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

Form 10-K

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

For the fiscal year ended September 30, 2021

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

For the transition period from to .
Commission File Number 001-35231

MITEK SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
Preferred Stock Purchase Rights
(Title of class)

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

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

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

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

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

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐	Smaller Reporting Company	☒
		Emerging Growth Company	☐

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the registrant's common stock on March 31, 2021, the last business day of the registrant's most recently completed second fiscal quarter, as reported on the NASDAQ Capital Market, was approximately $615,744,135. Shares of stock held by officers and directors have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The registrant does not have any non-voting stock issued or outstanding.

There were 44,622,578 shares of the registrant's common stock outstanding as of November 30, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2022 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A are incorporated by reference into Part III of this Form 10-K to the extent stated herein.

MITEK SYSTEMS, INC.
FORM 10-K
For The Fiscal Year Ended September 30, 2021

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

IMPORTANT NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

Forward-looking statements can be identified by the use of words such as "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target," or similar expressions. Forward-looking statements reflect our judgment based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

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

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

All forward-looking statements included in this Form 10-K speak only as of the date of this Form 10-K and you are cautioned not to place undue reliance on any such forward-looking statements. Except as required by law, we undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances that arise after the date of this Form 10-K or to reflect the occurrence of unanticipated events. The above list is not intended to be exhaustive and there may be other factors that could preclude us from realizing the predictions made in the forward-looking statements. We operate in a continually changing business environment and new factors emerge from time to time. We cannot predict such factors or assess the impact, if any, of such factors on our financial position or results of operations.

PART I

ITEM 1. BUSINESS.

Overview

Mitek is a leading innovator of mobile image capture and digital identity verification solutions. We are a software development company with expertise in computer vision, artificial intelligence, and machine learning. We currently serve more than 7,500 financial services organizations and leading marketplace and financial technology (“fintech”) brands around the globe. Customers count on Mitek to deliver trusted and convenient online experiences, detect and reduce fraud, and document Know Your Customer (“KYC”) and Anti-Money Laundering (“AML”) regulatory compliance. Our solutions are embedded in native mobile apps and web browsers to facilitate digital consumer experiences. Mitek’s identity verification and authentication technologies and services make it possible for banks, financial services organizations and the world’s leading marketplace and sharing platforms to verify an individual’s identity during digital transactions, allowing them to reduce risk and meet regulatory requirements. Our advanced mobile deposit system enables secure, fast and convenient deposit services. Thousands of organizations use Mitek solutions to optimize the security of mobile check deposits, new account openings and more.

To ensure a high level of security against evolving digital fraud threats, in May of 2021, Mitek acquired ID R&D, an award-winning provider of AI-based voice and face biometrics and liveness detection. With one of the strongest research and development teams in the industry, ID R&D consistently delivers innovative, best-in-class biometric capabilities that raise the bar on usability and performance.

Mitek 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. 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.

In May 2021 (as more fully described in Note 3 to the consolidated financial statements) Mitek acquired ID R&D, Inc. (“ID R&D”), an award-winning provider of artificial intelligence (AI)-based voice and face biometrics and liveness detection. The ID R&D Acquisition (as defined below) will help simplify and secure the entire transaction lifecycle for both businesses and consumers. Businesses and financial institutions will have access to one authentication solution to deploy throughout the entire transaction cycle, and can provide consumers with a simple, intuitive approach to fighting fraud.

Product and Technology Overview

Technology

During the twelve months ended September 30, 2021, we had one operating segment: the development, sale, and service of our proprietary software solutions related to mobile image capture and identity verification.

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

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

Products

Mobile Deposit®

Mitek’s Mobile Deposit® solution is used today by millions of consumers in the United States and Canada for mobile check deposit. Mobile Deposit enables individuals and businesses to remotely deposit checks using their camera-equipped smartphone or tablet. Mobile Deposit is embedded within the financial institutions’ digital banking apps used by consumers and has now processed more than five billion check deposits. Mitek began selling Mobile Deposit in early 2008 and received its first patent for this product in August 2010. Today, Mitek holds more than 60 U.S. patents related to document image capture technology.

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

Mobile Verify®

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

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

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

Mobile Fill®

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

MiSnap™

Mitek MiSnap™ is a patented mobile-capture software development kit ("SDK") that enables an intuitive user experience and instant capture of quality images of identity documents and checks. The key to successful mobile check deposit, data pre-fill and ID document verification is the quality of the image capture. Mitek's MiSnap™ helps enable every user to capture a quality image the first time.

CheckReader™

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

Check Fraud Defender

The premier AI-powered and cloud-hosted model for fighting check fraud, Check Fraud Defender reduces the number of checks routed for manual review and can help reduce risks associated with synthetic and account fraud, forged checks, and theft. Check Fraud Defender helps banks fight check fraud by analyzing more than 18 visual elements of a check to give a more comprehensive view of possible fraud.

Check Intelligence

Check Intelligence 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 printed, Check Intelligence speeds the time to deposit for banks and customers and helps enable financial institutions to comply with check clearing regulations. With built-in image quality analysis and image usability analysis, Check Intelligence also ensures that the check meets the Check Clearing for the 21st Century Act requirements and other industry and regulatory standards.

ID_CLOUD™

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

IDLive® Face

IDLive® Face is the industry's first passive facial liveness detection product. The technology is critical to frictionless fraud prevention in solutions that use face biometrics for authentication and digital identity proofing. IDLive® Face is iBeta Levels 1 and 2 Presentation Attack Detection ("PAD") compliant and is used to process millions of monthly transactions for customers worldwide.

IDVoice®

IDVoice® is a robust AI-driven voice biometric engine that enables fast, convenient authentication on mobile, web, and telephone channels. The product is also optimized to enable embedded security and personalization on Internet of Things devices. IDVoice® has achieved top rankings in the industry's leading benchmark challenges.

IDLive® Voice

IDLive® Voice helps stop spoofing attacks on voice biometric systems by distinguishing live voice from synthesized speech, voice deepfakes, and recordings.

IDLive Doc™

IDLive Doc™ works to fight fraud related to digitally displayed document images. This AI-based product validates the physical presence of documents used when verifying customer identities online. The product can be added to any onboarding or electronic KYC solution, providing another layer of fraud prevention for banks, gig economy companies, telcos, and others.

Sales and Marketing

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

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

For the twelve months ended September 30, 2021, we derived revenue of $20.2 million from one customer, with such customer accounting for 17% of our total revenue. For the twelve months ended September 30, 2020, we derived revenue of $15.8 million from one customer, with such customer accounting for 16% of our total revenue. For the twelve months ended September 30, 2019, we derived revenue of $22.8 million from two customers, with such customers accounting for 17% and 10%, respectively, of our total revenue.

Deposits revenue accounted for approximately 63%, 67%, and 67% of the Company's total revenue for the twelve months ended September 30, 2021, 2020, and 2019, respectively. Identity verification revenue accounted for approximately 37%, 33%, and 33% of the Company's total revenue for the twelve months ended September 30, 2021, 2020, and 2019, respectively. Revenue from international sales accounted for approximately 26%, 24%, and 31% of the Company's total revenue for the twelve months ended September 30, 2021, 2020, and 2019, respectively.

Intellectual Property

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

As of September 30, 2021, the U.S. Patent and Trademark Office has issued us 77 patents with expiration dates ranging from 2026 through 2037 and we have filed for 18 additional domestic and international patents. We have 38 registered trademarks and will continue to evaluate the registration of additional trademarks, as appropriate. We claim common law protection for, and may seek to register, other trademarks. In addition, we generally enter into confidentiality agreements with our employees.

Market Opportunities, Challenges, and Risks

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

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

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

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

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

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

Competition

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

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

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

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

Research and Development

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

Internal research and development allows us to maintain closer technical control over our products and gives us the ability to determine which modifications and enhancements are most important and when they should be implemented to ensure the proper functioning and improved performance of our products. We intend to expand our existing product offerings and introduce new mobile image capture and digital identity verification capabilities that meet a broader set of needs of our customers. We intend to continue to support the major industry standard operating environments.

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

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

Our research and development expenses for the twelve months ended September 30, 2021, 2020, and 2019 were $28.0 million, $22.9 million, and $21.9 million, respectively. We expect research and development expenses during fiscal year 2022 to increase as compared with those incurred in fiscal year 2021 as we continue our new product research and development efforts.

Human Capital Resources

As of September 30, 2021, we had 448 employees, 176 in the U.S. and 272 internationally, 435 of which are full time. Our total employee base consists of 221 sales and marketing, professional services, and document review employees, 176 research and development and support employees, and 51 employees in executive, finance, network administration, and other capacities. In addition, we engaged various consultants in the areas of research and development, product development, finance, and marketing during fiscal year 2021. We have never had a work stoppage and none of our employees are represented by a labor organization. Substantially all of our employees, other than certain number of our executive officers and employees with customary employment arrangements within Europe, are at will employees, which means that each employee can terminate his or her relationship with us and we can terminate our relationship with him or her at any time. We offer industry competitive wages and benefits and are committed to maintaining a workplace environment that promotes employee productivity and satisfaction. We consider our relations with our employees to be good. We are also focused on understanding our diversity and inclusion strengths and opportunities and executing on a strategy to support further progress. We continue to focus on building a pipeline for talent to create more opportunities for workplace diversity and to support greater representation within the Company.

Available Information

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

ITEM 1A. RISK FACTORS.

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

Risks Associated With Our Business and Operations

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

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

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

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

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

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

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

On July 7, 2018, United Services Automobile Association ("USAA") filed a lawsuit against Wells Fargo Bank, N.A. ("Wells Fargo") in the Eastern District of Texas alleging that Wells Fargo's remote deposit capture systems (which in part utilize technology provided by the Company to Wells Fargo through a partner) infringe four USAA owned patents related to mobile deposits (the "First Wells Lawsuit"). On August 17, 2018, USAA filed a second lawsuit (the "Second Wells Lawsuit" and together with the First Wells Lawsuit, the "Wells Lawsuits") against Wells Fargo in the Eastern District of Texas asserting that an additional five patents owned by USAA were infringed by Wells Fargo's remote deposit capture system. In neither lawsuit was the Company named in the Complaint as an infringer and at no time did USAA allege specifically that the Company's products by themselves infringed any of the asserted patents. Subsequently, on November 6, 2019, a jury in the First Wells Lawsuit found that Wells Fargo willfully infringed at least one of the Subject Patents (as defined below) and awarded USAA $200 million in damages. In the Second Wells Lawsuit, USAA dropped two of the patents from the litigation, and the judge in the case found that one of the remaining three patents was invalid. On January 10, 2020, a jury in the Second Wells Lawsuit found that Wells Fargo willfully infringed at least one of the patents at issue in that case and awarded USAA $102 million in damages. No Mitek product was accused of infringing either of the two patents in question in the Second Wells Lawsuit as the litigation involved broad banking processes and not Mitek's specific mobile deposit features. USAA and Wells Fargo subsequently reached a settlement, and on April 1, 2021 the court granted the parties' joint motion and stipulation of dismissal of the Wells Lawsuits with prejudice.

Wells Fargo filed petitions for *Inter Partes* Review ("IPR") with the Patent Trial and Appeal Board ("PTAB") challenging the validity of the four patents in the First Wells Lawsuit. Three of those four petitions were instituted, while one (relating to the '090 Patent) was denied institution. On November 24, 2020, and January 26, 2021, the PTAB issued final written decisions determining that Wells Fargo had not demonstrated by a preponderance of the evidence that any claims of the '571 Patent, the '779 Patent, or '517 Patent were unpatentable.

