

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

Form 10-Q

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

For the quarterly period ended June 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)

87-0418827

(I.R.S. Employer  
Identification No.)

600 B Street, Suite 100

San Diego, California

(Address of principal executive offices)

92101

(Zip Code)

(619) 269-6800

(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 41,288,229 shares of the registrant's common stock outstanding as of July 31, 2020.

**MITEK SYSTEMS, INC.**  
**FORM 10-Q**  
**For The Quarterly Period Ended June 30, 2020**  
**INDEX**

**PART I. FINANCIAL INFORMATION**

Item 1.	<a href="#"><u>Financial Statements</u></a>	<a href="#"><u>1</u></a>
	<a href="#"><u>Consolidated Balance Sheets at June 30, 2020 (Unaudited) and September 30, 2019</u></a>	<a href="#"><u>1</u></a>
	<a href="#"><u>Consolidated Statements of Operations and Other Comprehensive Income (Loss) (Unaudited) for the Three and Nine Months Ended June 30, 2020 and 2019</u></a>	<a href="#"><u>2</u></a>
	<a href="#"><u>Consolidated Statements of Stockholders' Equity (Unaudited) for the Three and Nine Months Ended June 30, 2020 and 2019</u></a>	<a href="#"><u>3</u></a>
	<a href="#"><u>Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended June 30, 2020 and 2019</u></a>	<a href="#"><u>5</u></a>
	<a href="#"><u>Notes to Consolidated Financial Statements (Unaudited)</u></a>	<a href="#"><u>6</u></a>
Item 2.	<a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>	<a href="#"><u>26</u></a>
Item 3.	<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	<a href="#"><u>34</u></a>
Item 4.	<a href="#"><u>Controls and Procedures</u></a>	<a href="#"><u>35</u></a>

**PART II. OTHER INFORMATION**

Item 1.	<a href="#"><u>Legal Proceedings</u></a>	<a href="#"><u>36</u></a>
Item 1A.	<a href="#"><u>Risk Factors</u></a>	<a href="#"><u>36</u></a>
Item 2.	<a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	<a href="#"><u>36</u></a>
Item 3.	<a href="#"><u>Defaults Upon Senior Securities</u></a>	<a href="#"><u>36</u></a>
Item 4.	<a href="#"><u>Mine Safety Disclosures</u></a>	<a href="#"><u>36</u></a>
Item 5.	<a href="#"><u>Other Information</u></a>	<a href="#"><u>37</u></a>
Item 6.	<a href="#"><u>Exhibits</u></a>	<a href="#"><u>38</u></a>
	<a href="#"><u>Signatures</u></a>	<a href="#"><u>39</u></a>

---

**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

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

	June 30, 2020 (Unaudited)	September 30, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 18,938	\$ 16,748
Short-term investments	30,281	16,502
Accounts receivable, net	12,943	14,938
Contract assets	3,410	2,350
Prepaid expenses	2,016	1,487
Other current assets	1,454	2,105
Total current assets	69,042	54,130
Long-term investments	2,942	1,552
Property and equipment, net	3,638	4,231
Right-of-use assets	5,683	—
Intangible assets, net	20,151	24,405
Goodwill	34,249	32,636
Deferred income tax assets, net	15,875	16,596
Other non-current assets	5,647	2,347
Total assets	\$ 157,227	\$ 135,897
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,304	\$ 3,555
Accrued payroll and related taxes	7,375	6,410
Deferred revenue, current portion	9,089	5,612
Lease liabilities, current portion	1,651	—
Acquisition-related contingent consideration	686	1,036
Restructuring accrual	220	1,526
Other current liabilities	942	1,909
Total current liabilities	24,267	20,048
Deferred revenue, non-current portion	1,240	736
Lease liabilities, non-current portion	5,674	—
Deferred income tax liabilities	5,699	5,555
Other non-current liabilities	964	2,225
Total liabilities	37,844	28,564
Stockholders' equity:		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value, 60,000,000 shares authorized, 41,282,779 and 40,367,456 issued and outstanding, as of June 30, 2020 and September 30, 2019, respectively	41	40
Additional paid-in capital	140,915	132,160
Accumulated other comprehensive loss	(2,581)	(4,061)
Accumulated deficit	(18,992)	(20,806)
Total stockholders' equity	119,383	107,333
Total liabilities and stockholders' equity	\$ 157,227	\$ 135,897

See accompanying notes to consolidated financial statements.

**MITEK SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**

(amounts in thousands except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Revenue				
Software and hardware	\$ 13,212	\$ 11,888	\$ 36,180	\$ 32,468
Services and other	12,201	10,018	34,492	27,104
Total revenue	25,413	21,906	70,672	59,572
Operating costs and expenses				
Cost of revenue—software and hardware	623	838	2,258	2,590
Cost of revenue—services and other	2,873	2,330	7,357	6,447
Selling and marketing	7,791	6,935	22,569	20,895
Research and development	5,111	4,663	14,540	14,441
General and administrative	5,884	5,074	16,382	15,743
Acquisition-related costs and expenses	1,697	1,761	4,884	5,361
Restructuring costs	—	3,214	(114)	3,214
Total operating costs and expenses	23,979	24,815	67,876	68,691
Operating income (loss)	1,434	(2,909)	2,796	(9,119)
Other income, net	145	98	480	252
Income (loss) before income taxes	1,579	(2,811)	3,276	(8,867)
Income tax benefit (provision)	(231)	2,712	(460)	4,861
Net income (loss)	\$ 1,348	\$ (99)	\$ 2,816	\$ (4,006)
Net income (loss) per share—basic	\$ 0.03	\$ (0.00)	\$ 0.07	\$ (0.10)
Net income (loss) per share—diluted	\$ 0.03	\$ (0.00)	\$ 0.07	\$ (0.10)
Shares used in calculating net income (loss) per share—basic	41,483	39,936	41,251	39,034
Shares used in calculating net income (loss) per share—diluted	42,428	39,936	42,239	39,034
Other comprehensive income (loss)				
Net income (loss)	\$ 1,348	\$ (99)	\$ 2,816	\$ (4,006)
Foreign currency translation adjustment	1,135	814	1,324	(1,213)
Unrealized gain on investments	98	7	156	26
Other comprehensive income (loss)	\$ 2,581	\$ 722	\$ 4,296	\$ (5,193)

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30, 2020					
	Common Stock Outstanding Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, March 31, 2020	41,076	\$ 41	\$ 138,021	\$ (20,340)	\$ (3,814)	\$ 113,908
Exercise of stock options	116	—	393	—	—	393
Settlement of restricted stock units	91	—	—	—	—	—
Stock-based compensation expense	—	—	2,501	—	—	2,501
Components of other comprehensive income:						
Net income	—	—	—	1,348	—	1,348
Currency translation adjustment	—	—	—	—	1,135	1,135
Change in unrealized gain (loss) on investments	—	—	—	—	98	98
Total other comprehensive income						2,581
Balance, June 30, 2020	<u>41,283</u>	<u>\$ 41</u>	<u>\$ 140,915</u>	<u>\$ (18,992)</u>	<u>\$ (2,581)</u>	<u>\$ 119,383</u>

	Three Months Ended June 30, 2019					
	Common Stock Outstanding Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, March 31, 2019	39,348	\$ 39	\$ 124,613	\$ (23,989)	\$ (2,594)	\$ 98,069
Exercise of stock options	726	1	2,264	—	—	2,265
Settlement of restricted stock units	103	—	—	—	—	—
Stock-based compensation expense	—	—	2,268	—	—	2,268
Components of other comprehensive income:						
Net loss	—	—	—	(99)	—	(99)
Currency translation adjustment	—	—	—	—	814	814
Change in unrealized gain (loss) on investments	—	—	—	—	7	7
Total other comprehensive income						722
Balance, June 30, 2019	<u>40,177</u>	<u>\$ 40</u>	<u>\$ 129,145</u>	<u>\$ (24,088)</u>	<u>\$ (1,773)</u>	<u>\$ 103,324</u>

See accompanying notes to consolidated financial statements.

