 13,237
Customer relationships	4.8 years	17,628	6,701	10,927
Trade names	4.5 years	618	377	241
Total intangible assets		<u>\$ 38,587</u>	<u>\$ 14,182</u>	<u>\$ 24,405</u>

Amortization expense related to acquired intangible assets was \$6.4 million, \$7.0 million, and \$4.0 million for fiscal years ended September 30, 2020, 2019, and 2018, respectively and is recorded in acquisition-related costs and expenses in the consolidated statements of operations.

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	\$ 6,368
2022	5,956
2023	3,909
2024	1,857
2025	1,199
Thereafter	—
Total	<u>\$ 19,289</u>

## **7. STOCKHOLDERS' EQUITY**

### *Stock-Based Compensation Expense*

The following table summarizes stock-based compensation expense related to RSUs, stock options, and ESPP shares for the fiscal years ended September 30, 2020, 2019, and 2018, which were allocated as follows (*amounts shown in thousands*):

	2020	2019	2018
Cost of revenue	\$ 267	\$ 207	\$ 78
Selling and marketing	2,528	2,554	2,383
Research and development	2,802	2,426	2,074
General and administrative	3,954	4,450	4,415
Stock-based compensation expense included in expenses	<u>\$ 9,551</u>	<u>\$ 9,637</u>	<u>\$ 8,950</u>

The fair value calculations for stock-based compensation awards to employees for the fiscal years ended September 30, 2020, 2019, and 2018 were based on the following assumptions:

	2020	2019	2018
Risk-free interest rate	1.35% – 1.35%	1.85% – 3.08%	2.04%
Expected life (years)	5.78	5.43	5.15
Expected volatility	48%	57%	60%
Expected dividends	—	—	—

The expected life of options granted is derived using assumed exercise rates based on historical exercise patterns and vesting terms, and represents the period of time that options granted are expected to be outstanding. Expected stock price volatility is based upon implied volatility and other factors, including historical volatility. After assessing all available information on either historical volatility, or implied volatility, or both, the Company concluded that a combination of both historical and implied volatility provides the best estimate of expected volatility.

As of September 30, 2020, the Company had \$17.9 million of unrecognized compensation expense related to outstanding RSUs, stock options, and ESPP shares expected to be recognized over a weighted-average period of approximately 2.3 years.

#### *2012 Incentive Plan*

In January 2012, the Company's board of directors (the "Board") adopted the Mitek Systems, Inc. 2012 Incentive Plan (the "2012 Plan"), upon the recommendation of the compensation committee of the Board. On March 10, 2017, the Company's stockholders approved the amendment and restatement of the 2012 Plan. The total number of shares of Common Stock reserved for issuance under the 2012 Plan is 9,500,000 shares plus that number of shares of Common Stock that would otherwise return to the available pool of unissued shares reserved for awards under its 1999 Stock Option Plan, 2000 Stock Option Plan, 2002 Stock Option Plan, 2006 Stock Option Plan, and 2010 Stock Option Plan (collectively, the "plans prior to the 2012 Plan"). As of September 30, 2020, (i) stock options to purchase 844,066 shares of Common Stock and 1,802,094 RSUs were outstanding under the 2012 Plan, and no shares of Common Stock were reserved for future grants under the 2012 Plan and (ii) stock options to purchase an aggregate of 8,650 shares of Common Stock were outstanding under the plans prior to the 2012 Plan.

#### *2020 Incentive Plan*

In January 2020, 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 September 30, 2020, (i) 348,859 RSUs and 353,556 Performance RSUs were outstanding under the 2020 Plan, and 3,816,753 shares of Common Stock were reserved for future grants under the 2020 Plan and (ii) stock options to purchase an aggregate of 852,716 shares of Common Stock and 1,802,094 RSUs were outstanding under the Prior Plans.

#### *Employee Stock Purchase Plan*

In January 2018, the Board adopted the Mitek 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 September 30, 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 \$0.4 million in stock-based compensation expense related to the ESPP during each of the years ended September 30, 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 September 30, 2020, (i) 428,094 RSUs were outstanding under the Director Plan and (ii) 287,385 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 stock option plans during the fiscal years ended September 30, 2020, 2019, and 2018:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in Years)
Outstanding at September 30, 2017	2,845,866	\$ 4.21	5.4
Granted	299,397	\$ 8.60	
Exercised	(250,823)	\$ 2.96	
Canceled	(88,076)	\$ 5.23	
Outstanding at September 30, 2018	2,806,364	\$ 4.75	4.6
Granted	409,368	\$ 9.59	
Exercised	(1,384,647)	\$ 3.25	
Canceled	(144,183)	\$ 6.62	
Outstanding at September 30, 2019	1,686,902	\$ 7.00	5.4
Granted	92,610	\$ 9.49	
Exercised	(580,861)	\$ 6.15	
Canceled	(36,146)	\$ 10.76	
Outstanding at September 30, 2020	1,162,505	\$ 7.51	6.1
Vested and Expected to Vest at September 30, 2020	1,162,505	\$ 7.51	6.1
Exercisable at September 30, 2020	775,861	\$ 6.54	5.0

The Company recognized \$0.7 million, \$0.7 million, and \$1.4 million in stock-based compensation expense related to outstanding stock options in the fiscal years ended September 30, 2020, 2019, and 2018, respectively. As of September 30, 2020, the Company had \$1.6 million of unrecognized compensation expense related to outstanding stock options expected to be recognized over a weighted-average period of approximately three 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 fiscal years ended September 30, 2020, 2019, and 2018 was \$2.5 million, \$11.1 million, and \$1.4 million, respectively. The per-share weighted-average fair value of options granted during the fiscal years ended September 30, 2020, 2019, and 2018 was \$4.32, \$5.07, and \$4.56, respectively. The aggregate intrinsic value of options outstanding as of September 30, 2020 and 2019, was \$6.1 million and \$4.9 million, respectively.