On September 30, 2020, USAA filed suit against PNC Bank (the “First PNC Lawsuit”) in the Eastern District of Texas alleging infringement of U.S. Patent Nos. 10,482,432 and 10,621,559. These two patents are continuations of an asserted patent in the Second Wells Lawsuit and relate to similar subject matter. On October 19, 2020, PNC Bank’s integration partner, NCR Corporation, sent an indemnification demand to the Company requesting indemnification from all claims related to the First PNC Lawsuit. The complaint against PNC does not claim that any Company product infringes any of the asserted patents. At this time, the Company does not believe it is obligated to indemnify NCR Corporation or end-users of NCR Corporation resulting from the patent infringement allegations by USAA. On December 4, 2020, USAA filed an amended complaint against PNC Bank also asserting two patents at issue in the First Wells Lawsuit—U.S. Patent Nos. 8,699,779 (“the ’779 Patent”) and 8,977,571 (“the ’571 Patent”). Also on December 4, 2020, PNC Bank filed a complaint for declaratory judgement of non-infringement of the ’779 Patent and the ’571 Patent in the Western District of Pennsylvania (“PNC DJ Action”). On January 19, 2021, USAA filed a motion to dismiss the PNC DJ Action in view of the pending lawsuit between the parties in the Eastern District of Texas. On February 2, 2021, NCR Corporation sent a second indemnification demand to the Company requesting indemnification of the claims described in the amended complaint. On March 31, 2021, USAA filed another suit against PNC Bank in the Eastern District of Texas alleging infringement of two patents from the Second Wells Lawsuit, U.S. Patent Nos. 10,013,605 and 10,013,681 (the “Second PNC Lawsuit” and together with the First PNC Lawsuit, the “PNC Lawsuits”). On June 1, 2021, the Western District of Pennsylvania court stayed the PNC DJ Action in view of the earlier-filed action between USAA and PNC in the Eastern District of Texas. On July 7, 2021, USAA filed a third lawsuit against PNC Bank (the “Third PNC Lawsuit”) asserting infringement of U.S. Patents 10,769,598; 10,402,638; and 9,224,136.

While neither the Wells Lawsuits nor the PNC Lawsuits name the Company as a defendant, given (among other factors) the Company’s prior history of litigation with USAA and the continued use of the Company’s products by its customers, on November 1, 2019, the Company filed a Complaint in the U.S. District Court for the Northern District of California seeking declaratory judgment that its products do not infringe the ’779 Patent, the ’571 Patent, U.S. Patent No. 9,336,517 (“the ’517 Patent”), and U.S. Patent No. 9,818,090 (“the ’090 Patent”) (collectively, the “Subject Patents”). On January 15, 2020, USAA filed motions requesting the dismissal of the declaratory judgement of the Subject Patents and transfer of the case to the Eastern District of Texas, both of which the Company opposed. On April 21, 2020, the court in the Northern District of California transferred the Company’s declaratory judgement action to the Eastern District of Texas and did not rule on USAA’s motion to dismiss. On April 28, 2021, the court in the Eastern District of Texas granted USAA’s motion to dismiss the Company’s declaratory judgment action on jurisdictional grounds. The Court’s ruling did not address the merits of the Company’s claim of non-infringement. The Company continues to believe that its products do not infringe the Subject Patents and will vigorously defend the right of its end-users to use its technology.

In April, May, and June 2020, the Company filed petitions for IPR with the PTAB of the U.S. Patent & Trademark Office challenging the validity of the Subject Patents. On November 6 and 17, 2020, the PTAB decided to exercise its discretion and deny institution of the four petitions due to the alleged relationship between the Company and Wells Fargo, who previously filed petitions for IPR on the Subject Patents. The PTAB did not address the merits of the Company’s petitions or the prior art cited in those petitions. The Company continues to believe that the prior art cited in the petitions renders all the claims of the Subject Patents invalid. On December 6, 2020, December 17, 2020, and February 23, 2021, the Company filed requests for rehearing and Precedential Opinion Panel (“POP”) review of the four denied IPR petitions.

In September 2020, the Company filed an additional two petitions for IPR with the U.S. Patent & Trademark Office challenging the validity of U.S. Patent Nos. 10,013,681 and 10,013,605—two of the patents at issue in the Second Wells Lawsuit. In March 2021, the PTAB decided not to institute the two petitions.

On July 7, July 14, and July 21 2021, PNC Bank filed six additional petitions for IPR with the U.S. Patent & Trademark Office challenging the validity of the ’779 Patent, the ’571 Patent, the ‘559 Patent, and the ‘432 Patent. In November and December of 2021, PNC Bank filed four more petitions for IPR against the ‘638 Patent, the ‘136 Patent, and the ‘598 Patent. Decisions from the Patent Office whether to institute these IPRs are expected in February and May 2022.

On August 16, 2021, USAA filed suit against BBVA USA (“BBVA”) in the Eastern District of Texas alleging infringement of the same patents at issue in the lawsuits against PNC. While Mitek’s IPR petitions were mentioned in the complaint, Mitek was not named as a defendant or mentioned in connection with any alleged infringement. BBVA then sent Mitek an indemnification demand on September 7, 2021. For the same reasons discussed above in connection with PNC, the Company does not believe it is obligated to indemnify BBVA.

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

- obtain licenses, which may not be available on commercially reasonable terms, if at all, and may be non-exclusive, thereby giving our competitors access to the same intellectual property licensed to us;
- expend significant resources to redesign our products or technology to avoid infringement;
- discontinue the use and sale of infringing products;
- pay substantial damages;
- incur substantial costs indemnifying our customers; or

- defend litigation or administrative proceedings which may be costly whether we are successful or not, and which could result in a substantial diversion of our management resources and limit our exclusive rights to the technology we have developed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We currently anticipate that our available capital resources and operating cash flows will be sufficient to meet our expected working capital and capital expenditure requirements for at least the next 12 months. However, such resources may not be sufficient to fund the long-term growth of our business. If we determine that it is necessary to raise additional funds, we may choose to do so through public or private equity or debt financings, a bank line of credit, strategic collaborations, licensing, or other arrangements. We cannot be sure that any additional funding, if needed, will be available on terms favorable to us, if at all. Furthermore, any additional equity or equity-related financing may be dilutive to our stockholders, new equity securities may have rights, preferences or privileges senior to those of existing holders of our shares of common stock, and debt or equity financing, if available, may subject us to restrictive covenants and significant interest costs. If we obtain funding through a strategic collaboration or licensing arrangement, we may be required to relinquish our rights to certain of our technologies, products or marketing territories. If we are unable to obtain the financing necessary to support our operations, we may be required to defer, reduce or eliminate certain planned expenditures or significantly curtail our operations.

We expect to incur additional expenses related to the integration of ID R&D, Inc.

We expect to incur additional expenses in connection with the integration of the business, policies, procedures, operations, technologies, and systems of ID R&D, a New York corporation. There are a number of systems and functions that are being integrated into our larger organization, including, but not limited to, management information, accounting and finance, billing, payroll and benefits, and regulatory compliance. In addition, the acquisition of a non-public entity such as ID R&D, is particularly challenging because its prior practices may not meet the requirements of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) and/or accounting principles generally accepted in the U.S. (“GAAP”). While we have assumed that a certain level of expenses would be incurred to integrate this business, there are a number of factors beyond our control that could affect the total amount or the timing of all of the expected integration expenses. Moreover, many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time.

We may be unable to successfully integrate our business with the respective businesses of ICAR, A2iA, and ID R&D and realize the anticipated benefits of the acquisitions.

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

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

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

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

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

- projections of future revenues;
- anticipated financial performance of products and products currently in development;
- our expected capital structure after the acquisitions, including after the distribution of any earnout-shares that may (under certain circumstances) become payable to the former shareholders of ICAR and ID R&D;
- our ability to maintain, develop and deepen relationships with the respective customers of ICAR, A2iA, and ID R&D; and
- other financial and strategic risks of the acquisitions.

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

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

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

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

We expect quarterly and annual fluctuations to continue for the foreseeable future. These fluctuations may result in volatility in our results of operations, have an adverse effect on the market price of our common stock, or both.

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

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

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

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

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

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

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

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

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

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

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

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

The FCPA and other anti-corruption laws and regulations (“Anti-Corruption Laws”) prohibit corrupt payments by our employees, vendors, or agents. From time to time, we may receive inquiries from authorities in the U.S. and elsewhere about our business activities outside of the U.S. and our compliance with Anti-Corruption Laws. While we have implemented policies, training, and internal controls designed to reduce the risk of corrupt payments, our employees, vendors, or agents may violate our policies. Our acquisitions of ID Checker, ICAR, A2iA, and ID R&D may significantly increase our exposure to potential liability under Anti-Corruption Laws. ID Checker, ICAR, A2iA, and ID R&D were not historically subject to the FCPA, Sarbanes-Oxley, or other laws, to which we are subject, and we may become subject to liability if in the past, ID Checker's, ICAR's, A2iA's, and ID R&D's operations did not comply with such laws.

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

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

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

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

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

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

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

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

The Dodd-Frank Act, enacted in July 2010, expands federal regulation of corporate governance matters and imposes requirements on publicly-held companies, including us, to, among other things, provide stockholders with a periodic advisory vote on executive compensation and also adds compensation committee reforms and enhanced pay-for-performance disclosures. While some provisions of the Dodd-Frank Act were effective upon enactment, and others have been implemented upon the SEC's adoption of related rules and regulations, the Dodd-Frank Act is not yet fully implemented and the scope and timing of the adoption of additional rules and regulations thereunder is uncertain and accordingly, the cost of compliance with the Dodd-Frank Act is also uncertain. In addition, Sarbanes-Oxley specifically requires, among other things, that we maintain effective internal control over financial reporting and disclosure of controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley Act ("Section 404"). We have in the past, and may in the future, not qualify as a smaller reporting company. To the extent we no longer qualify as a smaller reporting company, our independent registered public accounting firm will be required to attest to our internal control over financial reporting. Our testing, or the subsequent testing by our independent registered public accounting firm, if required, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expenses and expend significant management efforts. We currently have limited internal audit capabilities and will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm, if applicable, identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

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

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

Although we generated net income for the twelve months ended September 30, 2021, 2020, 2017, 2016, and 2015, our operations resulted in a net loss of $0.7 million, $11.8 million, $5.3 million, and $7.3 million for the twelve months ended September 30, 2019, 2018, 2014, and 2013, respectively. We may continue to incur significant losses for the foreseeable future which may limit our ability to fund our operations and we may not generate income from operations in the future. As of September 30, 2021, September 30, 2020, and September 30, 2019, we had an accumulated deficit of $6.1 million, $14.0 million, and $20.8 million, respectively. Our future profitability depends upon many factors, including several that are beyond our control. These factors include, without limitation:

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

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

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

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

Risks Related to Investing in Our Common Stock

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

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

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

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

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

As noted in our 2021 annual proxy statement, filed January 22, 2021 our current and former directors and executive officers as a group beneficially owned approximately 3.4% of our outstanding common stock, and continue to increase their beneficial ownership in the Company in light of our equity compensation program and focus on aligning the long-term interests of our executives and directors with those of our stockholders. Subject to any fiduciary duties owed to our other stockholders under Delaware General Corporation Law (the "DGCL"), these stockholders may be able to exercise significant influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have some control over our management and policies. Some of these persons may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree. The concentration of ownership could delay or prevent a change in control of the Company or otherwise discourage a potential acquirer from attempting to obtain control of the Company, which in turn could reduce the price of our stock. In addition, these stockholders could use their voting influence to maintain our existing management and directors in office, delay or prevent changes in control of the Company, or support or reject other management and board proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

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

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

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

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

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

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

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

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

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

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

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

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

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

We entered into a Section 382 Rights Agreement on October 23, 2018, with Computershare Trust Company, N.A., a federally chartered trust company, as Rights Agent (the “Rights Agreement”). The Rights Agreement is intended to discourage acquisitions of our common stock which could result in a cumulative “ownership change” as defined under Section 382, thereby preserving our current ability to utilize net operating loss carryforwards to offset future income tax obligations, which would become subject to limitations if we were to experience an “ownership change,” as defined under Section 382. While this Rights Agreement is intended to preserve our current ability to utilize net operating loss carryforwards, it effectively deters current and future purchasers from accumulating more than 4.9% of our common stock, which could delay or discourage takeover attempts that our stockholders may consider favorable. In addition, if the share purchase rights issued pursuant to the Rights Agreement are exercised, additional shares of our common stock will be issued, which could materially and adversely affect the market price of our common stock. Moreover, sales in the public market of any shares of our common stock issued upon such exercise, or the perception that such sales may occur, could also adversely affect the market price of our common stock. These issuances would also cause our per share net income, if any, to decrease in future periods.