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

Nine Months Ended June 30, 2020						
	Common Stock Outstanding Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, September 30, 2019	40,367	\$ 40	\$ 132,160	\$ (20,806)	\$ (4,061)	\$ 107,333
Exercise of stock options	301	—	1,038	—	—	1,038
Settlement of restricted stock units	677	1	(1)	—	—	—
Issuance of common stock under employee stock purchase plan	75	—	606	—	—	606
Stock-based compensation expense	—	—	7,112	—	—	7,112
Repurchases and retirements of common stock	(137)	—	—	(1,002)	—	(1,002)
Components of other comprehensive income:						
Net income	—	—	—	2,816	—	2,816
Currency translation adjustment	—	—	—	—	1,324	1,324
Change in unrealized gain (loss) on investments	—	—	—	—	156	156
Total other comprehensive income					4,296	4,296
Balance, June 30, 2020	<u>41,283</u>	<u>\$ 41</u>	<u>\$ 140,915</u>	<u>\$ (18,992)</u>	<u>\$ (2,581)</u>	<u>\$ 119,383</u>

Nine Months Ended June 30, 2019						
	Common Stock Outstanding Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, September 30, 2018	37,961	\$ 38	\$ 116,944	\$ (21,002)	\$ (586)	\$ 95,394
Exercise of stock options	1,362	1	4,420	—	—	4,421
Settlement of restricted stock units	786	1	(1)	—	—	—
Issuance of common stock under employee stock purchase plan	68	—	491	—	—	491
Stock-based compensation expense	—	—	7,291	—	—	7,291
Cumulative-effect adjustment from the adoption of ASU 2014-09	—	—	—	920	—	920
Components of other comprehensive loss:						
Net loss	—	—	—	(4,006)	—	(4,006)
Currency translation adjustment	—	—	—	—	(1,213)	(1,213)
Change in unrealized gain (loss) on investments	—	—	—	—	26	26
Total other comprehensive loss					(5,193)	(5,193)
Balance, June 30, 2019	<u>40,177</u>	<u>\$ 40</u>	<u>\$ 129,145</u>	<u>\$ (24,088)</u>	<u>\$ (1,773)</u>	<u>\$ 103,324</u>

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended June 30,	
	2020	2019
Operating activities:		
Net income (loss)	\$ 2,816	\$ (4,006)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation expense	7,112	7,291
Amortization of intangible assets	4,786	5,298
Depreciation and amortization	1,143	1,047
Amortization of investment premiums and other	(3)	(73)
Net change in the estimated fair value of acquisition-related contingent consideration	98	—
Deferred taxes	748	(5,232)
Changes in assets and liabilities:		
Accounts receivable	2,109	2,168
Contract assets	(4,802)	(917)
Other assets	(175)	148
Accounts payable	724	28
Accrued payroll and related taxes	919	(1,995)
Deferred revenue	3,947	1,733
Restructuring accrual	(1,324)	3,082
Other liabilities	(723)	(684)
Net cash provided by operating activities	<u>17,375</u>	<u>7,888</u>
Investing activities:		
Purchases of investments	(32,282)	(14,175)
Sales and maturities of investments	17,272	10,830
Purchases of property and equipment	(520)	(975)
Net cash used in investing activities	<u>(15,530)</u>	<u>(4,320)</u>
Financing activities:		
Proceeds from the issuance of equity plan common stock	1,644	4,912
Repurchases and retirements of common stock	(1,002)	—
Payment of acquisition-related contingent consideration	(478)	(1,030)
Proceeds from other borrowings	217	—
Principal payments on other borrowings	(121)	(250)
Net cash provided by financing activities	<u>260</u>	<u>3,632</u>
Foreign currency effect on cash and cash equivalents	85	(136)
Net increase in cash and cash equivalents	<u>2,190</u>	<u>7,064</u>
Cash and cash equivalents at beginning of period	16,748	9,028
Cash and cash equivalents at end of period	<u>\$ 18,938</u>	<u>\$ 16,092</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	<u>\$ —</u>	<u>\$ 310</u>
Supplemental disclosures of non-cash investing and financing activities:		
Unrealized holding gain on available for sale investments	<u>\$ 156</u>	<u>\$ 26</u>

See accompanying notes to consolidated financial statements.

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

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

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

Mitek’s Mobile Deposit® solution is used today by millions of consumers in the United States (“U.S.”) and Canada for mobile check deposit. Mobile Deposit® enables individuals and businesses to remotely deposit checks using their camera-equipped smartphone or tablet. Mitek’s Mobile Deposit® solution is embedded within the financial institutions’ digital banking apps used by consumers and has now processed over four billion check deposits. Mitek began selling Mobile Deposit® in early 2008 and received its first patent for this product in August 2010. As of June 30, 2020, the Company has been granted 64 patents and it has an additional 19 patent applications pending.

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

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

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

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

**Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying unaudited consolidated financial statements of the Company as of June 30, 2020 have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and, accordingly, they do not include all information and footnote disclosures required by accounting principles generally accepted in the U.S. (“GAAP”). The Company believes the footnotes and other disclosures made in the financial statements are adequate for a fair presentation of the results of the interim periods presented. The financial statements include all adjustments (solely of a normal recurring nature) which are, in the opinion of management, necessary to make the information presented not misleading. Certain reclassifications were made to previously reported amounts in the consolidated statements of cash flows to make them consistent with the current period presentation. You should read these financial statements and the accompanying notes in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2019, filed with the U.S. Securities and Exchange Commission on December 6, 2019.

Results for the nine months ended June 30, 2020 are not necessarily indicative of results for any other interim period or for a full fiscal year.

#### *Principles of Consolidation*

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

#### *Foreign Currency*

The Company has foreign subsidiaries that operate and sell products and services in various countries and jurisdictions around the world. As a result, the Company is exposed to foreign currency exchange risks. For those subsidiaries whose functional currency is not the U.S. dollar, assets and liabilities are translated into U.S. dollars at the exchange rate in effect on the balance sheet date and revenues and expenses are translated into U.S. dollars using the average exchange rate over the period. Resulting currency translation adjustments are recorded in accumulated other comprehensive loss in the consolidated balance sheets. The Company recorded a net gain resulting from foreign exchange translation of \$1.1 million for the three months ended June 30, 2020 and a net gain resulting from foreign exchange translation of \$0.8 million for the three months ended June 30, 2019. The Company recorded a net gain resulting from foreign exchange translation of \$1.3 million for the nine months ended June 30, 2020 and a net loss resulting from foreign exchange translation of \$1.2 million for the nine months ended June 30, 2019.

#### *Use of Estimates*

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

#### *Revenue Recognition*

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

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

#### *Contract Assets and Liabilities*

The Company recognizes revenue when control of the license 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 contract-by-contract basis at the end of each reporting period.

#### *Contract Costs*

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

### Net Income (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 three and nine months ended June 30, 2020 and 2019, the following potentially dilutive common shares were excluded from the calculation of net income (loss) per share, as they would have been antidilutive (*amounts in thousands*):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Stock options	207	1,664	270	1,664
RSUs	1,718	2,498	1,577	2,498
ESPP common stock equivalents	73	65	—	65
Performance RSUs	67	—	26	—
Total potentially dilutive common shares outstanding	2,065	4,227	1,873	4,227

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 1,348	\$ (99)	\$ 2,816	\$ (4,006)
Weighted-average shares outstanding—basic	41,483	39,936	41,251	39,034
Common stock equivalents	945	—	988	—
Weighted-average shares outstanding—diluted	42,428	39,936	42,239	39,034
Net income (loss) per share:				
Basic	\$ 0.03	\$ 0.00	\$ 0.07	\$ (0.10)
Diluted	\$ 0.03	\$ 0.00	\$ 0.07	\$ (0.10)

### 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, net in the consolidated statements of operations and other comprehensive income (loss). No other-than-temporary impairment charges were recognized in the three and nine months ended June 30, 2020 and 2019.