### *Restricted Stock Units*

The following table summarizes RSU activity under the Company's equity plans in the fiscal years ended September 30, 2020, 2019, and 2018:

	Number of Shares	Weighted- Average Fair Value Per Share
Outstanding at September 30, 2017	2,357,021	\$ 5.65
Granted	1,184,906	\$ 8.54
Settled	(745,197)	\$ 5.26
Canceled	(216,554)	\$ 7.39
Outstanding at September 30, 2018	2,580,176	\$ 6.92
Granted	1,147,976	\$ 9.67
Settled	(881,420)	\$ 6.53
Canceled	(494,245)	\$ 7.70
Outstanding at September 30, 2019	2,352,487	\$ 8.26
Granted	1,394,869	\$ 7.39
Settled	(818,665)	\$ 7.82
Canceled	(266,748)	\$ 8.26
Outstanding at September 30, 2020	2,661,943	\$ 7.95

The cost of RSUs is determined using the fair value of the Common Stock on the award date, and the compensation expense is recognized ratably over the vesting period. The Company recognized \$6.9 million, \$6.8 million, and \$5.9 million in stock-based compensation expense related to outstanding RSUs in the fiscal years ended September 30, 2020, 2019, and 2018, respectively. As of September 30, 2020, the Company had approximately \$13.7 million of unrecognized compensation expense related to outstanding RSUs expected to be recognized over a weighted-average period of approximately 2.4 years.

### *Performance Restricted Stock Units*

Pursuant to the 2020 Plan, the Company granted a performance-based restricted stock unit award ("Performance RSUs") to certain members of the Company's senior leadership team including the Chief Executive Officer. The Performance RSUs are subject to vesting based on a performance-based condition and a service-based condition. The Performance RSU will vest over four years in a percentage of the target number of shares between 0 and 100%, depending on the extent the performance condition is achieved. The following table summarizes Performance RSU activity under the Company's equity plans in the fiscal years ended September 30, 2020, 2019, and 2018:

	Number of Shares	Weighted- Average Fair Value Per Share
Outstanding at September 30, 2017	2,100,000	\$ 7.71
Granted	—	\$ —
Exercised	—	\$ —
Canceled	(57,183)	\$ 9.45
Outstanding at September 30, 2018	2,042,817	\$ 7.66
Granted	—	\$ —
Exercised	—	\$ —
Canceled	(320,266)	\$ 7.11
Outstanding at September 30, 2019	1,722,551	\$ 7.76
Granted	353,556	\$ 6.06
Exercised	—	\$ —
Canceled	(1,722,551)	\$ 7.76
Outstanding at September 30, 2020	353,556	\$ 6.06

There were 353,556 Performance RSUs outstanding as of September 30, 2020. The Company recognized \$0.7 million, \$1.0 million, and \$1.5 million in stock-based compensation expense related to outstanding Performance RSUs in the fiscal years ended September 30, 2020, 2019, and 2018, respectively. As of September 30, 2020, the Company had \$1.4 million of unrecognized compensation expense related to outstanding Performance RSUs expected to be recognized over a weighted-average period of approximately 1.7 years. During the year ended September 30, 2020, the Company cancelled 1,722,551 of previously issued Performance RSUs as the performance criteria were not met during the performance period.

#### *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 the 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 the Common Stock achieving certain predetermined levels and his serving as the Chief Executive Officer of the Company for at least three 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 \$0.8 million and \$0.7 million in stock-based compensation expense related to outstanding Performance Options in the years ended September 30, 2020 and 2019, respectively. As of September 30, 2020, the Company had \$0.9 million of unrecognized compensation expense related to outstanding Performance Options expected to be recognized over a weighted-average period of approximately 1.1 years.

#### *Closing Shares*

On June 17, 2015, the Company completed the acquisition of ID Checker NL B.V., a company incorporated under the laws of The Netherlands ("IDC NL"), and ID Checker, Inc., a California corporation and wholly owned subsidiary of IDC NL ("IDC Inc." and together with IDC NL, "ID Checker"). In connection with the closing of this acquisition, the Company issued to the Sellers 712,790 shares of Common Stock (the "Closing Shares"). Vesting of these shares is subject to the continued employment of the founders of ID Checker and occurs over a period of 27 months from the date of issuance. The cost of the Closing Shares was determined using the fair value of the Common Stock on the award date, and the stock-based compensation is recognized ratably over the 27 month vesting period. Stock-based compensation expense related to the Closing Shares is recorded within acquisition-related costs and expenses on the consolidated statements of operations and other comprehensive income (loss). The Company recognized no stock-based compensation expense related to the Closing Shares in the years ended September 30, 2020, 2019, and 2018.