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

The market price of our common stock has experienced significant price and volume fluctuations. For example, during the three year period ended September 30, 2021, the closing price of our common stock ranged from $5.56 to $23.03. In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices for the common stock of technology companies and that have often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. You may not be able to resell your shares at or above the price you paid for them due to fluctuations in the market price of our stock caused by changes in our operating performance or prospects and other factors.

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

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

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

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

The COVID-19 outbreak could adversely impact our business.

The rapid, global spread of COVID-19 and the fear it created resulted in significant economic uncertainty, significant declines in business and consumer confidence, and a global economic slowdown, which resulted in a global recession.

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 restrictions 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. As of September 30, 2021, we have not experienced significant adverse impacts to our business, results of operations, financial condition, or cash flows as a result of the pandemic. However, the situation remains fluid and governmental, individual, business and other organizational measures to limit the spread of the virus in the future could adversely affect our revenues, results of operations and financial condition, perhaps materially. This or any other outbreak and any additional preventative or protective actions that may be taken in response to this or any other global health threat or pandemic may result in additional business and/or operational disruption.

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

General Risk Factors

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

We are highly dependent on the key members of our management team and other key technical personnel. If we were to lose the services of one or more of our key personnel, or if we fail to attract and retain additional qualified personnel, it could materially and adversely affect our business. Furthermore, recruiting and retaining qualified highly skilled engineers involved in the ongoing development required to refine our technologies and introduce future products is critical to our success. We may be unable to attract, assimilate, and retain qualified personnel on acceptable terms given the competition within the high technology industry. We do not have any employment agreements providing for a specific term of employment with any member of our senior management. We do not maintain “key man” insurance policies on any of our officers or employees. We have granted and plan to grant restricted stock units or other forms of equity awards as a method of attracting and retaining employees, motivating performance and aligning the interests of employees with those of our stockholders. As of September 30, 2021, we had 2,767,497 shares of common stock available for issuance pursuant to future grants of equity awards under our existing equity compensation plans, which may limit our ability to provide equity incentive awards to existing and future employees. If we are unable to adopt, implement and maintain equity compensation arrangements that provide sufficient incentives, we may be unable to retain our existing employees and attract additional qualified candidates. If we are unable to retain our existing employees, including qualified technical personnel, and attract additional qualified candidates, our business and results of operations could be adversely affected.

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

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

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

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

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

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

We have identified a material weakness in our internal control over financial reporting, and if our remediation of such material weakness is not effective, or if we fail to develop and maintain an effective system of disclosure controls and internal control over

financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.

In the course of preparing our financial statements for fiscal 2021, we identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified pertains to the accounting for the contingent consideration liability that was recognized as part of the consideration transferred in the ID R&D Acquisition. The Company had initially recorded the portion of the contingent consideration liability paid in shares of the Company's common stock based on the share price of the Company's common stock as of the acquisition date instead of the share price as of the end of the reporting period as required by ASC 820. The Company's auditors detected this error prior to the issuance of the financial statements for fiscal 2021. The correction of the error resulted in an increase of $0.4 million to acquisition-related costs and expenses, an increase to goodwill of $0.4 million and an increase of $0.8 million to acquisition-related contingent consideration. While the amounts recorded to correct the error are not considered material to the company's financial statements, the assessment of the Company's material weakness takes into account the potential for a larger error to have occurred using the Company's highest and lowest share prices during fiscal 2021. Based on the share prices observed in fiscal 2021, the misstatement could have been material to the financial statements.

To address our material weakness, we re-evaluated the scope, level of precision and the personnel assigned for conducting the reviews over our analyses supporting the accounting for the contingent consideration liability. The Company corrected the error related to the contingent consideration liability in its Annual Form 10-K for the period ending September 30, 2021.

See Part II, Item 9A "Controls and Procedures" for additional information about this material weakness and our remediation efforts.

If we are unable to further implement and maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources. Furthermore, we cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to our material weaknesses in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods.

Any failure to implement and maintain effective internal control over financial reporting could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports that are filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our principal executive offices, as well as our research and development facility, are located in approximately 29,000 square feet of office space in San Diego, California and the term of the lease continues through June 30, 2024. The average annual base rent under this lease is approximately $1.2 million per year. In connection with this lease, we received tenant improvement allowances totaling approximately $1.0 million. These lease incentives are being amortized as a reduction of rent expense over the term of the lease.

Our other offices are located in Paris, France; Amsterdam, The Netherlands; New York, New York; Barcelona, Spain; and London, United Kingdom. The term of the Paris, France lease continues through May 31, 2025, with an annual base rent of approximately €418 thousand (or $484 thousand). The term of the Amsterdam, The Netherlands lease continues through December 31, 2022, with an annual base rent of approximately €191 thousand (or $222 thousand). The term of the New York, New York lease continues through November 30, 2024, with an annual base rent of approximately $195 thousand. The term of the Barcelona, Spain lease continues through May 31, 2023, with an annual base rent of approximately €97 thousand (or $113 thousand). The term of the London, United Kingdom lease continues through May 31, 2022, with an annual base rent of approximately £112 thousand (or approximately $151 thousand).

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

ITEM 3. LEGAL PROCEEDINGS.

For information regarding legal proceedings, refer to Note 9 Commitments and Contingencies to the consolidated financial statements.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

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

Market Information

Our common stock trades on the NASDAQ Capital Market under the ticker symbol "MITK." The closing sales price of our common stock on November 30, 2021 was $17.13.

Holders

As of November 30, 2021, there were 246 stockholders of record of our common stock and an undetermined number of beneficial owners.

Dividends

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

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

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K is incorporated by reference to our definitive proxy statement filed in connection with our 2022 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of the twelve months ended September 30, 2021.

Sales of Equity Securities During the Period

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

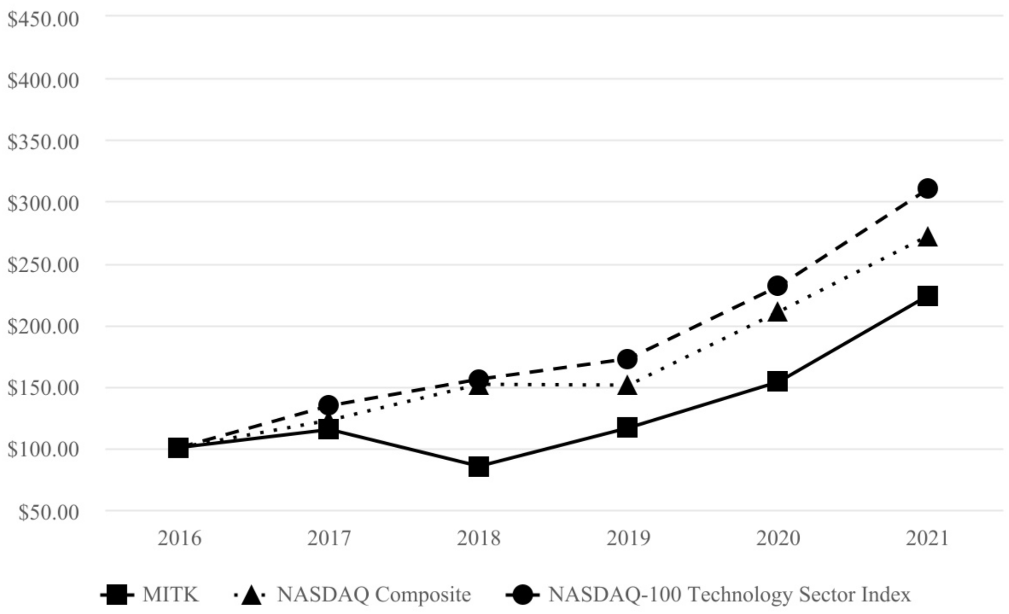
Performance Graph

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

The following graph and table compare the cumulative total stockholder return data for our common stock from September 30, 2016 through September 30, 2021 to the cumulative return over such period of (i) a broad market index, the NASDAQ Composite Index and (ii) an industry index, the NASDAQ-100 Technology Sector Index. The graph and table assume that $100 was invested in our common stock at $8.29 per share on September 30, 2016, and in each of the referenced indices, and assumes reinvestment of all dividends. The stock price performance on the following graph and table is not necessarily indicative of future stock price performance.

Comparison of 5 Year Cumulative Total Return

Among Mitek Systems, Inc., the NASDAQ Composite Index and the NASDAQ-100 Technology Sector Index



The graph above reflects the following values:

	2016	2017	2018	2019	2020	2021
MITK	$ 100.00	$ 114.60	$ 85.04	$ 116.41	$ 153.68	$ 223.16
NASDAQ Composite	$ 100.00	$ 122.29	$ 151.47	$ 150.59	$ 210.23	$ 272.00
NASDAQ-100 Technology Sector Index	$ 100.00	$ 133.80	$ 155.88	$ 171.95	$ 230.69	$ 310.14

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

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

Overview

Mitek is a leading innovator of mobile image capture and digital identity verification solutions. We are a software development company with expertise in computer vision, artificial intelligence, and machine learning. We currently serve more than 7,500 financial services organizations and leading marketplace and financial technology ("fintech") brands around the globe. Customers count on Mitek to deliver trusted and convenient online experiences, detect and reduce fraud, and document Know Your Customer ("KYC") and Anti-Money Laundering ("AML") regulatory compliance. Our solutions are embedded in native mobile apps and web browsers to facilitate digital consumer experiences. Mitek's identity verification and authentication technologies and services make it possible for banks, financial services organizations and the world's leading marketplace and sharing platforms to verify an individual's identity during digital transactions, allowing them to reduce risk and meet regulatory requirements. Our advanced mobile deposit system enables secure, fast and convenient deposit services. Thousands of organizations use Mitek solutions to optimize the security of mobile check deposits, new account openings and more.