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

### Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the net invoice value and are not interest bearing. The Company considers receivables past due based on the contractual payment terms. Allowances for doubtful accounts are established based on various factors, including credit profiles of the Company’s customers, contractual terms and conditions, historical payments, and current economic trends. The Company reviews its allowances by assessing individual accounts receivable over a specific aging and amount. Accounts receivable are written off on a case-by-case basis, net of any amounts that may be collected. The Company had \$0.1 million write-offs to the allowance for doubtful accounts in each of the nine months ended June 30, 2020 and 2019. The Company maintained an allowance for doubtful accounts of \$0.2 million as of both June 30, 2020 and September 30, 2019.

### *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 nine months ended June 30, 2020 and 2019, no software development costs were capitalized because the time period and costs incurred between technological feasibility and general release for all software product releases were not material or were not realizable. We had no amortization expense from capitalized software costs during the nine months ended June 30, 2020 and 2019.

Costs related to software acquired, developed, or modified solely to meet our internal requirements, with no substantive plans to market such software at the time of development, are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during the post-implementation operational stage are expensed as incurred. Costs incurred during the application development stage of the project are capitalized. The Company defines the design, configuration, and coding process as the application development stage. The Company capitalized \$0.1 million and \$0.2 million of costs related to computer software developed for internal use during the nine months ended June 30, 2020 and 2019, respectively. The Company had \$0.3 million in amortization expense from internal use software during each of the nine months ended June 30, 2020 and 2019.

### *Goodwill and Purchased Intangible Assets*

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

The Company's goodwill is considered to be impaired if management determines that the carrying value of the reporting unit to which the goodwill has been assigned exceeds management's estimate of its fair value. Based on the guidance provided by ASC 350 and ASC Topic 280, *Segment Reporting*, management has determined that the Company operates in one segment and consists of one reporting unit given the similarities in economic characteristics between its operations and the common nature of its products, services and customers. Because the Company has only one reporting unit, and because the Company is publicly traded, the Company determines the fair value of the reporting unit based on its market capitalization as it believes this represents the best evidence of fair value. In the fourth quarter of fiscal 2019, 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 nine months ended June 30, 2020 and 2019.

### *Other Borrowings*

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

current liabilities and other non-current liabilities, respectively, in the consolidated balance sheets. As of September 30, 2019, \$0.6 million was outstanding under these agreements and \$0.2 million and \$0.4 million was recorded in other current liabilities and other non-current liabilities, respectively.

#### *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 7 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 7 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*. Forfeitures are recorded as they occur.

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

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

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

#### *Comprehensive Income (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 sheets is accumulated other comprehensive loss of \$2.6 million and \$4.1 million at June 30, 2020 and September 30, 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 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 nine months ended June 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 8 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.

### *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 8 of the consolidated financial statements for additional details.

## 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 is currently evaluating the impact ASU 2016-13 will have on its consolidated financial statements.

No other new accounting pronouncement issued or effective during the nine months ended June 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	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Deposits software and hardware	\$ 12,222	\$ 10,521	\$ 32,822	\$ 28,786
Deposits services and other	4,726	4,528	13,399	11,041
Deposits revenue	16,948	15,049	46,221	39,827
Identity verification software and hardware	990	1,367	3,358	3,682
Identity verification services and other	7,475	5,490	21,093	16,063
Identity verification revenue	8,465	6,857	24,451	19,745
Total revenue	\$ 25,413	\$ 21,906	\$ 70,672	\$ 59,572

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*):

	June 30, 2020	September 30, 2019
Contract assets, current	\$ 3,410	\$ 2,350
Contract assets, non-current	4,338	581
Contract liabilities (deferred revenue), current	9,089	5,612
Contract liabilities (deferred revenue), non-current	\$ 1,240	\$ 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 contract-by-contract basis at the end of each reporting period. The Company recognized \$5.6 million and \$4.2 million of revenue during the nine months ended June 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 as of both June 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 \$0.6 million and \$0.4 million during the nine months ended June 30, 2020 and 2019, respectively. There were no impairment losses recognized during both the nine months ended June 30, 2020 and 2019 related to capitalized contract costs.

## 3. RESTRUCTURING

Subsequent to the acquisition of A2iA Group II, S.A.S. (“A2iA”), in May 2018, 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.

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

Balance at September 30, 2019	\$ 1,526
Accrual reversed	(114)
Payments	(1,165)
Foreign currency effect on the restructuring accrual	(27)
Balance at June 30, 2020	<u>\$ 220</u>

#### 4. INVESTMENTS

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

<b>June 30, 2020:</b>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available-for-sale securities:				
U.S. Treasury, short-term	\$ 8,245	\$ 62	\$ —	\$ 8,307
Asset-backed securities, short-term	3,769	34	—	3,803
Corporate debt securities, short-term	18,147	24	—	18,171
Asset-backed securities, long-term	964	14	—	978
Corporate debt securities, long-term	1,936	28	—	1,964
<b>Total</b>	<b>\$ 33,061</b>	<b>\$ 162</b>	<b>\$ —</b>	<b>\$ 33,223</b>

<b>September 30, 2019:</b>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available-for-sale securities:				
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>

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 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 June 30, 2020 and September 30, 2019, the Company's short-term investments have maturity dates of less than one year from the balance sheet date and the Company's long-term investments have maturity dates of greater than one year from the balance sheet date.

Available-for-sale marketable securities are carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of taxes, and reported as a separate component of stockholders' equity. Management reviews the fair value of the portfolio at least monthly and evaluates individual securities with fair value below amortized cost at the balance sheet date. For debt securities, in order to determine whether impairment is other-than-temporary, management must conclude whether the Company intends to sell the impaired security and whether it is more likely than not that the Company will be required to sell the security before recovering its amortized cost basis. If management intends to sell an impaired debt security or it is more likely than not that the Company will be required to sell the security prior to recovering its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. The amount of an other-than-temporary impairment on debt securities related to a credit loss, or securities that management intends to sell before recovery, is recognized in earnings. The amount of an other-than-temporary impairment on debt securities related to other factors is recorded consistent with changes in the fair value of all other available-for-sale securities as a component of stockholders' equity in other comprehensive income. No other-than-temporary impairment charges were recognized in the three and nine months ended June 30, 2020 and 2019. There were no realized gains or losses from the sale of available-for-sale securities during the three and nine months ended June 30, 2020 and 2019.

##### *Fair Value Measurements and Disclosures*

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

- Level 1—Quoted prices in active markets for identical assets or liabilities;

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

The following tables represent the fair value hierarchy of the Company's investments and acquisition-related contingent consideration as of June 30, 2020 and September 30, 2019, respectively (*amounts shown in thousands*):

<b>June 30, 2020:</b>	<b>Balance</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Short-term investments:				
U.S. Treasury	\$ 8,307	\$ 8,307	\$ —	\$ —
Asset-backed securities	3,803	—	3,803	—
Corporate debt securities				
Financial	6,385	—	6,385	—
Industrial	1,918	—	1,918	—
Commercial paper				
Financial	6,978	—	6,978	—
Industrial	2,890	—	2,890	—
Total short-term investments at fair value	<u>30,281</u>	<u>8,307</u>	<u>21,974</u>	<u>—</u>
Long-term investments:				
U.S. Treasury	—	—	—	—
Asset-backed securities	978	—	978	—
Corporate debt securities				
Financial	997	—	997	—
Industrial	967	—	967	—
Total assets at fair value	<u>\$ 33,223</u>	<u>\$ 8,307</u>	<u>\$ 24,916</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Acquisition-related contingent consideration	686	—	—	686
Total liabilities at fair value	<u>\$ 686</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 686</u>