#### *Earnout Shares*

In connection with the acquisition of ID Checker, the Company issued 137,306 shares of Common Stock (the "Earnout Shares") to the Sellers for achievement by ID Checker of certain revenue targets for the nine-month period ended September 30, 2015. Additionally, 81,182 Earnout Shares were earned by the Sellers for achievement by ID Checker of certain revenue targets for the twelve-month period ended September 30, 2016. The Company estimated the fair value of the Earnout Shares using the Monte-Carlo simulation (using the Company's valuation date stock price, the annual risk-free interest rate, expected volatility, the probability of reaching the performance targets, and a 10 trading day average stock price). In November 2017, a contingency triggered the immediate

vesting of all Earnout Shares, resulting in an acceleration of all stock-based compensation related to the Earnout Shares. Stock-based compensation expense related to the Earnout Shares is recorded within acquisition-related costs and expenses on the consolidated statements of operations and other comprehensive income (loss). The Company did not recognize any stock-based compensation expense related to the Earnout Shares for each of the years ended September 30, 2020 and 2019. The Company recognized \$0.4 million in stock-based compensation expense related to the Earnout Shares for the year ended September 30, 2018.

#### *Share Repurchase Program*

On December 13, 2019, the Board authorized and approved a share repurchase program for up to \$10.0 million of the currently outstanding shares of the Company's Common Stock. The share repurchase program will expire December 16, 2020. The purchases under the share repurchase program may be made from time to time in the open market, through block trades, 10b5-1 trading plans, privately negotiated transactions or otherwise, in each case, in accordance with applicable laws, rules, and regulations. The timing and actual number of the shares repurchased will depend on a variety of factors including price, market conditions, and corporate and regulatory requirements. The Company intends to fund the share repurchases from cash on hand. The share repurchase program does not commit the Company to repurchase shares of its Common Stock and it may be amended, suspended, or discontinued at any time.

The Company made purchases of \$1.0 million, or approximately 137,000 shares, during the fiscal year ended September 30, 2020 at an average price of \$7.33 per share. Total purchases made under the share repurchase program were \$1.0 million as of September 30, 2020 and the repurchased shares were retired.

#### *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.

## **8. INCOME TAXES**

#### *Provision for Income Taxes*

Income (loss) before income taxes for the years ended September 30, 2020, 2019, and 2018 is comprised of the following (*amounts shown in thousands*):

	2020	2019	2018
Domestic	\$ 11,071	\$ 8,992	\$ (1,584)
Foreign	(1,662)	(12,980)	(7,157)
Total	<u>\$ 9,409</u>	<u>\$ (3,988)</u>	<u>\$ (8,741)</u>

For the years ended September 30, 2020, 2019, and 2018 the income tax benefit (provision) was as follows (*amounts shown in thousands*):

	2020	2019	2018
Federal—current	\$ —	\$ (117)	\$ (87)
Federal—deferred	(2,182)	639	(4,537)
State—current	(46)	(438)	(26)
State—deferred	67	515	773
Foreign—current	(436)	594	(270)
Foreign—deferred	1,002	2,071	1,081
Total	<u>\$ (1,595)</u>	<u>\$ 3,264</u>	<u>\$ (3,066)</u>

#### *Deferred Income Tax Assets and Liabilities*

Significant components of the Company's net deferred tax assets and liabilities as of September 30, 2020 and 2019 are as follows (*amounts shown in thousands*):

	2020	2019
Deferred tax assets:		
Stock-based compensation	\$ 2,503	\$ 2,646
Net operating loss carryforwards	5,931	9,419
Research credit carryforwards	6,264	5,570
Lease liability	1,091	—
Intangibles	300	58
Other, net	—	90
Total deferred assets	<u>16,089</u>	<u>17,783</u>
Deferred tax liabilities:		
Right of use asset	(726)	—
Foreign deferred liabilities	(5,756)	(5,811)
Other, net	(62)	—
Net deferred tax asset	<u>9,545</u>	<u>11,972</u>
Valuation allowance for net deferred tax assets	(710)	(931)
Net deferred tax asset	<u>\$ 8,835</u>	<u>\$ 11,041</u>

The net change in the total valuation allowance for the fiscal years ended September 30, 2020 and 2019 was a decrease of \$0.2 million and an increase of \$0.5 million, respectively. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. Based on the level of historical operating results and the projections for future taxable income, the Company has determined that it is more likely than not that the deferred tax assets may be realized for all deferred tax assets with the exception of the net foreign deferred tax assets at Mitek Systems B.V, which the Company has recorded a full valuation allowance.

As of September 30, 2020, the Company has available net operating loss carryforwards of \$16.0 million for federal income tax purposes. The Company did not generate any net operating losses in the fiscal year ended September 30, 2020. Of the remaining net operating losses, \$2.2 million can be carried forward indefinitely, and \$13.8 million, which were generated prior to the fiscal year 2020, will start to expire in 2032 unless previously utilized. The net operating losses for state purposes are \$28.1 million, which will begin to expire in 2028. As of September 30, 2020, the Company has available federal research and development credit carryforwards, net of reserves, of \$3.2 million. The federal research and development credits will start to expire in 2022. As of September 30, 2020, the Company has available California research and development credit carryforwards, net of reserves, of \$2.8 million, which do not expire.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "IRC") limit the utilization of tax attribute carryforwards that arise prior to certain cumulative changes in a corporation's ownership. The Company has completed an IRC Section 382/383 analysis through March 31, 2017 and any identified ownership changes had no impact to the utilization of tax attribute carryforwards. Any future ownership changes may have an impact on the utilization of the tax attribute carryforwards.