To ensure a high level of security against evolving digital fraud threats, in May of 2021, Mitek acquired ID R&D, an award-winning provider of AI-based voice and face biometrics and liveness detection. With one of the strongest research and development teams in the industry, ID R&D consistently delivers innovative, best-in-class biometric capabilities that raise the bar on usability and performance.

Mitek 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. 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.

In May 2021 (as more fully described in Note 3 to the consolidated financial statements) Mitek acquired ID R&D, Inc. ("ID R&D"), an award-winning provider of artificial intelligence (AI)-based voice and face biometrics and liveness detection. The ID R&D Acquisition (as defined below) will help simplify and secure the entire transaction lifecycle for both businesses and consumers. Businesses and financial institutions will have access to one authentication solution to deploy throughout the complete transaction cycle, and can provide consumers with a simple, intuitive approach to fighting fraud.

Fiscal Year 2021 Highlights

- Revenues for the twelve months ended September 30, 2021 were $119.8 million, an increase of 18% compared to revenues of $101.3 million for the twelve months ended September 30, 2020.
- Net income was $8.0 million, or $0.18 per diluted share, for the twelve months ended September 30, 2021, compared to a net income of $7.8 million, or $0.18 per diluted share, for the twelve months ended September 30, 2020.
- Cash provided by operating activities was $37.3 million for the twelve months ended September 30, 2021, compared to $24.1 million for the twelve months ended September 30, 2020.
- During fiscal 2021 the total number of financial institutions licensing our technology continued to exceed 7,500. All of the top 10 U.S. retail banks, and nearly all of the top 50 U.S. retail banks utilize our technology.
- We added new patents to our portfolio during fiscal year 2021, bringing our total number of issued patents to 77 as of September 30, 2021. In addition, we have 18 patent applications as of September 30, 2021.

Acquisition of ID R&D, Inc.

On May 28, 2021 (the "Closing Date"), the Company completed the acquisition of ID R&D (the "ID R&D Acquisition") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated May 28, 2021, by and among the Company, ID R&D and Alexey Khitrov. Upon completion of the ID R&D Acquisition, ID R&D became a direct wholly owned subsidiary of Mitek Systems, Inc. ID R&D is an award-winning provider of artificial intelligence-based voice and face biometrics and liveness detection. Under the terms of the Merger Agreement, the Company agreed to pay an aggregate purchase price of up to $49.0 million. On the Closing Date, the equityholders of ID R&D received from the Company: (i) $13.0 million in cash, subject to adjustments for transaction expenses, escrow amounts, indebtedness and working capital adjustments and (ii) 867,226 shares (or $13.9 million) of

Common Stock. The terms of the Merger Agreement also provide for additional payments of up to approximately $22.1 million in a combination of cash and Common Stock upon the achievement of certain financial milestones during fiscal 2022 and fiscal 2023.

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 impact of the COVID-19 pandemic may accelerate the adoption of digital technologies and create future opportunities and uses for our products. The ultimate extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our long term revenue growth and profitability, depends on certain developments, including the duration of the pandemic and any resurgences, the severity of the disease, responsive actions taken by public health officials, the development, distribution and public acceptance of treatments and vaccines, the impacts on our customers' and our sales cycles, our ability to generate new business leads, the impacts on our customers', employee and industry events, and the effects on our vendors, all of which are uncertain and currently cannot be predicted with any degree of certainty. As a result, the extent to which the COVID-19 pandemic will continue to impact our financial condition or results of operations is uncertain. Because of our IT infrastructure and the nature of our business, our employees have generally been able to work remotely and productively, but future productivity and the effects of COVID-19 on our operations is unknown at this time. We continue to seek new and innovative opportunities to serve our customers' needs.

Results of Operations

Certain amounts included herein differ from amounts reported in our preliminary unaudited consolidated balance sheet and statement of operations included in our earnings release dated November 4, 2021. The differences arose from an increase in acquisition-related costs and expenses of $0.4 million dollars due to the revaluation of our acquisition-related contingent consideration liability that was recorded as part of the ID R&D Acquisition. We believe that these revised amounts are not materially different from those reported in the earnings release.

Comparison of the Twelve Months Ended September 30, 2021 and 2020

The following table summarizes certain aspects of our results of operations for the twelve months ended September 30, 2021 compared to the twelve months ended September 30, 2020 (*in thousands, except percentages*):

	Twelve Months Ended September 30,					
			Percentage of Total Revenue		Increase (Decrease)	
	2021	2020	2021	2020	$	%
Revenue						
Software and hardware	$ 60,069	$ 54,152	50 %	53 %	5,917	11 %
Services and other	59,728	47,158	50 %	47 %	12,570	27 %
Total revenue	$ 119,797	$ 101,310	100 %	100 %	18,487	18 %
Cost of revenue	14,540	13,192	12 %	13 %	1,348	10 %
Selling and marketing	32,497	27,646	27 %	27 %	4,851	18 %
Research and development	28,042	22,859	23 %	23 %	5,183	23 %
General and administrative	22,490	22,284	19 %	22 %	206	1 %
Acquisition-related costs and expenses	8,951	6,575	7 %	6 %	2,376	36 %
Restructuring costs	—	(114)	— %	— %	114	(100) %
Interest expense	5,129	—	4 %	— %	5,129	100 %
Other income, net	654	541	1 %	1 %	113	21 %
Income tax provision	(824)	(1,595)	(1) %	(2) %	771	48 %

Revenue

Total revenue increased $18.5 million, or 18%, to $119.8 million in 2021 compared to $101.3 million in 2020. Software and hardware revenue increased $5.9 million, or 11%, to $60.1 million in 2021 compared to $54.2 million in 2020. This increase is primarily due to an increase in sales of our Mobile Deposit®, ID_CLOUD™, CheckReader™, and IDLive® Face software products. The increase was partially offset by a decrease in revenue from our identity verification hardware products. Services and other revenue increased $12.6 million, or 27%, to $59.7 million in 2021 compared to $47.2 million in 2020. This increase is primarily due to strong growth in Mobile Verify® transactional SaaS revenue of $10.1 million, or 36%, in 2021 compared to 2020, as well as an increase in maintenance revenue associated with Mobile Deposit® software sales and hosted mobile deposit transactional revenue.

Cost of Revenue

Cost of revenue includes personnel costs related to billable services and software support, direct costs associated with our hardware products, hosting costs, and the costs of royalties for third-party products embedded in our products. Cost of revenue increased $1.3 million, or 10%, to $14.5 million in 2021 compared to $13.2 million in 2020. As a percentage of revenue, cost of revenue decreased to 12% in 2021 from 13% in 2020. The increase in cost of revenue is primarily due to an increase in variable personnel, hosting, and royalty costs associated with a higher volume of Mobile Verify® transactions processed during 2021 compared to 2020. The increase was partially offset by decreased costs of our identity verification hardware products due to lower hardware revenues.

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits, stock-based compensation, and other headcount-related costs associated with sales and marketing personnel. Selling and marketing expenses also include non-billable costs of professional services personnel, advertising expenses, product promotion costs, trade shows, and other brand awareness programs. Selling and marketing expenses increased $4.9 million, or 18%, to $32.5 million in 2021 compared to $27.6 million in 2020. As a percentage of revenue, selling and marketing expenses were consistent at 27% in 2021 and in 2020. The increase in sales and marketing expense is primarily due to higher personnel-related costs resulting from our increased headcount of $5.2 million and higher product promotion costs of $0.2 million in 2021 compared to the same period in 2020. The overall increase in selling and marketing expense was partially offset by a decrease in travel and related expenses of $0.5 million as a result of the COVID-19 pandemic.

Research and Development Expenses

Research and development expenses include payroll, employee benefits, stock-based compensation, third-party contractor expenses, and other headcount-related costs associated with software engineering and mobile image capture science. Research and development expenses increased $5.2 million, or 23%, to $28.0 million in 2021 compared to $22.9 million in 2020. As a percentage of revenue, research and development expenses were consistent at 23% in 2021 and in 2020. The increase in research and development expenses is primarily due to higher personnel-related costs and third-party contractor expenses in 2021 compared to 2020.

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 $0.2 million, or 1%, to $22.5 million in 2021 compared to $22.3 million in 2020. As a percentage of revenue, general and administrative expenses decreased to 19% in 2021 from 22% in 2020. The increase in general and administrative expenses is primarily due to higher personnel-related costs resulting from our increased headcount of $1.6 million, higher executive transition costs of $0.4 million, and higher third-party professional fees of $0.4 million in 2021 compared to 2020. The overall increase in general and administrative expenses was partially offset by decreased intellectual property litigation costs of $2.2 million in 2021 compared to 2020.

Acquisition-Related Costs and Expenses

Acquisition-related costs and expenses include amortization of intangible assets, expenses recorded due to changes in the fair value of contingent consideration, and other costs associated with acquisitions. Acquisition-related costs and expenses increased $2.4 million, or 36%, to $9.0 million in 2021 compared to $6.6 million in 2020. As a percentage of revenue, acquisition-related costs and expenses increased to 7% in 2021 from 6% in 2020. The increase in acquisition-related costs and expenses is primarily due to expenses associated with the acquisition of ID R&D in 2021 as compared to 2020.

Restructuring Costs

Restructuring costs consist of employee severance obligations and other related costs. There were no restructuring costs in 2021. Restructuring costs were negative $0.1 million in 2020 due to a reversal of costs accrued for the restructuring plan implemented in June 2019.

Interest Expense

Interest expense includes the amortization of debt discount and issuance costs and coupon interest incurred associated with our 2026 Notes. Interest expense was $5.1 million in 2021 and consisted of $4.4 million of amortization of debt discount and issuance costs and $0.8 million of coupon interest incurred. There was no interest expense in 2020.

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 the change in fair value of our convertible senior notes hedge and embedded conversion derivative. Other income, net increased $0.1 million, to a net income of $0.7 million in 2021 compared to a net income of $0.5 million in 2020, primarily due to higher foreign currency exchange transactional gains in 2021 compared to 2020.

Income Tax Provision

The income tax provision for 2021 was $0.8 million compared to an income tax provision of $1.6 million in 2020. The income tax provision for 2021 was primarily due to our positive net income for the year. Our effective tax rate for fiscal year 2021 was lower than the U.S. federal statutory rate of 21% due to changes in our deferred tax benefit of $1.6 million related to excess tax benefits from the exercise of stock options and the vesting of restricted stock awards.

Results of Operations

Comparison of the Twelve Months Ended September 30, 2020 and 2019

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

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

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

Revenue

Total revenue increased $16.7 million, or 20%, to $101.3 million in 2020 compared to $84.6 million in 2019. Software and hardware revenue increased $7.3 million, or 16%, to $54.2 million in 2020 compared to $46.8 million in 2019. This increase is primarily due to an increase in sales of our Mobile Deposit®, ID_CLOUD™, and CheckReader™ software products. The increase was partially offset by declining software revenue from our legacy on-premise identity products which are being phased out. Services and other revenue increased $9.4 million, or 25%, to $47.2 million in 2020 compared to $37.7 million in 2019. This increase is primarily due to strong growth in Mobile Verify® transactional SaaS revenue of $7.7 million, or 36%, in 2020 compared to 2019, as well as an increase in maintenance revenue associated with CheckReader™ and Mobile Deposit® software sales.