September 30, 2019:	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	—
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
Total liabilities at fair value	<u>\$ 1,601</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,601</u>

As of June 30, 2020, total acquisition-related contingent consideration of \$0.7 million is recorded as acquisition-related contingent consideration in the consolidated balance sheets. The following table includes a summary of the contingent consideration measured at fair value using significant unobservable inputs (Level 3) during the nine months ended June 30, 2020 (*amounts shown in thousands*):

Balance at September 30, 2019	\$ 1,601
Expenses recorded due to changes in fair value	98
Payment of contingent consideration	(1,049)
Foreign currency effect on contingent consideration	36
Balance at June 30, 2020	<u>\$ 686</u>

## 5. GOODWILL AND INTANGIBLE ASSETS

### *Goodwill*

The Company had a goodwill balance of \$34.2 million at June 30, 2020, representing the excess of costs over fair value of assets of businesses acquired. Goodwill acquired in a business combination and determined to have an indefinite useful life is not amortized, but instead is tested for impairment at least annually in accordance with ASC 350. The following table summarizes changes in the balance of goodwill during the nine months ended June 30, 2020 (*amounts shown in thousands*):

Balance at September 30, 2019	\$ 32,636
Other adjustments(1)	806
Foreign currency effect on goodwill and other	807
Balance at June 30, 2020	<u>\$ 34,249</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 acquisition of A2iA. 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 June 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 June 30, 2020 and September 30, 2019, respectively, are summarized as follows (amounts shown in thousands, except for years):

<b>June 30, 2020:</b>	<b>Weighted Average Amortization Period</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
Completed technologies	6.4 years	\$ 20,341	\$ 9,095	\$ 11,246
Customer relationships	4.8 years	17,628	8,866	8,762
Trade names	4.5 years	618	475	143
Total intangible assets		<u>\$ 38,587</u>	<u>\$ 18,436</u>	<u>\$ 20,151</u>

<b>September 30, 2019:</b>	<b>Weighted Average Amortization Period</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
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 \$1.6 million and \$1.8 million for the three months ended June 30, 2020 and 2019, respectively, and \$4.8 million and \$5.3 million for the nine months ended June 30, 2020 and 2019, respectively, and is recorded within acquisition-related costs and expenses on the consolidated statements of operations and other comprehensive income (loss).

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):

	<b>Estimated Future Amortization Expense</b>
2020—remaining	\$ 1,585
2021	6,134
2022	5,738
2023	3,766
2024	1,779
2025	1,149
Total	<u>\$ 20,151</u>

## 6. STOCKHOLDERS' EQUITY

### Stock-Based Compensation Expense

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

	<b>Three Months Ended June 30,</b>		<b>Nine Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Cost of revenue	\$ 73	\$ 55	\$ 199	\$ 155
Selling and marketing	823	705	2,194	2,242
Research and development	591	437	1,740	1,438
General and administrative	1,014	1,071	2,979	3,456
Stock-based compensation expense included in expenses	<u>\$ 2,501</u>	<u>\$ 2,268</u>	<u>\$ 7,112</u>	<u>\$ 7,291</u>

The fair value calculations for stock-based compensation awards to employees for the nine months ended June 30, 2020 and 2019 were based on the following assumptions:

	Nine Months Ended June 30, 2020	Nine Months Ended June 30, 2019
Risk-free interest rate	1.35%	2.88% – 3.08%
Expected life (years)	5.78	5.46
Expected volatility	48%	57%
Expected dividends	None	None

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 June 30, 2020, the Company had \$19.8 million of unrecognized compensation expense related to outstanding stock options and RSUs expected to be recognized over a weighted-average period of approximately 2.5 years.

#### *2020 Incentive Plan*

In January 2020, the Company's board of directors (the "Board") adopted the Mitek Systems, Inc. 2020 Incentive Plan (the "2020 Plan") upon the recommendation of the compensation committee of the Board. On March 4, 2020, the Company's stockholders approved the 2020 Plan. The total number of shares of Common Stock reserved for issuance under the 2020 Plan is 4,500,000 shares plus such number of shares, not to exceed 107,903, as remained available for issuance under the 2002 Stock Option Plan, 2006 Stock Option Plan, 2010 Stock Option Plan, and 2012 Incentive Plan (collectively, the "Prior Plans") as of January 17, 2020, plus any shares underlying awards under the Prior Plans that are terminated, forfeited, cancelled, expire unexercised or are settled in cash after January 17, 2020. As of June 30, 2020, (i) 300,395 RSUs and 353,556 Performance RSUs were outstanding under the 2020 Plan, and 3,820,692 shares of Common Stock were reserved for future grants under the 2020 Plan and (ii) stock options to purchase an aggregate of 1,132,517 shares of Common Stock and 1,989,599 RSUs were outstanding under the Prior Plans.

#### *Employee Stock Purchase Plan*

In January 2018, the Board adopted the ESPP. On March 7, 2018, the Company's stockholders approved the ESPP. The total number of shares of Common Stock reserved for issuance thereunder is 1,000,000 shares. As of June 30, 2020, (i) 275,593 shares have been issued to participants pursuant to the ESPP and (ii) 724,407 shares of Common Stock were reserved for future purchases under the ESPP. The Company commenced the initial offering period on April 2, 2018.

The ESPP enables eligible employees to purchase shares of Common Stock at a discount from the market price through payroll deductions, subject to limitations. Eligible employees may elect to participate in the ESPP only during an open enrollment period. The offering period immediately follows the open enrollment window, at which time ESPP contributions are withheld from the participant's regular paycheck. The ESPP provides for a 15% discount on the market value of the stock at the lower of the grant date price (first day of the offering period) and the purchase date price (last day of the offering period). The Company recognized \$0.1 million in stock-based compensation expense related to the ESPP in each of the three months ended June 30, 2020 and 2019. The Company recognized \$0.3 million in stock-based compensation expense related to the ESPP in each of the nine months ended June 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 June 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 equity plans during the nine months ended June 30, 2020:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at September 30, 2019	1,686,902	\$ 7.00	5.4	\$ 4,882
Granted	92,610	\$ 9.49		
Exercised	(301,060)	\$ 3.46		
Canceled	(36,146)	\$ 10.76		
Outstanding at June 30, 2020	1,442,306	\$ 7.81	5.5	\$ 2,978
Vested and Expected to Vest at June 30, 2020	1,442,306	\$ 7.81	5.5	\$ 2,978
Exercisable at June 30, 2020	1,015,542	\$ 7.16	4.2	\$ 2,876

The Company recognized \$0.2 million in stock-based compensation expense related to outstanding stock options in each of the three months ended June 30, 2020 and 2019. The Company recognized \$0.5 million in stock-based compensation expense related to outstanding stock options in each of the nine months ended June 30, 2020 and 2019. As of June 30, 2020, the Company had \$1.8 million of unrecognized compensation expense related to outstanding stock options expected to be recognized over a weighted-average period of approximately 2.7 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 nine months ended June 30, 2020 and 2019 was \$1.7 million and \$11.0 million, respectively. The per-share weighted-average fair value of options granted during the nine months ended June 30, 2020 and 2019 was \$4.32 and \$5.08, respectively.

### Restricted Stock Units

The following table summarizes RSU activity under the Company's equity plans during the nine months ended June 30, 2020:

	Number of Shares	Weighted-Average Fair Market Value Per Share
Outstanding at September 30, 2019	2,352,487	\$ 8.26
Granted	1,346,405	\$ 7.20
Settled	(676,473)	\$ 7.66
Canceled	(221,435)	\$ 8.37
Outstanding at June 30, 2020	2,800,984	\$ 7.89

The cost of RSUs is determined using the fair value of Common Stock on the award date, and the compensation expense is recognized ratably over the vesting period. The Company recognized \$1.8 million and \$1.6 million in stock-based compensation expense related to outstanding RSUs in the three months ended June 30, 2020 and 2019, respectively. The Company recognized \$5.2 million and \$5.3 million in stock-based compensation expense related to outstanding RSUs in the nine months ended June 30, 2020 and 2019, respectively. As of June 30, 2020, the Company had \$15.2 million of unrecognized compensation expense related to outstanding RSUs expected to be recognized over a weighted-average period of approximately 2.6 years.