### Income Tax Provision Reconciliation

The difference between the income tax benefit (provision) and income taxes computed using the U.S. federal income tax rate was as follows for the years ended September 30, 2020, 2019, and 2018 (amounts shown in thousands):

	2020	2019	2018
Amount computed using statutory rate	\$ (1,977)	\$ 841	\$ 2,122
Net change in valuation allowance for net deferred tax assets	221	(459)	(367)
Other	—	—	(191)
Foreign rate differential	86	664	22
Non-deductible items	(178)	(151)	(276)
State income tax	(205)	(370)	50
Impact of tax reform on deferred taxes	—	—	(4,901)
Research and development credits	897	1,694	475
Foreign income tax	10	(494)	—
Stock compensation, net	(449)	1,539	—
Income tax benefit (provision)	<u>\$ (1,595)</u>	<u>\$ 3,264</u>	<u>\$ (3,066)</u>

### Uncertain Tax Positions

In accordance with authoritative guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

The following table reconciles the beginning and ending amount of unrecognized tax benefits for the fiscal years ended September 30, 2020, 2019, and 2018 (amounts shown in thousands):

	2020	2019	2018
Gross unrecognized tax benefits at the beginning of the year	\$ 1,607	\$ 1,321	\$ 1,181
Additions from tax positions taken in the current year	203	213	140
Additions from tax positions taken in prior years	—	73	—
Reductions from tax positions taken in prior years	—	—	—
Tax settlements	—	—	—
Gross unrecognized tax benefits at end of the year	<u>\$ 1,810</u>	<u>\$ 1,607</u>	<u>\$ 1,321</u>

Of the total unrecognized tax benefits at September 30, 2020, \$1.8 million will impact the Company's effective tax rate. The Company does not anticipate that there will be a substantial change in unrecognized tax benefits within the next twelve months.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of September 30, 2020, no accrued interest or penalties related to uncertain tax positions are recorded in the consolidated financial statements.

The Company is subject to income taxation in the U.S. at the federal and state levels. All tax years are subject to examination by U.S., California, and other state tax authorities due to the carryforward of unutilized net operating losses and tax credits. The Company is also subject to foreign income taxes in the countries in which it operates. The examination of the Company's U.S. federal tax return for the year ended September 30, 2017 was completed during the fourth quarter of fiscal 2020. To our knowledge, the Company is not currently under examination by any other taxing authorities.

### Tax Cuts and Jobs Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation referred to as the Tax Cuts and Jobs Act (the "Tax Cuts and Jobs Act"). The Tax Cuts and Jobs Act includes a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. federal corporate tax rate from a maximum of 35% to a flat 21%, effective January 1, 2018.

In conjunction with the tax law changes, the Securities and Exchange Commission staff issued Staff Accounting Bulletin 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act. In accordance with SAB 118, the Company completed the accounting for the remeasurement of

deferred tax assets and liabilities in the year ended September 30, 2020, which included the period of enactment. Additionally, for the fiscal year ended September 30, 2020, the entire fiscal year's activity was under the 21% tax rate.

#### *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. The Company continues to examine the impacts the CARES Act may have on our business. For the year ended September 30, 2020, the CARES Act has been considered for the income tax provision.

## **9. 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 average annual base rent under this lease is approximately \$1.2 million per year. In connection with this lease, the Company received tenant improvement allowances totaling approximately \$1.0 million. These lease incentives are being amortized as a reduction of rent expense over the term of the lease. As of September 30, 2020, the unamortized balance of the lease incentives was \$0.5 million, of which \$0.1 million has been included in other current liabilities and \$0.4 million has been included in other non-current liabilities.

The Company's other offices are located in Paris, France; Amsterdam, The Netherlands; New York, New York; Barcelona, Spain; and London, United Kingdom. The term of the Paris, France lease continues through July 31, 2021, with an annual base rent of approximately €0.4 million (or \$0.4 million). The term of the Amsterdam, The Netherlands lease continues through December 31, 2022, with an annual base rent of approximately €0.3 million (or \$0.3 million). The term of the New York, New York lease continues through November 30, 2024, with an annual base rent of approximately \$0.2 million. The term of the Barcelona, Spain lease continues through May 31, 2023, with an annual base rent of approximately €0.1 million (or \$0.1 million). The term of the London, United Kingdom lease continues through February 28, 2021, with an annual base rent of approximately £112,200 (or approximately \$143,000).

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 1 to 8 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 ROU assets and lease liabilities. As of September 30, 2020, the weighted-average remaining lease term for the Company's operating leases was 4.4 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 September 30, 2020, the Company had operating ROU assets of \$5.4 million. Total operating lease liabilities of \$7.1 million were comprised of current lease liabilities of \$1.8 million and non-current lease liabilities of \$5.3 million.

The Company recognized \$2.2 million of operating lease costs in the twelve months ended September 30, 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 (loss). Rent expense for the Company's operating leases for its facilities for the years ended September 30, 2020, 2019, and 2018 totaled \$2.2 million, \$2.1 million and \$1.7 million, respectively.