Cost of Revenue

Cost of revenue includes personnel costs related to billable services and software support, direct costs associated with our hardware products, hosting costs, and the costs of royalties for third-party products embedded in our products. Cost of revenue increased $0.9 million, or 8%, to $13.2 million in 2020 compared to $12.3 million in 2019. As a percentage of revenue, cost of revenue decreased to 13% in 2020 from 15% in 2019. The increase in cost of revenue is primarily due to an increase in variable personnel, royalty, and hosting costs associated with a higher volume of Mobile Verify® transactions processed during 2020 compared to 2019.

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits, stock-based compensation, and other headcount-related costs associated with sales and marketing personnel. Selling and marketing expenses also include non-billable costs of professional services personnel, advertising expenses, product promotion costs, trade shows, and other brand awareness programs. Selling and marketing expenses increased $3.1 million, or 13%, to $27.6 million in 2020 compared to $24.6 million in 2019. As a percentage of revenue, selling and marketing expenses decreased to 27% in 2020 from 29% in 2019. The increase in sales and marketing expense is primarily due to higher personnel-related costs of $2.9 million resulting from our increased headcount in 2020 compared to 2019, and higher product promotion costs of $0.8 million in 2020. Prior to fiscal 2020, the Company had included its product management costs in selling and marketing expenses. Due to certain personnel and functional responsibility changes in this function, the Company has reclassified these costs to research and development expenses. To conform to the current period's presentation, prior year's financials have been reclassified accordingly. The Company has determined that this reclassification was not material to previously reported financial statements. Product management costs were $3.0 million and $2.9 million in the twelve months ended 2020 and 2019, respectively.

Research and Development Expenses

Research and development expenses include payroll, employee benefits, stock-based compensation, third-party contractor expenses, product management and other headcount-related costs associated with software engineering and mobile image capture science. Research and development expenses increased $1.0 million, or 5%, to $22.9 million in 2020 compared to $21.9 million in 2019. As a percentage of revenue, research and development expenses decreased to 23% in 2020 from 26% in 2019. The increase in research and development expenses is primarily due to higher personnel-related costs in 2020 compared to 2019.

General and Administrative Expenses

General and administrative expenses include payroll, employee benefits, stock-based compensation, and other headcount-related costs associated with finance, legal, administration and information technology functions, as well as third-party legal, accounting, and other administrative costs. General and administrative expenses increased $2.4 million, or 12%, to $22.3 million in 2020 compared to $19.9 million in 2019. As a percentage of revenue, general and administrative expenses decreased to 22% in 2020 from 23% in 2019. The increase in general and administrative expenses is primarily due to an increase in intellectual property litigation costs of $2.3 million in 2020 compared to 2019, a $1.0 million insurance settlement received in 2019 and a $0.4 million increase in third-party outside service costs. This increase is partially offset by a decrease in third-party costs associated with our strategic process of $1.2 million incurred in 2019, compared to $0 in 2020.

Acquisition-Related Costs and Expenses

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

Restructuring Costs

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

Other Income, Net

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

Income Tax Benefit (Provision)

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

Liquidity and Capital Resources

On September 30, 2021, we had $227.4 million in cash and cash equivalents and investments compared to $62.0 million on September 30, 2020, an increase of $165.4 million, or 267%. The increase in cash and cash equivalents and investments was primarily due to net proceeds from the issuance of the 2026 Notes of $140.5 million (net of sale of warrants and purchase of convertible senior notes hedge), net cash provided by operating activities of $37.3 million, and net proceeds from the issuance of Common Stock under our equity plan of $4.0 million. These increases were partially offset by net cash paid in conjunction with the ID R&D Acquisition of $12.5 million, capital expenditures of $1.4 million, the payment of acquisition-related contingent consideration of $0.8 million, unfavorable foreign currency losses of $0.2 million, repurchases and retirements of common stock of $0.2 million, and principal payments on other borrowings of $0.1 million.

Cash Flows from Operating Activities

Net cash provided by operating activities during fiscal 2021 was $37.3 million and resulted primarily from net income of $8.0 million, net non-cash charges of $27.3 million, and favorable changes in operating assets and liabilities of $2.1 million. The primary non-cash adjustments to operating activities were stock-based compensation expense, amortization of intangible assets, accretion and amortization on debt securities, depreciation and amortization, amortization of investment premiums & other, net changes in estimated fair value of acquisition-related contingent consideration, and deferred taxes totaling $11.5 million, $7.5 million, $4.4 million, $1.4 million, $1.3 million, $1.1 million, and $0.1 million, respectively.

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

Cash Flows from Investing Activities

Net cash used in investing activities was $170.5 million during fiscal 2021, which consisted primarily of net purchases of investments of $156.6 million, net cash paid in conjunction with the ID R&D Acquisition of $12.5 million, and capital expenditures of $1.4 million.

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

Cash Flows from Financing Activities

Net cash provided by financing activities was $143.7 million during fiscal 2021, which consisted of net proceeds from the issuance of the 2026 Notes of $149.7 million, proceeds from the issuance of equity plan Common Stock of $4.0 million and net proceeds from other borrowings of $0.2 million, partially offset by net cash used for the call spreads on the sales and purchases of warrants and convertible senior notes hedge issued in connection with the 2026 Notes of $9.3 million, payment of acquisition-related contingent consideration of $0.8 million, and repurchases and retirements of Common Stock of $0.2 million.

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

0.75% Convertible Senior Notes due 2026

In February 2021, the Company issued $155.3 million aggregate principal amount of the 2026 Notes. The 2026 Notes are senior unsecured obligations of the Company. The 2026 Notes were issued pursuant to an Indenture, dated February 5, 2021 (the “Indenture”), between the Company and UMB Bank, National Association, as trustee. The Indenture includes customary covenants and sets forth certain events of default after which the 2026 Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Company after which the 2026 Notes become automatically due and payable.

The net proceeds from this offering were approximately $149.7 million, after deducting the Initial Purchasers’ discounts and commissions and the Company’s estimated offering expenses related to the offering. The 2026 Notes will mature on February 1, 2026, unless earlier redeemed, repurchased or converted. The 2026 Notes will bear interest from February 5, 2021 at a rate of 0.750% per year payable semiannually in arrears on February 1 and August 1 of each year, beginning on August 1, 2021. The 2026 Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding August 1, 2025, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021, if the last reported sale price per share of the Company’s Common Stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the “measurement period”) in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Common Stock on such trading day and the conversion rate on such trading day; and (3) upon the occurrence of certain corporate events or distributions on the Common Stock. On or after August 1, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of the 2026 Notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances. Upon conversion, the Company may satisfy its conversion obligation by paying and/or delivering, as the case may be, cash and, if applicable at the Company’s election, shares of Common Stock, based on the applicable conversion rate(s); provided that the Company will be required to settle conversions solely in cash unless and until the Company (i) receives stockholder approval to increase the number of authorized shares of the Common Stock and (ii) reserves such amount of shares of the Common Stock for future issuance as required pursuant to the indenture that will govern the 2026 Notes. The conversion rate for the 2026 Notes will initially be 47.9731 shares of the Common Stock per $1,000 principal amount of 2026 Notes, which is equivalent to an initial conversion price of approximately $20.85 per share of the Common Stock. The initial conversion price of the 2026 Notes represents a premium of approximately 37.5% to the $15.16 per share last reported sale price of the Common Stock on February 2, 2021. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture. The impact of the convertible feature will be dilutive to our earnings per share when our average stock price for the period is greater than the conversion price.

In connection with the issuance of the 2026 Notes, we entered into transactions for convertible notes hedge (the "Notes Hedge") and warrants (the "Warrant Transactions"). The Notes Hedge was entered into with Bank of America, N.A., Jefferies International Limited and Goldman Sachs & Co. LLC, and provided the Company with the option to acquire, on a net settlement basis, approximately 7.4 million shares of Common Stock at a strike price of $20.85, which is equal to the number of shares of Common Stock that notionally underlie and corresponds to the conversion price of the 2026 Notes. The cost of the Notes Hedge was $33.2 million. The Notes Hedge will expire on February 1, 2026, equal to the maturity date of the 2026 Notes. The Notes Hedge is expected to reduce the potential equity dilution upon conversion of the 2026 Notes if the daily volume-weighted average price per share of our Common Stock exceeds the strike price of the Notes Hedge.

In addition, the Warrant Transactions provided us with the ability to acquire up to 7.4 million shares of our Common Stock. The Warrant Transactions will expire ratably during the 80 trading days commencing on and including May 1, 2026 and may be settled in net shares of Common Stock or net cash at the Company's election. We received $23.9 million in cash proceeds from the Warrant Transactions. As a result of the Warrant Transactions, the Company is required to recognize incremental dilution of earnings per share to the extent the average share price is over $26.53 for any fiscal quarter.

As of December 10, 2021, the 2026 Notes were not convertible, therefore, we had not purchased any shares under the Notes Hedge and the Warrant Transactions had not been exercised and remain outstanding. See Note 8. "Convertible Senior Notes," of the notes to consolidated financial statements included in Part IV. of this Form 10-K for more information relating to the Notes Hedge and Warrant Transactions.

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.

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.

The Rights expired on October 22, 2021 and no Rights were redeemed or exchanged.

Share Repurchase Program

On June 15, 2021, the Board authorized and approved a share repurchase program for up to $15 million of the currently outstanding shares of our Common Stock. The share repurchase program will expire on June 30, 2022. The timing, price and volume of repurchases will be based on market conditions, relevant securities laws and other factors. The repurchases may be made from time to time, through solicited or unsolicited transactions in the open market, in privately negotiated transactions or pursuant to a share repurchase trading plan. The program may be discontinued or amended at any time.

The Company made purchases of $0.2 million, or 10,555 shares, during fiscal 2021 at an average price of $17.99 per share.

From the period October 1, 2021 through December 10, 2021, the Company made purchases of $8.1 million, or 474,213 shares at an average price of $17.09 per share.

On December 13, 2019, our Board of Directors authorized and approved a share repurchase program for up to $10.0 million of the currently outstanding shares of our Common Stock. The share repurchase program expired on December 16, 2020. Total purchases made under the share repurchase program were $1.0 million or approximately 137,000 shares at an average price of $7.33 per share. The purchases under the share repurchase program were made through open market trades.

CARES Act

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

Lease Obligations

Our principal executive offices, as well as our research and development facility, are located in approximately 29,000 square feet of office space in San Diego, California and the term of the lease continues through June 30, 2024. The average annual base rent under this lease is approximately $1.2 million per year. In connection with this lease, we received tenant improvement allowances totaling approximately $1.0 million. These lease incentives are being amortized as a reduction of rent expense over the term of the lease.

Our other offices are located in Paris, France; Amsterdam, The Netherlands; New York, New York; Barcelona, Spain; and London, United Kingdom. The term of the Paris, France lease continues through May 31, 2025, with an annual base rent of approximately €418 thousand (or $484 thousand). The term of the Amsterdam, The Netherlands lease continues through December 31, 2022, with an annual base rent of approximately €191 thousand (or $222 thousand). The term of the New York, New York lease continues through November 30, 2024, with an annual base rent of approximately $195 thousand. The term of the Barcelona, Spain lease continues through May 31, 2023, with an annual base rent of approximately €97 thousand (or $113 thousand). The term of the London, United Kingdom lease continues through May 31, 2022, with an annual base rent of approximately £112 thousand (or approximately $151 thousand).