### Performance Restricted Stock Units

The following table summarizes Performance RSU activity under the Company's equity plans during the nine months ended June 30, 2020:

	Number of Shares	Weighted-Average Fair Market Value Per Share
Outstanding at September 30, 2019	1,722,551	\$ 7.76
Granted	353,556	\$ 6.06
Settled	—	\$ —
Canceled	(1,722,551)	\$ 7.76
Outstanding at June 30, 2020	353,556	\$ 6.06

The Company recognized \$0.2 million in stock-based compensation expense related to outstanding Performance RSUs in each of the three months ended June 30, 2020 and 2019. The Company recognized \$0.5 million and \$0.7 million in stock-based compensation expense related to outstanding Performance RSUs in the nine months ended June 30, 2020 and 2019, respectively. As of June 30, 2020, the Company had \$1.7 million of unrecognized compensation expense related to outstanding RSUs expected to be recognized over a weighted-average period of approximately 1.8 years.

#### *Performance Options*

On November 6, 2018, as an inducement grant pursuant to Nasdaq Listing Rule 5635(c)(4), the Company's Chief Executive Officer was granted performance options (the "Performance Options") to purchase up to 800,000 shares of Common Stock at an exercise price of \$9.50 per share, the closing market price for a share of Common Stock on the date of the grant. As long as he remains employed by the Company, such Performance Options shall vest upon the closing market price of Common Stock achieving certain predetermined levels and his serving as the Chief Executive Officer of the Company for at least 3.0 years. In the event of a change of control of the Company, all of the unvested Performance Options will vest if the per share price payable to the stockholders of the Company in connection with the Change of Control is an amount reaching those certain predetermined levels required for the Performance Options to otherwise vest. The Company recognized \$0.2 million in stock-based compensation expense related to outstanding Performance Options in each of the three months ended June 30, 2020 and 2019. The Company recognized \$0.6 million and \$0.5 million in stock-based compensation expense related to outstanding Performance Options in the nine months ended June 30, 2020 and 2019, respectively. As of June 30, 2020, the Company had \$1.1 million of unrecognized compensation expense related to outstanding Performance Options expected to be recognized over a weighted-average period of approximately 1.4 years.

#### *Share Repurchase Program*

On December 13, 2019, the Board authorized and approved a share repurchase program for up to \$10 million of the currently outstanding shares of 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 nine months ended June 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 June 30, 2020.

#### *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.

## 7. INCOME TAXES

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

For the nine months ended June 30, 2020, the Company recorded an income tax provision of \$0.5 million, which yielded an effective tax rate of 14%. For the nine months ended June 30, 2019, the Company recorded an income tax benefit of \$4.9 million, which yielded an effective tax rate of 55%. The difference between the U.S. federal statutory tax rate and the Company's effective tax rate for the nine months ended June 30, 2020 is primarily due to excess tax benefits resulting from the exercise of stock options and vesting of RSUs, the impact of foreign and state taxes, and the impact of federal and state research and development credits on its tax provision.

## 8. COMMITMENTS AND CONTINGENCIES

### Leases

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

The Company's leases have remaining terms of two to eight 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 June 30, 2020, the weighted-average remaining lease term for the Company's operating leases was 4.5 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 June 30, 2020, the Company had operating ROU assets of \$5.7 million. Total operating lease liabilities of \$7.3 million were comprised of current lease liabilities of \$1.7 million and non-current lease liabilities of \$5.7 million.

The Company recognized \$0.6 million of operating lease costs in the nine months ended June 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).

The Company paid \$1.3 million in operating cash flows for operating leases in the nine months ended June 30, 2020.

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

	<b>Operating leases</b>
2020—remaining	\$ 355
2021	2,068
2022	1,707
2023	1,709
2024	1,378
2025	290
Thereafter	644
Total lease payments	8,151
Less: amount representing interest	(826)
Present value of future lease payments	7,325

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	<b>\$</b>	<b>8,312</b>

## 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.

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. Accordingly, no estimate of future liability has been accrued for such contingencies.

### *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. 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. Given the potential impact such litigations could have on the use of Mitek's products by Wells Fargo, our other customers, as well as the industry as a whole, the Company is closely monitoring the Wells Lawsuits.

While the Wells Lawsuits do not name Mitek 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; 9,336,517; 9,818,090; and 8,977,571 (collectively, the "Subject Patents"). On January 15, 2020, USAA filed motions requesting the dismissal of the declaratory judgement of the Subject Patents and transfer of the case to the Eastern District of Texas, both of which the Company opposed. On April 21, 2020, the court in the Northern District of California transferred Mitek's declaratory judgement action to the Eastern District of Texas and did not rule on USAA's motion to dismiss. The U.S. District Court for the Eastern District of Texas had a hearing on USAA's motion to dismiss on July 15, 2020 and has not yet issued its ruling.

On April 30, May 22, and June 12, 2020, Mitek filed four petitions with the United States Patent & Trademark Office ("USPTO") requesting institution of *inter partes* review (IPR) of each of the Subject Patents. Decisions from the USPTO whether to institute those IPR petitions are expected later this year.

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. Given the procedural posture and the nature of these cases, including that the proceedings are in the early stages and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, that might arise from these matters. Accordingly, no estimate of future liability has been accrued for such contingencies.

The Company incurred legal fees of \$2.0 million in the nine months ended June 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 UrbanFT patents. The Company filed such lawsuit to collect the delinquent payments and to obtain a declaratory judgment of non-infringement of five 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. Pleadings were closed on April 28, 2020. The case is now in the discovery stage. The final pretrial conference is scheduled for December 10, 2021. The Company intends to vigorously pursue its claims and defend against any claims of infringement. Given the procedural posture and the nature of these cases, including that the proceedings are in the early stages and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, that might arise from these matters. Accordingly, no estimate of future liability has been accrued for such contingencies.

#### *Other Legal Matters*

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

#### **Revolving Credit Facility**

On May 3, 2018, the Company and ID Checker, Inc. (together, the "Co-Borrowers") entered into a Loan and Security Agreement (the "Loan Agreement") with Silicon Valley Bank ("SVB"). Pursuant to the Loan Agreement, the Company arranged for a \$10.0 million secured revolving credit facility (the "Revolver") with a floating per annum interest rate equal to the greater of the Wall Street Journal prime rate, plus 0.25%, or 4.5%. The Co-Borrowers must maintain, at all times when any amounts are outstanding under the Revolver, either (i) minimum unrestricted cash at SVB and unused availability on the Revolver of at least \$15.0 million and (ii) Adjusted Quick Ratio of 1.75:1.00. In May 2019, the Company and SVB entered into an amendment of the Loan Agreement to extend the maturity of the Revolver to September 30, 2020. There were no borrowings outstanding under the Revolver as of June 30, 2020.

#### **9. REVENUE CONCENTRATION**

For the three months ended June 30, 2020, the Company derived revenue of \$6.4 million from two customers, with such customers accounting for 15% and 11% of the Company's total revenue, respectively. For the three months ended June 30, 2019, the Company derived revenue of \$6.1 million from two customers, with such customers accounting for 16% and 11% of the Company's total revenue, respectively. For the nine months ended June 30, 2020, the Company derived revenue of \$10.8 million from one

customer, with such customer accounting for 15% of the Company's total revenue. For the nine months ended June 30, 2019, the Company derived revenue of \$10.5 million from one customer, with such customer accounting for 18% 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 \$4.2 million and \$5.5 million at June 30, 2020 and 2019, respectively.