The Company paid \$1.7 million in operating cash flows for operating leases in the twelve months ended September 30, 2020.

Maturities of our operating lease liabilities as of September 30, 2020 were as follows (*amounts shown in thousands*):

	<b>Operating leases</b>
2021	\$ 2,100
2022	1,721
2023	1,721
2024	1,388
2025	301
Thereafter	672
Total lease payments	7,903
Less: amount representing interest	(757)
Present value of future lease payments	<u>\$ 7,146</u>

As determined under ASC 840, the future minimum lease payments related to lease agreements with a remaining noncancelable term in excess of one year, as of September 30, 2019 were as follows:

	<b>Operating leases</b>
2020	\$ 1,641
2021	2,157
2022	1,777
2023	1,550
2024	1,151
2025	36
Thereafter	—
Total minimum lease payments	<u>\$ 8,312</u>

#### *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 is subject to indemnification demands related to various offers to license patents and allegations of patent infringement against several end-customers. 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; Luperca, 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. 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, 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 or the '779 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. The PTAB is still considering the final Wells Fargo IPR petition (for the '517 patent) and has not yet issued a final written decision.

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. 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.

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 USAA's U.S. Patent Nos. 8,699,779 (the "'779 Patent"); 9,336,517 (the "'517 Patent"); 9,818,090 (the "'090 Patent"); and 8,977,571 (the "'571 Patent") (collectively, the "Subject Patents"). On January 15, 2020, USAA filed motions requesting the dismissal of the declaratory judgment 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 judgment 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, the PTAB decided to exercise its discretion and deny institution of three 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 PTAB has not yet decided whether it will institute the final IPR petition. 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, 2020, the Company filed requests for rehearing and Precedential Opinion Panel ("POP") review of the denied IPR petition for the '090 Patent. The Company is evaluating all of its options with respect to the remaining petitions, including requests for rehearing and POP review.

The Company incurred legal fees of \$3.2 million in the fiscal year ended September 30, 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 (loss).

#### *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 Urban FT 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 to the complaint but did not file any cross-claims for infringement. UrbanFT later amended its answer to assert 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 because UrbanFT's affiliates did not pay the purchase price owed to the prior owner. Pleadings were closed on April 28, 2020. On September 8, 2020, the Company filed a motion for summary judgment on its breach of contract claim, and on September 15, 2020, the district court issued an order to show cause regarding jurisdiction over patent issues given the Oregon judgment. The Company's summary judgment and the patent jurisdiction issues are fully briefed to the court. All trial and other dates have been vacated pending these rulings. The Company intends to vigorously pursue its claims and defend against any claims of infringement.



### *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.

### *Employee 401(k) Plan*

The Company has a 401(k) plan that allows participating employees to contribute a percentage of their salary, subject to Internal Revenue Service annual limits. In 2015, the Company implemented a company match to the plan. The Company's contributions are made in an amount equal to 50% of the first 6% of an employee's designated deferral of their eligible compensation. The Company's total cost related to the 401(k) plan was \$420,000, \$231,000, and \$123,000 for the fiscal years ended September 30, 2020, 2019, and 2018, respectively.

### *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 (as defined in the Loan Agreement) 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.

## **10. REVENUE CONCENTRATION**

### *Revenue Concentration*

For the year ended September 30, 2020, the Company derived revenue of \$15.8 million from one customer, with such customer accounting for 16% of the Company's total revenue. For the year ended September 30, 2019, the Company derived revenue of \$22.8 million from two customers, with such customers accounting for 17% and 10% of the Company's total revenue. For the year ended September 30, 2018, the Company derived revenue of \$20.0 million from two customers, with such customers accounting for 22% and 10% of the Company's total revenue. The corresponding accounts receivable balances of customers from which revenues were in excess of 10% of total revenue were \$4.5 million, \$5.4 million, and \$5.7 million at September 30, 2020, 2019, and 2018, respectively.

The Company's revenue is derived primarily from the sale 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 24%, 31%, and 27% of the Company's total revenue for the years ended September 30, 2020, 2019, and 2018, respectively. From a geographic perspective, approximately 66% and 68% of the Company's total long-term assets as of September 30, 2020 and 2019, respectively, are associated with the Company's international subsidiaries. From a geographic perspective, approximately 15% and 12% of the Company's total long-term assets excluding goodwill and other intangible assets as of September 30, 2020 and 2019, respectively, are associated with the Company's international subsidiaries.