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

Other Liquidity Matters

On September 30, 2021, we had investments of $197.1 million, designated as available-for-sale debt securities, which consisted of U.S. Treasury notes, asset-backed securities, foreign government and agency securities, and corporate issuances, carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of tax, and reported as a separate component of stockholders' equity. All securities for which maturity or sale is expected within one year are classified as "current" on the consolidated balance sheets. All other securities are classified as "long-term" on the consolidated balance sheets. At September 30, 2021, we had $149.1 million of our available-for-sale securities classified as current and $48.1 million of our available-for-sale securities classified as long-term. At September 30, 2020, we had $40.0 million of our available-for-sale securities classified as current and $2.0 million of our available-for-sale securities classified as long-term.

We had working capital of $164.8 million at September 30, 2021 compared to $59.8 million at September 30, 2020.

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 September 30, 2021.

Critical Accounting Policies

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

Revenue Recognition

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

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

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

Software and Hardware

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

Services and Other

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

Contract Assets and Liabilities

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

Contract Costs

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

Significant Judgments

We use the following methods, inputs, and assumptions in determining amounts of revenue to recognize. For multi-element arrangements, we account for individual goods or services as a separate performance obligation if they are distinct, the good or service is separately identifiable from other items in the arrangement, and if a customer can benefit from it on its own or with other resources that are readily available to the customer. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation. Determining whether goods or services are distinct performance obligations that should be accounted for separately may require significant judgment.

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

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

Accounts Receivable

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

Convertible Senior Notes Hedge and Embedded Conversion Derivative

In February 2021, the Company issued $155.3 million aggregate principal amount of 0.750% convertible notes due 2026 (the “2026 Notes”). Concurrently with the issuance of the 2026 Notes, the Company entered into privately-negotiated convertible senior note hedge (the “Notes Hedge”) and warrant transactions (the “Warrant Transactions”) which, in combination, are intended to reduce the potential dilution from the conversion of the 2026 Notes. The Company could not elect to issue the shares of its common stock, par value $0.001 per share (“Common Stock”) upon settlement of the 2026 Notes due to insufficient authorized share capital. As a result, the embedded conversion option (the “embedded conversion derivative”) is accounted for as a derivative liability and the Notes Hedge as a derivative asset with the resulting gain (or loss) was reported in other income, net, in the consolidated statement of operations to the extent the valuation changed from the date of issuance of the 2026 Notes. The Warrant Transactions were recorded in additional paid-in-capital in the consolidated balance sheet and are not remeasured as long as they continue to meet the conditions for equity classification. See Note 8. “Convertible Senior Notes” for additional information related to these transactions.

Investments

We determine the fair value of our assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. We use a fair value hierarchy with three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value:

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

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

Fair Value of Equity Instruments

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

Goodwill and Purchased Intangible Assets

Our goodwill resulted from prior acquisitions. Goodwill and intangible assets with indefinite useful lives are not amortized, but intangible assets that are deemed to have definite lives are amortized over their useful lives, generally ranging from two to seven years. See Note 5 to our consolidated financial statements included in this Form 10-K for additional information regarding our goodwill and other intangible assets.

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

Our goodwill is considered to be impaired if we determine that the carrying value of the reporting unit to which the goodwill has been assigned exceeds management's estimate of its fair value. Based on the guidance provided by ASC Topic 350 and ASC Topic 280, *Segment Reporting*, ("ASC Topic 280") management has determined that the Company operates in one segment and consists of one reporting unit. Because we have only one reporting unit, and because we are publicly traded, we determine the fair value of the reporting unit based on our market capitalization as we believe this represents the best evidence of fair value. In the fourth quarter of fiscal 2021, we completed our annual goodwill impairment test and concluded that our goodwill was not impaired. Our conclusion that goodwill was not impaired was based on a comparison of our net assets to our market capitalization.

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

Intangible assets with definite lives are amortized over their useful lives. Each period, we evaluate the estimated remaining useful life of our intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. The carrying amounts of these assets are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by comparing the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate. The carrying amount of such assets is reduced to fair value if the undiscounted cash flows used in the test for recoverability are less than the carrying amount of such assets. No impairment charge related to the impairment of intangible assets was recorded during the twelve months ended September 30, 2021, 2020, and 2019.

Business Combinations

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

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

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

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

Accounting for Income Taxes

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

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

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

Capitalized Software Development Costs

Research and development costs are charged to expense as incurred. Costs incurred for the development of computer software that will be sold, leased, or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in hardware and software technologies. Costs that are capitalized include direct labor and related overhead. No such costs were capitalized during the twelve months ended September 30, 2021 and 2020 because the time period and cost incurred between technological feasibility and general release for all software product releases were not material.

Costs related to software acquired, developed, or modified solely to meet our internal requirements, with no substantive plans to market such software at the time of development, are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during post implementation operational stage are expensed as incurred. Costs incurred during the application development stage of the project are capitalized. The Company defines the design, configuration, and coding process as the application development stage. The Company capitalized $0.8 million and $0.3 million of costs related to computer software developed for internal use during the twelve months ended September 30, 2021 and 2020, respectively. The Company recognized $0.3 million and $0.4 million of amortization expense from internal use software during the twelve months ended September 30, 2021 and 2020, respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rates

The primary objective of our investment activities is to preserve principal while at the same time maximizing after-tax yields without significantly increasing risk. To achieve this objective, we maintain our investment portfolio of cash equivalents and marketable securities in a variety of securities, including corporate debt securities, commercial paper and certificates of deposit. We have not used derivative financial instruments in our investment portfolio, and none of our investments are held for trading or speculative purposes. Short-term and long-term debt securities are generally classified as available-for-sale and consequently are recorded on the consolidated balance sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive loss, net of estimated tax. As of September 30, 2021, our marketable securities had remaining maturities between one and twenty-four months and a fair market value of $197.1 million, representing 47% 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, the Ruble, and the British pound sterling. The functional currency of our French, Dutch, and Spanish operations is the Euro. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro. Translation adjustments resulting from translating the functional currency financial statements into U.S. dollar equivalents are reported separately in the consolidated statements of operations and other comprehensive income (loss).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosures. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. We recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, because of the material weakness described below in Management's Report on Internal Control Over Financial Reporting, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of September 30, 2021 in ensuring that the information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and were not operating in an effective manner to ensure 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 disclosure.

Notwithstanding the identified material weakness related to the Company's control environment, we believe the consolidated financial statements included in this Form 10-K fairly represent in all material respects the Company's financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Management's Report on Internal Control over Financial Reporting

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment and the material weakness identified below, we concluded that our internal control over financial reporting as of September 30, 2021 was ineffective due to certain control deficiencies related to the Company's precision of review regarding the initial valuation and subsequent remeasurement of the contingent consideration liability recognized as part of the consideration transferred in the ID R&D Acquisition. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The Company's auditors detected this error prior to the issuance of the financial statements for fiscal 2021. No restatement of prior period financial statements and no change in previously issued financial results were required as a result of this material weakness in internal control, however, a reasonable possibility exists that material misstatements in the Company's financial statements would not be prevented or detected on a timely basis. The Company's management will remediate this material weakness by evaluating the Company's policies and procedures for and resources allocated to the review control over the contingent consideration liability.

The effectiveness of our internal control over financial reporting has been audited by Mayer Hoffman McCann P.C., an independent registered public accounting firm, as stated in their report, which appears in Part II, Item 8 of this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

Aside from the changes described in the section below related to the acquisition of ID R&D, there have been no changes in our internal control over financial reporting during the twelve months ended September 30, 2021 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.

Scope of Management's Report on Internal Control over Financial Reporting

As described throughout this Form 10-K, on May 28, 2021, the Company acquired ID R&D. While our financial statements for the year ended September 30, 2021 include the results of ID R&D from May 28, 2021 through September 30, 2021, as permitted by the rules and regulations of the SEC, our management's assessment of our internal control over financial reporting did not include an evaluation of ID R&D's internal control over financial reporting. Further, our management's conclusion regarding the effectiveness of our internal control over financial reporting as of September 30, 2021 does not extend to ID R&D's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

During the preparation of this Annual Report on Form 10-K for the year ended September 30, 2021, we made adjustments to our financial results in the fourth quarter of fiscal 2021 that consist of (i) a $0.8 million increase to acquisition-related contingent consideration, (ii) a $0.4 million increase to acquisition-related costs and expenses, (iii) a $0.4 million increase to goodwill, and (iv) a $0.4 million increase to accumulated deficit. The adjustments were related to the revaluation of the contingent consideration liability that was recognized as part of the consideration transferred in the ID R&D Acquisition.

As a result of the items described above, certain of the GAAP financial results for the three and twelve months ended September 30, 2021 reported on the Current Report on Form 8-K filed on November 4, 2021, differ from the financial results disclosed in this Annual Report on Form 10-K. In addition, certain of the reported GAAP financial results for the three and twelve months ended September 30, 2021 differ as a result of the items described above as follows (in thousands, except per share data and percentages):

	Three Months Ended September 30, 2021		Twelve Months Ended September 30, 2021	
	As Furnished	As Adjusted	As Furnished	As Adjusted
Revenue				
Software and hardware	$ 17,781	$ 17,781	$ 60,069	$ 60,069
Services and other	15,490	15,490	59,728	59,728
Total revenue	33,271	33,271	119,797	119,797
Operating costs and expenses				
Cost of revenue—software and hardware	260	260	2,468	2,468
Cost of revenue—services and other	2,940	2,940	12,072	12,072
Selling and marketing	8,449	8,449	32,497	32,497
Research and development	8,241	8,241	28,042	28,042
General and administrative	6,081	6,081	22,490	22,490
Acquisition-related costs and expenses	2,945	3,374	8,521	8,951
Restructuring costs	—	—	—	—
Total operating costs and expenses	28,916	29,345	106,090	106,520
Operating income	4,355	3,926	13,707	13,277
Interest expense	1,586	1,586	5,129	5,129
Other income, net	105	104	655	654
Income before income taxes	2,874	2,444	9,233	8,802
Income tax provision	(636)	(637)	(824)	(824)
Net income	$ 2,238	$ 1,807	$ 8,409	$ 7,978
Net income per share—basic	$ 0.05	$ 0.04	$ 0.19	$ 0.18
Net income per share—diluted	$ 0.05	$ 0.04	$ 0.19	$ 0.18
Shares used in calculating net income per share—basic	44,616	44,616	43,509	43,509
Shares used in calculating net income per share—diluted	46,236	46,236	45,083	45,083

	September 30, 2021	
	As Furnished	As Adjusted
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,312	$ 30,312
Short-term investments	149,057	149,057
Accounts receivable, net	16,602	16,602
Contract assets	4,080	4,080
Prepaid expenses	1,920	1,920
Other current assets	2,085	2,085
Total current assets	204,056	204,056
Long-term investments	48,051	48,051
Property and equipment, net	3,671	3,671
Right-of-use assets	7,056	7,056
Intangible assets, net	28,734	28,734
Goodwill	62,687	63,096
Deferred income tax assets	10,511	10,511
Convertible senior notes hedge	48,208	48,208
Other non-current assets	6,310	6,310
Total assets	$ 419,284	$ 419,693
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,507	$ 2,507
Accrued payroll and related taxes	11,776	11,776
Deferred revenue, current portion	10,381	10,381
Lease liabilities, current portion	1,943	1,943
Acquisition-related contingent consideration	10,300	11,050
Other current liabilities	1,552	1,552
Total current liabilities	38,459	39,209
Convertible senior notes	120,918	120,918
Embedded conversion derivative	48,208	48,208
Deferred revenue, non-current portion	955	955
Lease liabilities, non-current portion	6,588	6,588
Deferred income tax liabilities	4,117	4,117
Other non-current liabilities	6,778	6,868
Total liabilities	226,023	226,863
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, 44,168,745 and 41,779,853 issued and outstanding, as of September 30, 2021 and September 30, 2020, respectively	44	44
Additional paid-in capital	199,935	199,935
Accumulated other comprehensive loss	(943)	(943)
Accumulated deficit	(5,635)	(6,066)
Treasury stock, at cost, 7,773 and no shares as of September 30, 2021 and September 30, 2020, respectively	(140)	(140)
Total stockholders' equity	193,261	192,830
Total liabilities and stockholders' equity	$ 419,284	$ 419,693

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2022 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2021.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2022 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2021.