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

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

International sales accounted for approximately 25% and 28% of the Company's total revenue for the three months ended June 30, 2020 and 2019, respectively. International sales accounted for approximately 25% and 33% of the Company's total revenue for the nine months ended June 30, 2020 and 2019, respectively. From a geographic perspective, approximately 63% and 68% of the Company's total long-term assets as of June 30, 2020 and September 30, 2019, respectively, are associated with the Company's international subsidiaries. From a geographic perspective, approximately 14% and 12% of the Company's total long-term assets excluding goodwill and other intangible assets as of June 30, 2020 and September 30, 2019, respectively, are associated with the Company's international subsidiaries.

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

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

*Forward-looking statements can be identified by the use of words such as “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “target”, “will,” “would,” “could,” “can,” “may”, or similar expressions. Forward-looking statements reflect our judgment based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Part II, Item 1A—“Risk Factors” in this Form 10-Q and in our other filings with the U.S. Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the fiscal year ended September 30, 2019, filed with the SEC on December 6, 2019 (the “Form 10-K”). Additionally, there may be other factors that could preclude us from realizing the predictions made in the forward-looking statements. We operate in a continually changing business environment and new factors emerge from time to time. We cannot predict such factors or assess the impact, if any, of such factors on our financial position or results of operations. All forward-looking statements included in this Form 10-Q speak only as of the date of this Form 10-Q and you are cautioned not to place undue reliance on any such forward-looking statements. Except as required by law, we undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.*

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

### Overview

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

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

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

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

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

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

### ***Third Quarter Fiscal 2020 Highlights***

- Revenue for the three months ended June 30, 2020 was \$25.4 million, an increase of 16% compared to revenue of \$21.9 million in the three months ended June 30, 2019.
- Net income was \$1.3 million, or \$0.03 per diluted share, during the three months ended June 30, 2020, compared to net loss of \$0.1 million, or \$0.00 per share, during the three months ended June 30, 2019.
- Cash provided by operating activities was \$17.4 million for the nine months ended June 30, 2020, compared to \$7.9 million for the nine months ended June 30, 2019.
- We added new patents to our portfolio during fiscal 2020 bringing our total number of issued patents to 64 as of June 30, 2020. In addition, we have 19 domestic and international patent applications pending as of June 30, 2020.

### ***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.

### ***Market Opportunities, Challenges & Risks***

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

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

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

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

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

channel partner we lost. However, in that case, we or another channel partner must establish a relationship with the end-users, which could take time to develop, if it develops at all.

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

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

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

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

## Results of Operations

### Comparison of the Three Months Ended June 30, 2020 and 2019

The following table summarizes certain aspects of our results of operations for the three months ended June 30, 2020 and 2019 (*amounts in thousands, except percentages*):

	Three Months Ended June 30,					
			Percentage of Total Revenue		Increase (Decrease)	
			2020	2019	\$	%
2020	2019	2020	2019			
Revenue						
Software and hardware	\$ 13,212	\$ 11,888	52 %	54 %	\$ 1,324	11 %
Services and other	12,201	10,018	48 %	46 %	2,183	22 %
Total revenue	\$ 25,413	\$ 21,906	100 %	100 %	\$ 3,507	16 %
Cost of revenue	3,496	3,168	14 %	14 %	328	10 %
Selling and marketing	7,791	6,935	31 %	32 %	856	12 %
Research and development	5,111	4,663	20 %	21 %	448	10 %
General and administrative	5,884	5,074	23 %	23 %	810	16 %
Acquisition-related costs and expenses	1,697	1,761	7 %	8 %	(64)	(4)%
Restructuring costs	—	3,214	— %	15 %	(3,214)	(100)%
Other income, net	145	98	1 %	— %	47	48 %
Income tax benefit (provision)	(231)	2,712	(1)%	12 %	(2,943)	(109)%
Net income (loss)	\$ 1,348	\$ (99)	5 %	— %	\$ 1,447	*

\* *Not meaningful.*

### *Revenue*

Total revenue increased \$3.5 million, or 16%, to \$25.4 million in the three months ended June 30, 2020 compared to \$21.9 million in the three months ended June 30, 2019. Software and hardware revenue increased \$1.3 million, or 11%, to \$13.2 million in the three months ended June 30, 2020 compared to \$11.9 million in the three months ended June 30, 2019. This increase is primarily due to an increase in sales of our Mobile Deposit® and CheckReader™ software products. This increase was partially offset by declining software revenue from our legacy on-premise identity products which are being phased out. Services and other revenue increased \$2.2 million, or 22%, to \$12.2 million in the three months ended June 30, 2020 compared to \$10.0 million in the three months ended June 30, 2019. This increase is primarily due to continued growth in Mobile Verify® transactional SaaS revenue of \$2.2 million, or 42%, in the three months ended June 30, 2020 compared to the same period in 2019.

### *Cost of Revenue*

Cost of revenue includes personnel costs related to billable services and software support, direct costs associated with our hardware products, hosting costs, and the costs of royalties for third party products embedded in our products. Cost of revenue increased \$0.3 million, or 10%, to \$3.5 million in the three months ended June 30, 2020 compared to \$3.2 million in the three months ended June 30, 2019. As a percentage of revenue, cost of revenue was consistent at 14% in each of the three months ended June 30, 2020 and 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 the three months ended June 30, 2020 compared to the three months ended June 30, 2019.

### *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 \$0.9 million, or 12%, to \$7.8 million in the three months ended June 30, 2020 compared to \$6.9 million in the three months ended June 30, 2019. As a percentage of revenue, selling and marketing expenses decreased to 31% in the three months ended June 30, 2020 from 32% in the three months ended June 30, 2019. The increase in selling and marketing expense is primarily due to higher personnel-related costs in the three months ended June 30, 2020 compared to the same period in 2019.

### *Research and Development Expenses*

Research and development expenses include payroll, employee benefits, stock-based compensation, third party contractor expenses, and other headcount-related costs associated with software engineering and mobile capture science. Research and development expenses increased \$0.4 million, or 10%, to \$5.1 million in the three months ended June 30, 2020 compared to \$4.7 million in the three months ended June 30, 2019. As a percentage of revenue, research and development expenses decreased to 20% in the three months ended June 30, 2020 from 21% in the three months ended June 30, 2019. The increase in research and development expenses is primarily due to higher personnel-related costs resulting from our increased headcount in the three months ended June 30, 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 \$0.8 million, or 16%, to \$5.9 million in the three months ended June 30, 2020 compared to \$5.1 million in the three months ended June 30, 2019. As a percentage of revenue, general and administrative expenses remained consistent at 23% in each of the three months ended June 30, 2020 and 2019. The increase in general and administrative expenses is primarily due to higher intellectual property litigation related costs of \$0.7 million and higher personnel-related costs of \$0.1 million during the three months ended June 30, 2020 compared to the same period 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 \$0.1 million, or 4%, to \$1.7 million in the three months ended June 30, 2020 compared to \$1.8 million in the three months ended June 30, 2019. As a percentage of revenue, acquisition-related costs and expenses decreased to 7% in the three months ended June 30, 2020 from 8% in the three months ended June 30, 2019. The decrease in acquisition-related costs and expenses is due to a decrease in the amortization of intangible assets as a result of certain intangible assets which had become fully amortized prior to the three months ended June 30, 2020.

### Restructuring Costs

Restructuring costs consist of employee severance obligations and other related costs. Restructuring costs were \$3.2 million in the three months ended June 30, 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 and foreign currency transactional gains or losses. Other income, net increased \$47,000, to \$145,000 in the three months ended June 30, 2020 compared to \$98,000 in the three months ended June 30, 2019. This increase is primarily due to an increase in interest income as a result of higher cash and investment balances during the three months ended June 30, 2020 compared to the same period in 2019.