## 11. QUARTERLY INFORMATION (UNAUDITED)

The following table sets forth selected quarterly financial data for 2020, 2019, and 2018 (shown in thousands except per share data):

	2020			
	1	2	3	4
Revenue	\$ 22,067	\$ 23,192	\$ 25,413	\$ 30,638
Cost of revenue	2,933	3,186	3,496	3,577
Operating expenses	18,835	18,941	20,483	20,991
Operating income	299	1,065	1,434	6,070
Other income, net	303	32	145	61
Income tax provision	(41)	(188)	(231)	(1,135)
Net income	\$ 561	\$ 909	\$ 1,348	\$ 4,996
Net income per share:				
Net income per share—basic	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.12
Net income per share—diluted	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.12
Shares used in calculating net income per share—basic	40,615	41,022	41,483	41,770
Shares used in calculating net income per share—diluted	41,828	42,028	42,428	43,101

	2019			
	1	2	3	4
Revenue	\$ 17,683	\$ 19,983	\$ 21,906	\$ 25,018
Cost of revenue	2,878	2,991	3,168	3,229
Operating expenses	19,365	18,642	21,647	17,260
Operating income (loss)	(4,560)	(1,650)	(2,909)	4,529
Other income, net	14	140	98	350
Income tax benefit (provision)	1,355	794	2,712	(1,597)
Net income (loss)	\$ (3,191)	\$ (716)	\$ (99)	\$ 3,282
Net income (loss) per share:				
Net income (loss) per share—basic	\$ (0.08)	\$ (0.02)	\$ —	\$ 0.08
Net income (loss) per share—diluted	(0.08)	(0.02)	—	0.08
Shares used in calculating net income (loss) per share—basic	38,247	38,926	39,936	40,252
Shares used in calculating net income (loss) per share—diluted	38,247	38,926	39,936	41,635

	2018			
	1	2	3	4
Revenue	\$ 12,136	\$ 14,277	\$ 16,109	\$ 21,037
Cost of revenue	1,617	1,717	2,678	2,674
Operating expenses	12,831	13,825	16,294	19,729
Operating loss	(2,312)	(1,265)	(2,863)	(1,366)
Other income (expense), net	190	204	(1,351)	22
Income tax benefit (provision)	(3,614)	(99)	1,430	(783)
Net loss	\$ (5,736)	\$ (1,160)	\$ (2,784)	\$ (2,127)
Net loss per share:				
Net loss per share—basic and diluted	\$ (0.17)	\$ (0.03)	\$ (0.08)	\$ (0.06)
Shares used in calculating net loss per share—basic and diluted	34,207	34,976	36,190	37,858

**DESCRIPTION OF SECURITIES  
REGISTERED UNDER SECTION 12  
OF THE EXCHANGE ACT**

The following information describes our common stock and preferred stock of Mitek Systems, Inc. (the “Company”), as well as certain provisions of our restated certificate of incorporation (as amended, our “Certificate of Incorporation”) and our second amended and restated bylaws (“Bylaws”). This description is only a summary. You should also refer to our Certificate of Incorporation and Bylaws, which have been filed with the Securities and Exchange Commission as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part.

**Authorized and Outstanding Capital Stock**

Our authorized capital stock consists of 60,000,000 shares of common stock, par value \$0.001 per share, and 1,000,000 shares of preferred stock, par value \$0.001 per share, issuable in one or more series designated by the Company’s board of directors, of which 327,025 shares have been designated Class A Preferred Stock and 60,000 shares have been designated as Series B Junior Participating Preferred Stock. As of November 30, 2020, there were 42,522,293 shares of common stock and no shares of Class A Preferred Stock or Series B Junior Participating Preferred Stock outstanding.

**Common Stock**

The holders of our common stock have one vote per share. Holders of common stock are not entitled to vote cumulatively for the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority, or, in the case of election of directors, by a plurality, of the votes cast at a meeting at which a quorum is present, voting together as a single class, subject to any voting rights granted to holders of any then outstanding preferred stock. Shares of common stock are entitled to participate equally in dividends when and as dividends may be declared by our board of directors out of funds legally available for the payment of dividends. In the event of our voluntary or involuntary liquidation, dissolution or winding up, the prior rights of our creditors and the liquidation preference of any preferred stock then outstanding must first be satisfied. The holders of common stock will then be entitled to receive \$0.46 per share of common stock outstanding, as adjusted for any stock splits, dividends or combinations, or if the remaining assets available for distribution are insufficient to satisfy such payment, such remaining assets are distributed ratably among the holders of common stock in proportion to the amount of common stock held by each such holder. After initial distribution is made to the holders of preferred stock and common stock as described above, the remaining assets available for distribution are distributed among the holders of Class A Preferred Stock and common stock on a pro rata basis, assuming conversion of all Class A Preferred Stock to shares of common stock at the then effective conversion rate. No shares of common stock are subject to redemption or have redemptive rights to purchase additional shares of common stock.

Each share of our common stock includes Series B Junior Participating Preferred Stock purchase rights (the “Rights”) pursuant to our Section 382 Rights Agreement, dated October 23, 2018, between the Company and the rights agent named therein, as amended (the “Rights Agreement”). Prior to the occurrence of certain events, the Rights will not be exercisable or evidenced separately from our common stock. The Rights have no value except as reflected in the market price of the shares of the common stock to which they are attached, and can be transferred only with the shares of common stock to which they are attached.

Our common stock is listed on the Nasdaq Capital Market under the symbol “MITK”.

**Preferred Stock**

Our Certificate of Incorporation provides that we may issue shares of preferred stock from time to time in one or more series. Our board of directors is authorized to fix the voting rights, if any, designations, powers, preferences, qualifications, limitations and restrictions thereof, applicable to the shares of each series of preferred stock. The board of directors may, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of our common stock and could have anti-takeover effects, including preferred stock or rights to acquire preferred stock in connection with implementing a stockholder rights plan. The ability of the board of directors to issue preferred stock without stockholder approval could have the effect of delaying, deferring or preventing a change of control or the removal of our existing management.