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

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2022 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2021.

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

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2022 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2021.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2022 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2021.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements

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

(a)(2) Financial Statement Schedules

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

(a)(3) Exhibits

Exhibit No.	Description	Incorporated by Reference from Document
2.1**	Share Purchase Agreement, dated May 26, 2015, by and among Mitek Systems, Inc., ID Checker NL B.V., ID Checker Holding B.V., Stichting Administratiekantoor OPID, Pierre L.M. deBoer, and Michael Hagen.	(1)
2.2**	Share Purchase Agreement, dated October 16, 2017, by and among Mitek Systems, Inc., Mitek Holding B.V., and the shareholders of ICAR Vision Systems, S.L.	(2)
2.3**	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.	(3)
2.4	Agreement and Plan of Merger, dated as of May 28, 2021, by and among Mitek Systems, Inc., Ibis Merger Sub, Inc., ID R&D, Inc. and Alexey Khitrov, solely in his capacity as representative of the equityholders of ID R&D, Inc.	(4)
3.1	Restated Certificate of Incorporation of Mitek Systems, Inc., as amended.	(5)
3.2	Second Amended and Restated Bylaws of Mitek Systems, Inc.	(6)
3.3	Certificate of Designation of Series B Junior Participating Preferred Stock.	(7)
4.1	Section 328 Rights Agreement, dated October 23, 2018, between Mitek Systems, Inc. and Computershare Trust Company, N.A., as Rights Agent.	(7)
4.2	Description of Equity Securities Registered under Section 12 of the Exchange Act.	(8)
10.1	Mitek Systems, Inc. 2002 Stock Option Plan.	(9)
10.2	Mitek Systems, Inc. 2006 Stock Option Plan.	(10)
10.3	Mitek Systems, Inc. 2010 Stock Option Plan.	(11)
10.4	Amended and Restated Mitek Systems, Inc. 2012 Incentive Plan and the forms of agreement related thereto.	(12)
10.5	Mitek Systems, Inc. 2020 Incentive Plan and the forms of agreement related thereto.	(13)
10.6	Mitek Systems, Inc. Director Restricted Stock Unit Plan, as amended, and the forms of agreement related thereto.	(12)
10.7	Mitek Systems, Inc. 401(k) Savings Plan.	(14)

10.8	Executive Employment Agreement, dated November 6, 2018, between Mitek Systems, Inc. and Scipio “Max” Carnecchia.	(15)
10.9	Executive Severance and Change of Control Plan, dated February 28, 2011, by and between Mitek Systems, Inc. and James B. DeBello.	(16)
10.10	Offer Letter, dated June 6, 2012, by and between Mitek Systems, Inc. and Michael Diamond.	(14)
10.11	Offer Letter, dated June 21, 2017, by and between Mitek Systems, Inc. and Jeffrey C. Davison.	(17)
10.12	Executive Severance and Change of Control Plan, dated June 21, 2017, by and between Mitek Systems, Inc. and Jeffrey C. Davison.	(17)
10.13	Executive Severance and Change of Control Plan, dated August 10, 2017, by and between Mitek Systems, Inc. and Michael Diamond.	(18)
10.14	Stock Option Agreement, dated as of November 6, 2018, between Scipio “Max” Carnecchia and Mitek Systems, Inc.	(15)
10.15	Conditional Stock Option Agreement, dated November 6, 2018, by and between Scipio “Max” Carnecchia and Mitek Systems, Inc.	(15)
10.16	Performance Stock Option Agreement, dated as of November 6, 2018, between Scipio “Max” Carnecchia and Mitek Systems, Inc.	(15)
10.17	Restricted Stock Unit Award Agreement, dated as of November 6, 2018, between Scipio “Max” Carnecchia and Mitek Systems, Inc.	(15)
10.18	Conditional Restricted Stock Unit Award Agreement, dated November 6, 2018, between Scipio “Max” Carnecchia and Mitek Systems, Inc.	(15)
10.19	Form of Executive Severance and Change of Control Plan.	(18)
10.20	Form of Indemnification Agreement.	(5)
10.21	Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2017.	(19)
10.22	Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2018.	(20)
10.23	Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2019.	(21)
10.24	Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2020.	(22)
10.25	Mitek Systems, Inc. Employee Stock Purchase Plan	(23)
10.26	Sublease, dated August 12, 2016, by and between Bridgepoint Education, Inc. and Mitek Systems, Inc.	(24)
10.27	Lease Termination Agreement, dated July 29, 2016, by and between The Realty Associated Fund VIII, L.P. and Mitek Systems, Inc.	(24)
10.28	Lease, dated October 5, 2017, by and between 600 B Street San Diego Owner, LLC and Mitek Systems, Inc.	(25)
10.29	Amendment No.1 to Section 382 Rights Agreement, dated as of February 28, 2019, by and between Mitek Systems, Inc., and Computershare Trust Company, N.A.	(26)
10.30	Mitek Systems, Inc. Cash Incentive Program Fiscal 2021.	(27)
10.31	Indenture, dated as of February 5, 2021, between Mitek Systems, Inc. and UMB Bank, National Association.	(28)

10.32	Offer Letter, dated May 10, 2021, by and between Mitek Systems, Inc. and Frank Teruel.	(29)
10.33	Agreement and General Release of Claims, dated June 29, 2021, by and between Mitek Systems, Inc. and Jeffrey C. Davison.	(29)
10.34	Restricted Stock Unit Award Agreement, dated as of July 19, 2021, between Frank Teruel and Mitek Systems, Inc.	(30)
21.1	List of Subsidiaries	*
23.1	Consent of Mayer Hoffman McCann P.C.	*
24.1	Power of Attorney (included on the signature page).	*
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	*
32.1	Certification Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	XBRL Taxonomy Extension Schema Document.	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	*

* Filed herewith.

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

Management contract, compensatory plan arrangement.

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2015.

(2) Incorporated by reference to the Company's Current Report on Form 8-K/A filed with the SEC on October 20, 2017.

(3) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 23, 2018.

(4) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on June 1, 2021.

(5) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014 filed with the SEC on December 5, 2014.

(6) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 10, 2014.

(7) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2018.

(8) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2020 filed with the SEC on December 7, 2020.

(9) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on July 7, 2003.

(10) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on May 3, 2006.

(11) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 14, 2011.

(12) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on August 16, 2017.

(13) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 27, 2020.

(14) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013 filed with the SEC on December 12, 2013.

(15) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 7, 2018.

(16) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 1, 2011.

(17) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on June 22, 2017.

(18) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 11, 2017.

(19) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 21, 2016.

(20) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 29, 2017.

(21) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 10, 2018.

(22) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2019.

(23) Incorporated by reference to the Company's Registration Statement on Form S-8 filed with the SEC on March 22, 2018.

(24) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016 filed with the SEC on December 9, 2016.

(25) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 10, 2017.

(26) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 28, 2019.

(27) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 25, 2021.

(28) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 5, 2021.

(29) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2021 filed with the SEC on August 5, 2021.

(30) Incorporated by reference to the Company's Registration Statement on Form S-8 filed with the SEC on October 7, 2021.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

December 10, 2021	MITEK SYSTEMS, INC.
	By: /s/ Scipio Maximus Carnecchia
	Scipio Maximus Carnecchia Chief Executive Officer (Principal Executive Officer)

POWER OF ATTORNEY

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

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

/s/ Scipio Maximus Carnecchia Scipio Maximus Carnecchia	Chief Executive Officer, Director (Principal Executive Officer)	December 10, 2
/s/ Frank Teruel Frank Teruel	Chief Financial Officer (Principal Financial and Accounting Officer)	December 10, 2
/s/ Bruce E. Hansen Bruce E. Hansen	Chairman of the Board of Directors	December 10, 2
/s/ William K. Aulet William K. Aulet	Director	December 10, 2
/s/ James C. Hale James C. Hale	Director	December 10, 2
/s/ Alex W. Hart Alex W. Hart	Director	December 10, 2
/s/ Susan J. Repo Susan J. Repo	Director	December 10, 2
/s/ Kim S. Stevenson Kim S. Stevenson	Director	December 10, 2
/s/ Donna Wells Donna Wells	Director	December 10, 2

INDEX TO FINANCIAL STATEMENTS
MITEK SYSTEMS, INC.

<u>Report of Independent Registered Public Accounting Firm</u>

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mitek Systems, Inc. ("Company") as of September 30, 2021 and 2020, and the related consolidated statements of operations and other comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2021, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated December 10, 2021 expressed an adverse opinion.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Acquired Intangible Assets and Contingent Consideration

As described in Note 3 to the financial statements, in May 2021, the Company completed the acquisition of ID R&D, Inc. for an aggregate total purchase price of $42.3 million which included contingent consideration with an estimated fair value of $15.7 million, payable from the Company upon the achievement of certain milestones. Completed technology and customer relationship intangible assets with an estimated fair value of $14.0 million and $2.5 million, respectively, were also acquired. The transaction was accounted for as a business combination.

We identified the valuation of the contingent consideration and acquired intangible assets as a critical audit matter. The principal consideration for this determination was the degree of judgment involved by management in developing the assumptions and the inputs to the valuation models used to measure the fair value of these intangible assets and contingent consideration, as well as the sensitivity of the respective fair values to the underlying significant assumptions. In particular, such assumptions included revenue growth rates, forecasted operating costs, weighted-average cost of capital, and debt free working capital to measure the fair value of the intangible assets. The significant assumptions used to estimate the fair value of the contingent consideration included revenue growth rates, discount for lack of marketability, weighted-average cost of capital, and volatility. Therefore, subjective and complex auditor judgment was necessary in evaluating the reasonableness of the significant assumptions and the application of those assumptions within the valuation models used.

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding, evaluating the design, and testing the operating effectiveness of internal controls over the Company’s process for developing the estimate of fair value for acquired intangible assets and contingent consideration.
- Evaluating the appropriateness of the valuation models used in developing the estimates, including the determination of whether the models used were appropriate, whether the data was appropriately used, and the significant assumptions appropriately applied within each model.
- Testing the completeness and accuracy of the underlying data used to estimate the fair value of the acquired intangible assets and contingent consideration, and evaluating if the data was sufficiently precise.
- Identifying and evaluating the significant assumptions used in developing the fair value estimates, including evaluating whether:
    - The weighted-average cost of capital, debt free working capital, discount for lack of marketability and volatility assumptions were reasonable by comparing the rates to those of guideline public companies.
    - Projected revenues were reasonable by evaluating projections of customer churn, existing customer growth and incremental revenue growth estimates. We also compared projected revenue assumptions and projected operating costs to current industry data, to historical results of the acquired business, and to historical results of the Company.