### Income Tax Benefit (Provision)

For the three months ended June 30, 2020, we recorded an income tax provision of \$0.2 million, which yielded an effective tax rate of 15%. For the three months ended June 30, 2019, we recorded an income tax benefit of \$2.7 million, or an effective tax rate of 96%. The difference between the U.S. federal statutory tax rate and our effective tax rate for the three months ended June 30, 2020 and 2019 was primarily due to excess tax benefits resulting from the exercise of stock options and vesting of restricted stock, the impact of foreign and state taxes, and the impact of federal and state research and development credits on its tax provision.

### Comparison of the Nine Months Ended June 30, 2020 and 2019

The following table summarizes certain aspects of our results of operations for the nine months ended June 30, 2020 and 2019 (*amounts in thousands, except percentages*):

	Nine Months Ended June 30,					
			Percentage of Total Revenue		Increase (Decrease)	
	2020	2019	2020	2019	\$	%
Revenue						
Software and hardware	\$ 36,180	\$ 32,468	51 %	55 %	\$ 3,712	11 %
Services and other	34,492	27,104	49 %	45 %	7,388	27 %
Total revenue	\$ 70,672	\$ 59,572	100 %	100 %	\$ 11,100	19 %
Cost of revenue	9,615	9,037	14 %	15 %	578	6 %
Selling and marketing	22,569	20,895	32 %	35 %	1,674	8 %
Research and development	14,540	14,441	21 %	24 %	99	1 %
General and administrative	16,382	15,743	23 %	26 %	639	4 %
Acquisition-related costs and expenses	4,884	5,361	7 %	9 %	(477)	(9)%
Restructuring costs	(114)	3,214	— %	5 %	(3,328)	(104)%
Other income, net	480	252	1 %	— %	228	90 %
Income tax benefit (provision)	\$ (460)	\$ 4,861	(1)%	8 %	\$ (5,321)	(109)%
Net income (loss)	\$ 2,816	\$ (4,006)	4 %	(7)%	\$ 6,822	170 %

### Revenue

Total revenue increased \$11.1 million or 19%, to \$70.7 million in the nine months ended June 30, 2020 compared to \$59.6 million in the nine months ended June 30, 2019. Software and hardware revenue increased \$3.7 million, or 11%, to \$36.2 million in the nine months ended June 30, 2020 compared to \$32.5 million in the nine months ended June 30, 2019 primarily due to an increase in sales of our Mobile Deposit®, ID\_CLOUD™, and CheckReader™ software products. This increase was partially offset by declining software revenue from our legacy on-premise identity products which are being phased out. Services and other revenue increased \$7.4 million, or 27%, to \$34.5 million in the nine months ended June 30, 2020 compared to \$27.1 million in the nine months ended June 30, 2019 primarily due to strong growth in Mobile Verify® transactional SaaS revenue of \$6.0 million in the nine months ended June 30, 2020 compared to the same period in 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 \$0.6 million, or 6%, to \$9.6 million in the nine months ended June 30, 2020 compared to \$9.0 million in the nine months ended June 30, 2019. As a percentage of revenue, cost of revenue decreased to 14% in the nine months ended June 30, 2020 from 15% in the nine months ended June 30, 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 the nine months ended June 30, 2020 compared to the same period in 2019.

### *Selling and Marketing Expenses*

Selling and marketing expenses include payroll, employee benefits, stock-based compensation, and other headcount-related costs associated with sales, 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 \$1.7 million, or 8%, to \$22.6 million in the nine months ended June 30, 2020 compared to \$20.9 million in the nine months ended June 30, 2019. As a percentage of revenue, selling and marketing expenses decreased to 32% in the nine months ended June 30, 2020 from 35% in the nine months ended June 30, 2019. The increase in selling and marketing expense is primarily due to higher personnel-related costs of \$1.2 million and higher product promotion costs of \$0.4 million in the nine months ended June 30, 2020 compared to the same period in 2019.

### *Research and Development Expenses*

Research and development expenses include payroll, employee benefits, stock-based compensation, third party contractor expenses, and other headcount-related costs associated with software engineering and mobile capture science. Research and development expenses increased \$0.1 million, or 1%, to \$14.5 million in the nine months ended June 30, 2020 compared to \$14.4 million in the nine months ended June 30, 2019. As a percentage of revenue, research and development expenses decreased to 21% in the nine months ended June 30, 2020 from 24% in the nine months ended June 30, 2019. The increase in research and development expenses is primarily due to higher personnel-related costs in the nine months ended June 30, 2020 compared to the same period in 2019.

### *General and Administrative Expenses*

General and administrative expenses include payroll, employee benefits, stock-based compensation, and other headcount-related costs associated with finance, legal, administration, and information technology functions, as well as third party legal, accounting, and other administrative costs. General and administrative expenses increased \$0.6 million, or 4%, to \$16.4 million in the nine months ended June 30, 2020 compared to \$15.7 million in the nine months ended June 30, 2019. As a percentage of revenue, general and administrative expenses decreased to 23% in the nine months ended June 30, 2020 from 26% in the nine months ended June 30, 2019. The increase in general and administrative expenses is primarily due to an increase in intellectual property litigation costs of \$1.7 million during the nine months ended June 30, 2020 compared to the same period in 2019. This increase is partially offset by a decrease in third party costs associated with our strategic process of \$1.2 million.

### *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 \$0.5 million, or 9%, to \$4.9 million in the nine months ended June 30, 2020 compared to \$5.4 million in the nine months ended June 30, 2019. As a percentage of revenue, acquisition-related costs and expenses decreased to 7% in the nine months ended June 30, 2020 from 9% in the nine months ended June 30, 2019. The decrease in acquisition-related costs and expenses is primarily due to a decrease in the amortization of intangible assets as a result of certain intangible assets which had become fully amortized during the nine months ended June 30, 2020.

### *Restructuring Costs*

Restructuring costs consist of employee severance obligations and other related costs. Restructuring costs were negative \$0.1 million in the nine months ended June 30, 2020 and are due to a reversal of costs accrued for the restructuring plan implemented in June 2019. Restructuring costs were \$3.2 million in the nine months ended June 30, 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 increased \$0.2 million, to \$0.5 million

of net income in the nine months ended June 30, 2020 compared to \$0.3 million of net income in the nine months ended June 30, 2019, primarily due to an increase in interest income as a result of higher cash and investment balances.

#### *Income Tax Benefit (Provision)*

For the nine months ended June 30, 2020, we recorded an income tax provision of \$0.5 million, which yielded an effective tax rate of 14%. For the nine months ended June 30, 2019, we recorded an income tax benefit of \$4.9 million, or an effective tax rate of 55%. The difference between the U.S. federal statutory tax rate and our effective tax rate for the nine months ended June 30, 2020 and 2019 was primarily due to excess tax benefits resulting from the exercise of stock options and vesting of restricted stock, the impact of foreign and state taxes, and the impact of federal and state research and development credits on its tax provision.

#### **Liquidity and Capital Resources**

On June 30, 2020, we had \$52.2 million in cash and cash equivalents and investments compared to \$34.8 million on September 30, 2019, an increase of \$17.4 million, or 50%. The increase in cash and cash equivalents and investments is primarily due to net cash provided by operating activities of \$17.4 million, net proceeds from the issuance of our common stock, par value \$0.001 (“Common Stock”) under our equity plan of \$1.6 million, favorable foreign currency gains of \$0.3 million, and proceeds from other borrowings of \$0.2 million, partially offset by repurchases and retirements of Common Stock of \$1.0 million, payment of acquisition-related contingent consideration of \$0.5 million, capital expenditures 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 the nine months ended June 30, 2020 was \$17.4 million and resulted primarily from net income of \$2.8 million, net non-cash charges of \$13.9 million, and favorable changes in operating assets and liabilities of \$0.7 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 \$7.1 million, \$4.8 million, \$1.1 million, and \$0.7 million, respectively.