#### *Class A Preferred Stock*

There are currently no shares of Class A Preferred Stock issued and outstanding.

#### *Series B Junior Participating Preferred Stock*

The Series B Junior Participating Preferred Stock is reserved for issuance in connection with the Rights outstanding under our Rights Agreement. The Series B Junior Participating Preferred Stock will not be redeemable at the option of the holder thereof. Each share of Series B Junior Participating Preferred Stock will be entitled to receive quarterly dividends when and if declared by our board of directors, out of funds legally available for such purpose, equal to 1,000 times the aggregate of all dividends declared per share of our common stock since the immediately preceding quarterly dividend payment date. In the event of our liquidation, the holders of Series B Junior Participating Preferred Stock will be entitled to an aggregate payment equal to 1,000 times the payment made per share of our common stock, plus accrued and unpaid dividends. Each share of Series B Junior Participating Preferred Stock shall be entitled to 1,000 votes, voting together with the shares of our common stock, on any matter submitted to a vote of our stockholders. In the event of any merger, consolidation or other transaction in which shares of our common stock are exchanged, each share of Series B Junior Participating Preferred Stock will be exchanged for 1,000 times the amount of consideration into which each share of our common stock is exchanged. Because of the nature of the Series B Junior Participating Preferred Stock dividend, liquidation and voting rights, the value of one one-thousandth share of Series B Junior Participating Preferred Stock purchasable upon the exercise of each Right should approximate the value of one share of our common stock. The Series B Junior Participating Preferred Stock ranks junior to any other series of our preferred stock.

There are currently no shares of Series B Junior Participating Preferred Stock issued and outstanding.

#### **Anti-Takeover Provisions**

The Delaware General Corporation Law (“DGCL”), our Certificate of Incorporation and our Bylaws contain provisions that could discourage or make more difficult a change in control of the Company, including an acquisition of the Company by means of a tender offer, a proxy contest and removal of our incumbent officers and directors, without the support of our board of directors. However, we expect these provisions to encourage persons seeking to acquire control of the Company to first negotiate with our board of directors. We believe that the benefits provided by our ability to negotiate with the proponent of an unfriendly or unsolicited proposal outweigh the disadvantages of discouraging these proposals. We believe the negotiation of an unfriendly or unsolicited proposal could result in an improvement of its terms. A summary of these provisions follows.

#### *Statutory Business Combination Provision*

We are subject to Section 203 of the DGCL, which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any “business combination” with an “interested stockholder” for a period of three years following the time that such stockholder became an interested stockholder, unless:

- the board of directors of the corporation approves either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, prior to the time the interested stockholder attained that status;
- upon the closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding, for purposes of determining the number of shares outstanding, those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

With certain exceptions, an “interested stockholder” is a person or group who or which owns 15% or more of the corporation’s outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of such voting stock at any time within the previous three years.

In general, Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

A Delaware corporation may “opt out” of this provision with an express provision in its original certificate of incorporation or an express provision in its amended and restated certificate of incorporation or bylaws resulting from a stockholders’ amendment approved by at least a majority of the outstanding voting shares. However, the Company has not “opted out” of this provision. Section 203 could prohibit or delay mergers or other takeover or change-in-control attempts and, accordingly, may discourage attempts to acquire the Company.

#### *Size of the Board and Vacancies*

Our Bylaws provide that the number of directors shall be not less than three (3) nor more than nine (9). Within the limits specified in our Bylaws, the exact number of directors is determined by resolution of the board of directors. Our board of directors has the right to fill any vacancies resulting from death, resignation, disqualification or removal, as well as any newly created directorships arising from an increase in the size of the board; *provided, however,* that if at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board of directors (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least

ten percent (10%) of the total number of then outstanding shares having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships or to replace the directors chosen by the directors then in office.

#### *Amendment of Charter Provisions*

The affirmative vote of the holders of at least a majority of the voting power of all then outstanding shares of our voting stock, voting together as a single class, is required to, among other things, amend, alter, change or repeal certain provisions of our Certificate of Incorporation; *provided, however*, that in addition to the foregoing vote, the affirmative vote of the holders of at least 66 2/3% of the shares of Class A Preferred Stock then outstanding is required to (i) alter or change the rights, preferences or privileges of the shares of such series of Class A Preferred Stock so as to affect adversely the shares; (ii) reduce the number of authorized shares of the preferred stock below the number of shares then outstanding or increase the number of shares of the Class A Preferred Stock or (iii) create any new class or series of stock (A) having a preference over or being in parity with such series of Class A Preferred Stock with respect to dividends or upon liquidation or (B) having rights similar to any of the rights of such series of Class A Preferred Stock under Section 8 of the Certificate of Designation of Preferences of Preferred Stock. There are currently no shares of Class A Preferred Stock issued and outstanding.

Our Bylaws may only be amended (or new bylaws adopted) by our board of directors or the affirmative vote of the holders of at least a majority of the voting power of all then outstanding shares of our voting stock.