Net cash provided by operating activities during the nine months ended June 30, 2019 was \$7.9 million and resulted primarily from net loss of \$4.0 million adjusted for non-cash charges of \$8.3 million as well as favorable changes in operating assets and liabilities of \$3.6 million. The primary non-cash adjustments to operating activities were stock-based compensation expense, amortization of intangible assets, and depreciation and amortization totaling \$7.3 million, \$5.3 million, and \$1.0 million, respectively, and were partially offset by a deferred tax benefit of \$5.2 million.

#### *Cash Flows from Investing Activities*

Net cash used in investing activities was \$15.5 million during the nine months ended June 30, 2020, which consisted primarily of net purchases of investments of \$15.0 million and capital expenditures of \$0.5 million.

Net cash used in investing activities was \$4.3 million during the nine months ended June 30, 2019, which consisted primarily of net purchases of investments of \$3.3 million and capital expenditures of \$1.0 million.

#### *Cash Flows from Financing Activities*

Net cash provided by financing activities was \$0.3 million during the nine months ended June 30, 2020, which consisted of net proceeds from the issuance of equity plan Common Stock of \$1.6 million and proceeds from other borrowing of \$0.2 million, partially offset by repurchases and retirements of Common Stock of \$1.0 million, payment of acquisition-related contingent consideration of \$0.5 million, and principal payments on other borrowings of \$0.1 million.

Net cash provided by financing activities was \$3.6 million during the nine months ended June 30, 2019, which consisted of net proceeds from the issuance of equity plan Common Stock of \$4.9 million, partially offset by payment of acquisition-related contingent consideration of \$1.0 million and principal payments on other borrowings of \$0.3 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 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. There were no borrowings outstanding under the Revolver as of June 30, 2020.

### *Rights Agreement*

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

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

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

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

### *Share Repurchase Program*

On December 13, 2019, our Board of Directors authorized and approved a share repurchase program for up to \$10 million of the currently outstanding shares of our Common Stock. The share repurchase program 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 the nine months ended June 30, 2019 at an average price of \$7.33 per share. Total purchases made under the share repurchase program were \$1.0 million as of June 30, 2020.

### *CARES Act*

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

### *Other Liquidity Matters*

On June 30, 2020, we had investments of \$33.2 million, designated as available-for-sale debt securities, which consisted of commercial paper, corporate issuances, and asset-backed securities, carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of tax, and reported as a separate component of stockholders’ equity. All securities whose maturity or sale is expected within one year are classified as “current” on the consolidated balance sheets. All other securities are classified as “long-term” on the consolidated balance sheets. At June 30, 2020, we had \$30.3 million of our available-for-sale securities classified as current and \$2.9 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 \$44.8 million at June 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**

The Company had no off balance sheet arrangements as of June 30, 2020.

## Changes in Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of the consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. We review our estimates on an on-going basis, including those related to revenue recognition, stock-based compensation, income taxes and the valuation of goodwill, intangibles and other long-lived assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. The critical accounting policies and estimates used in the preparation of our consolidated financial statements are described in Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in the Form 10-K for the year ended September 30, 2019. Significant changes to our critical accounting policies and estimates as a result of adopting ASU 2016-02, *Leases (Topic 842)*, and its related amendments (collectively “ASC 842”) are as follows:

### *Leases*

We adopted ASC 842 effective October 1, 2019 using the optional transition method. Additional information about our lease policies and the related impact of the adoption is included in Note 1 and Note 8 to the consolidated financial statements.

There have been no other material changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended September 30, 2019.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

### *Interest Rates*

The primary objective of our investment activities is to preserve principal while at the same time maximizing after-tax yields without significantly increasing risk. To achieve this objective, we maintain our investment portfolio of cash equivalents and marketable securities in a variety of securities, including corporate debt securities, commercial paper, certificates of deposit, and asset-backed securities. We have not used derivative financial instruments in our investment portfolio, and none of our investments are held for trading or speculative purposes. Short-term and long-term debt securities are generally classified as available-for-sale and consequently are recorded on the consolidated balance sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of estimated tax. As of June 30, 2020, our marketable securities had remaining maturities between approximately one and 15 months and a fair market value of \$33.2 million, representing 21% 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 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as of the end of the period covered by this Form 10-Q pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. We recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

### Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended June 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

**PART II**  
**OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

For information regarding our legal proceedings, see Note 8 to the consolidated financial statements included in this Form 10-Q and Item 3—“Legal Proceedings” in the Form 10-K. In addition to the legal proceedings discussed in Note 8, the Company is subject to various claims and legal proceedings arising in the ordinary course of its business. While any legal proceeding has an element of uncertainty, the Company believes that the disposition of such matters, in the aggregate, will not have a material effect on the Company’s financial condition or results of operations.

**ITEM 1A. RISK FACTORS**

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

***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-Q, the COVID-19 pandemic has impacted our business and will likely continue to impact our business directly and/or indirectly for the foreseeable future. We are unable to accurately predict the full impact that the COVID-19 pandemic will have on our results of operations or financial condition due to numerous factors that are not within our control, including the duration and severity of the outbreak.

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, substantial modifications to employee travel, virtualization or cancellation of customer and employee events, and remote sales, implementation, and support activities, among other modifications. 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. Although we are unable to predict the precise impact of COVID-19 on our business, our business depends to a large extent on the willingness of customers to enter into or renew contracts with us. We anticipate that, unless the outbreak is swiftly contained, governmental, individual, business and other organizational measures to limit the spread of the virus 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.

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

There were no unregistered sales of the Company’s equity securities during the quarter ended June 30, 2020, that were not previously disclosed in a Current Report on Form 8-K.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

Exhibit No.	Description	Incorporated by Reference from Document
2.1**	<a href="#">Share Purchase Agreement, dated October 16, 2017, by and among Mitek Systems, Inc., Mitek Systems Holdings B.V., and the shareholders of ICAR Vision Systems, S.L.</a>	(1)
2.2**	<a href="#">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.</a>	(2)
3.1	<a href="#">Restated Certificate of Incorporation of Mitek Systems, Inc., as amended.</a>	(3)
3.2	<a href="#">Second Amended and Restated Bylaws of Mitek Systems, Inc.</a>	(4)
3.3	<a href="#">Certificate of Designation of Series B Junior Participating Preferred Stock.</a>	(5)
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 of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	*
101.INS	Inline XBRL Instance Document. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.	*
101.SCH	Inline XBRL Taxonomy Extension Schema Linkbase Document.	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	*

\* Filed herewith.

\*\* Certain schedules, appendices and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request.

- (1) Incorporated by reference to the Company's Current Report on Form 8-K/A filed with the SEC on October 20, 2017.
- (2) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 23, 2018.
- (3) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2015.
- (4) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 10, 2014.
- (5) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2018.

**SIGNATURES**

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

August 5, 2020

MITEK SYSTEMS, INC.

By: /s/ Scipio Maximus Carnecchia

---

Scipio Maximus Carnecchia

Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Jeffrey C. Davison

---

Jeffrey C. Davison

Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER****Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Scipio Maximus Carnecchia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mitek Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 5, 2020

/s/ Scipio Maximus Carnecchia

---

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 quarterly report on Form 10-Q of Mitek Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 5, 2020

/s/ Jeffrey C. Davison  
\_\_\_\_\_  
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 Quarterly Report on Form 10-Q for the period ended June 30, 2020 (this "Quarterly Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by this Quarterly Report.

August 5, 2020

/s/ Scipio Maximus Carnecchia

\_\_\_\_\_  
Scipio Maximus Carnecchia  
Chief Executive Officer  
(Principal Executive Officer)

August 5, 2020

/s/ Jeffrey C. Davison

\_\_\_\_\_  
Jeffrey C. Davison  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

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