#### *Rights Agreement Provisions*

On October 23, 2018, the Company entered into the Rights Agreement. In connection with the Rights Agreement, our board of directors authorized and declared a dividend distribution of one Right for each share of our common stock outstanding and has authorized the issuance of one Right with respect to each share of our common stock that is issued and becomes outstanding until the earlier of the Distribution Date and the Expiration Date (each as defined in the Rights Agreement). Prior to exercise, the Rights do not give their holders any rights as stockholders of the Company, including any dividend, voting or liquidation rights. The Rights trade only with the shares of our common stock to which they are attached. A complete description and terms of the Rights are set forth in the Rights Agreement.

The Rights are not exercisable until the Distribution Date. Until the Distribution Date, the Rights will be transferred with and only with our common stock. Upon the Distribution Date, the Rights may be transferred separately from the our common stock, and each Right, other than Rights held by an Acquiring Person (as defined below), will entitle its holder to purchase from the Company one one-thousandth of a share of Series B Junior Participating Preferred Stock, at a purchase price of \$35.00 per one one-thousandth of a share of Series B Junior Participating Preferred Stock, subject to adjustment (the "Purchase Price"). An "Acquiring Person" is any person or group of affiliated or associated persons that has acquired or has the ability to acquire direct or indirect beneficial ownership of 4.9% or more of the our common stock then-outstanding, subject to certain exceptions.

If any person becomes an Acquiring Person, each holder of Rights (other than Rights owned by an Acquiring Person, which shall have become void), will thereafter have the right to receive, upon exercise thereof, that number shares of our common stock having a market value equal to two times the Purchase Price.

If, at any time after a person becomes an Acquiring Person, the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then-current purchase price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value equal to two times the Purchase Price.

At any time after any person becomes an Acquiring Person and prior to the acquisition by any person or group of a majority of our common stock then-outstanding, our board of directors may exchange the Rights (other

than Rights owned by an Acquiring Person, which shall have become void), at an exchange ratio of one share of our common stock per Right, subject to adjustment.

The Rights will expire on the earliest of (i) the close of business on October 23, 2021, (ii) the time at which the Rights are redeemed, and (iii) the time at which the Rights are exchanged.

At any time before any person becomes an Acquiring Person, our board of directors may redeem the Rights in whole, but not in part. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate.

The terms of the Rights Agreement may be amended by our board of directors without the consent of the holders of the Rights. However, from and after such time as any person becomes an Acquiring Person, the Rights Agreement may not be amended or supplemented in any manner which would adversely affect the interests of the holders of Rights (other than Rights which have become null and void).

The Rights have anti-takeover effects. If the Rights are exercised, shares of Series B Junior Participating Preferred Stock will be issued, which will cause significant dilution to an Acquiring Person that attempts to acquire us on terms not approved by our board of directors. The Rights should not interfere with any merger or other business combination approved by our board of directors since the Rights may be amended to permit such acquisition or redeemed by us at \$0.0001 per Right at any time prior to the time that a person or group becomes an Acquiring Person.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Computershare. Its address is 250 Royall Street, Canton, MA 02021 and its telephone number is (877) 290-2245. The transfer agent for any series of preferred stock that we may offer under this prospectus will be named and described in the prospectus supplement for that series.

**List of Subsidiaries**

The following is a list of subsidiaries of Mitek Systems, Inc., omitting certain subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of September 30, 2020.

<b><u>Name of Entity</u></b>	<b><u>Jurisdiction</u></b>
IDChecker, Inc.	United States of America
Mitek Systems Private Limited	United Kingdom
A2iA Corp.	United States of America
Mitek Holding B.V.	Netherlands
A2iA SAS	France
ICAR Vision Systems, S.L.	Spain
Mitek Systems B.V.	Netherlands
A2iA LLC	Russia
ICAR Sistemas Informaticos e de Identificacao LTDA	Brazil
ICAR Mexico, Business Identity Intelligence S.A.	Mexico



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

As independent registered public accountants, we hereby consent to the incorporation by reference in Registration Statement Nos. 333-80567, 333-58032, 333-106843, 333-133765, 333-172810, 333-172811, 333-178527, 333-179942, 333-194151, 333-210127, 333-219991, 333-223858, 333-230545, and 333-237442 on Form S-8 and Registration Statement Nos. 333-177965, 333-215182, and 333-235662 on Form S-3 of our report dated December 7, 2020, relating to the financial statements of Mitek Systems, Inc. as of September 30, 2020 and 2019 and for the three years in the period ended September 30, 2020 and the effectiveness of Mitek Systems, Inc.'s internal control over financial reporting, as of September 30, 2020, included in this Annual Report on Form 10-K for the year ended September 30, 2020 (which report includes an explanatory paragraph related to the change in the method of accounting for revenue).

/s/ Mayer Hoffman McCann P.C.  
San Diego, California  
December 7, 2020

**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 annual report on Form 10-K 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.

December 7, 2020

/s/ Scipio Maximus Carnecchia

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Scipio Maximus Carnecchia  
Chief Executive Officer  
(Principal Executive Officer)

**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 annual report on Form 10-K 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.

December 7, 2020

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

**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 Annual Report on Form 10-K for the period ended September 30, 2020 (this "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by this Annual Report.

December 7, 2020

/s/ Scipio Maximus Carnecchia

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Scipio Maximus Carnecchia  
Chief Executive Officer  
(Principal Executive Officer)

December 7, 2020

/s/ Jeffrey C. Davison

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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-K 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 Annual Report), irrespective of any general incorporation language contained in such filing.