In addition, we involved valuation professionals with specialized skills and knowledge who assisted in obtaining an understanding of the valuation models used and the application of such models in developing the estimates, and the assessment of the reasonableness of certain assumptions applied in the valuation models.

Software Revenue Recognition

As described in Note 2 to the financial statements, the Company recognizes revenue from on premise software license sales, as well as sales from hardware, transactional SaaS products and service, maintenance, and consulting and professional services. Many of the Company’s contracts contain multiple performance obligations for which the Company evaluates and accounts for separately if they are distinct. Identification of the performance obligations require specialized accounting knowledge.

We identified the auditing of revenue from contracts with multiple performance obligations as a critical audit matter because the identification of potential nonstandard terms and conditions may impact significant judgments made by management in identifying, evaluating and accounting for performance obligations in contracts with multiple performance obligations, which led to significant auditor judgment and effort in performing procedures to evaluate whether contracts with multiple performance obligations were appropriately identified, evaluated, and accounted for by management.

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding, evaluating the design, and testing the operating effectiveness of controls over the Company's process to identify distinct performance obligations and evaluate the terms and conditions that may impact the accounting.
- Examining revenue arrangements on a test basis, including evaluating the terms and conditions of the arrangements and testing the identification, evaluation, and accounting of the performance obligation utilizing audit personnel with specialized accounting knowledge in software revenue recognition.
- Evaluating the accuracy and completeness of the underlying data used in management's determination of the relative standalone selling prices.

/s/ Mayer Hoffman McCann P.C.

We have served as the Company's auditor since 2007.
San Diego, California
December 10, 2021

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited Mitek Systems Inc.'s (the "Company") internal control over financial reporting as of September 30, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of September 30, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of ID R&D, Inc., which the Company acquired during 2021. The results of ID R&D, Inc. from the date of acquisition are included in the consolidated financial statements as of and for the year ended September 30, 2021, of Mitek Systems, Inc. and constituted less than 1% of total and net assets as of September 30, 2021, and 1% and (12%) of revenue and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of ID R&D, Inc.

A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. The Company's review control over the completeness and accuracy of inputs and assumptions used to estimate the fair value of the contingent consideration did not operate effectively.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of September 30, 2021 and 2020 and the related consolidated statements of operations and other comprehensive income (loss), stockholders' equity, and cash flows of the Company for each of the three years in the period ended September 30, 2021. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2021 financial statements, and this report does not affect our report dated December 10, 2021, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Mayer Hoffman McCann P.C.

We have served as the Company's auditor since 2007.
San Diego, California
December 10, 2021

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

	September 30, 2021	September 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,312	$ 19,986
Short-term investments	149,057	40,035
Accounts receivable, net	16,602	15,612
Contract assets	4,080	5,187
Prepaid expenses	1,920	1,338
Other current assets	2,085	1,968
Total current assets	204,056	84,126
Long-term investments	48,051	1,963
Property and equipment, net	3,671	3,610
Right-of-use assets	7,056	5,407
Intangible assets, net	28,734	19,289
Goodwill	63,096	35,669
Deferred income tax assets	10,511	13,484
Convertible senior notes hedge	48,208	—
Other non-current assets	6,310	5,606
Total assets	$ 419,693	$ 169,154
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,507	$ 3,909
Accrued payroll and related taxes	11,776	8,882
Deferred revenue, current portion	10,381	7,973
Lease liabilities, current portion	1,943	1,819
Acquisition-related contingent consideration	11,050	753
Other current liabilities	1,552	1,020
Total current liabilities	39,209	24,356
Convertible senior notes	120,918	—
Embedded conversion derivative	48,208	—
Deferred revenue, non-current portion	955	1,597
Lease liabilities, non-current portion	6,588	5,327
Deferred income tax liabilities	4,117	4,649
Other non-current liabilities	6,868	982
Total liabilities	226,863	36,911
Stockholders' equity:		
Preferred stock, $0.001 par value, 1,000,000 shares authorized, none issued and outstanding, as of September 30, 2021 and 2020	—	—
Common stock, $0.001 par value, 60,000,000 shares authorized, 44,168,745 and 41,779,853 issued and outstanding, as of September 30, 2021 and 2020, respectively	44	42
Additional paid-in capital	199,935	146,518
Accumulated other comprehensive loss	(943)	(323)
Accumulated deficit	(6,066)	(13,994)
Treasury stock, at cost, 7,773 and no shares as of September 30, 2021 and 2020, respectively	(140)	—
Total stockholders' equity	192,830	132,243
Total liabilities and stockholders' equity	$ 419,693	$ 169,154

See accompanying notes to consolidated financial statements.

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

	For the twelve months ended September 30,		
	2021	2020	2019
Revenue			
Software and hardware	$ 60,069	$ 54,152	$ 46,845
Services and other	59,728	47,158	37,745
Total revenue	119,797	101,310	84,590
Operating costs and expenses			
Cost of revenue—software and hardware	2,468	3,303	3,711
Cost of revenue—services and other	12,072	9,889	8,555
Selling and marketing(1)	32,497	27,646	24,550
Research and development(1)	28,042	22,859	21,873
General and administrative	22,490	22,284	19,861
Acquisition-related costs and expenses	8,951	6,575	7,563
Restructuring costs	—	(114)	3,067
Total operating costs and expenses	106,520	92,442	89,180
Operating income (loss)	13,277	8,868	(4,590)
Interest expense	5,129	—	—
Other income, net	654	541	602
Income (loss) before income taxes	8,802	9,409	(3,988)
Income tax benefit (provision)	(824)	(1,595)	3,264
Net income (loss)	$ 7,978	$ 7,814	$ (724)
Net income (loss) per share—basic	$ 0.18	$ 0.19	$ (0.02)
Net income (loss) per share—diluted	$ 0.18	$ 0.18	$ (0.02)
Shares used in calculating net income (loss) per share—basic	43,509	41,410	39,341
Shares used in calculating net income (loss) per share—diluted	45,083	42,533	39,341
Other comprehensive income (loss)			
Net income (loss)	$ 7,978	$ 7,814	$ (724)
Foreign currency translation adjustment	(455)	3,635	(3,504)
Unrealized gain (loss) on investments	(165)	103	29
Other comprehensive income (loss)	$ 7,358	$ 11,552	$ (4,199)

(1) September 30, 2019 consolidated statement of operations reflects reclassifications to conform to the current year presentation.

See accompanying notes to consolidated financial statements.

›MITEK SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the twelve months ended September 30, 2021, 2020, and 2019
(amounts in thousands)

	Common Stock			Treasury Stock				
	Shares	Amount	Additional Paid-In Capital	Shares	Amount	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	1,385	1	4,499	—	—	—	—	4,500
Settlement of restricted stock units	881	1	(1)	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	140	—	1,081	—	—	—	—	1,081
Stock-based compensation expense	—	—	9,637	—	—	—	—	9,637
Cumulative-effect adjustment from the adoption of ASU 2014-09	—	—	—	—	—	920	—	920
Components of other comprehensive loss:								
Net loss	—	—	—	—	—	(724)	—	(724)
Currency translation adjustment	—	—	—	—	—	—	(3,504)	(3,504)
Change in unrealized gain (loss) on investments	—	—	—	—	—	—	29	29
Total other comprehensive loss								(4,199)
Balance, September 30, 2019	40,367	$ 40	$ 132,160	—	$ —	$ (20,806)	$ (4,061)	$ 107,333
Exercise of stock options	581	1	3,571	—	—	—	—	3,572
Settlement of restricted stock units	819	1	(1)	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	150	—	1,237	—	—	—	—	1,237
Stock-based compensation expense	—	—	9,551	—	—	—	—	9,551
Repurchases and retirements of common stock	(137)	—	—	—	—	(1,002)	—	(1,002)
Components of other comprehensive income:								
Net income	—	—	—	—	—	7,814	—	7,814
Currency translation adjustment	—	—	—	—	—	—	3,635	3,635
Change in unrealized gain (loss) on investments	—	—	—	—	—	—	103	103
Total other comprehensive income				—	—			11,552
Balance, September 30, 2020	41,780	$ 42	$ 146,518	—	$ —	$ (13,994)	$ (323)	$ 132,243
Exercise of stock options	330	—	2,516	—	—	—	—	2,516
Settlement of restricted stock units	1,066	1	(1)	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	129	—	1,519	—	—	—	—	1,519
Acquisition-related shares issued	867	1	13,942	—	—	—	—	13,943
Stock-based compensation expense	—	—	11,532	—	—	—	—	11,532

Sale of convertible senior notes warrants	—	—	23,909	—	—	—	—	23,909
Repurchases and retirements of common stock	(3)	—	—	(8)	(140)	(50)	—	(190)
Components of other comprehensive income:								
Net income	—	—	—	—	—	7,978	—	7,978
Currency translation adjustment	—	—	—	—	—	—	(455)	(455)
Change in unrealized gain (loss) on investments	—	—	—	—	—	—	(165)	(165)
Total other comprehensive income								7,358
Balance, September 30, 2021	44,169	$ 44	$ 199,935	(8)	$ (140)	$ (6,066)	$ (943)	$ 192,830

See accompanying notes to consolidated financial statements.

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

	For the twelve months ended September 30, 2021	2020	2019
Operating activities:			
Net income	$ 7,978	$ 7,814	$ (724)
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation expense	11,532	9,551	9,637
Amortization of intangible assets	7,505	6,439	7,024
Depreciation and amortization	1,439	1,504	1,388
Amortization of investment premiums & other	1,266	63	(134)
Accretion and amortization on debt securities	4,372	—	—
Net changes in estimated fair value of acquisition-related contingent consideration	1,080	136	472
Deferred taxes	105	1,903	(3,775)
Changes in assets and liabilities:			
Accounts receivable	(813)	(361)	1,564
Contract assets	1,150	(6,695)	(1,757)
Other assets	(1,331)	173	(769)
Accounts payable	(1,589)	277	28
Accrued payroll and related taxes	2,687	2,343	(1,529)
Deferred revenue	1,790	3,141	1,125
Restructuring accrual	—	(1,562)	1,573
Other liabilities	170	(604)	127
Net cash provided by operating activities	37,341	24,122	14,250
Investing activities:			
Purchases of investments	(246,508)	(44,725)	(24,410)
Sales and maturities of investments	89,956	20,822	14,966
Acquisitions, net of cash acquired	(12,549)	—	—
Purchases of property and equipment	(1,387)	(803)	(1,063)
Net cash used in investing activities	(170,488)	(24,706)	(10,507)
Financing activities:			
Proceeds from the issuance of convertible senior notes	155,250	—	—
Payment for convertible senior notes issuance costs	(5,513)	—	—
Purchase of 2026 convertible senior notes hedge	(33,192)	—	—
Proceeds from issuance of convertible senior notes warrants	23,909	—	—
Proceeds from the issuance of equity plan common stock	4,035	4,809	5,581
Repurchases and retirements of common stock	(190)	(1,002)	—
Payment of acquisition-related contingent consideration	(782)	(478)	(1,030)
Proceeds from other borrowings	251	217	128
Principal payments on other borrowings	(88)	(143)	(296)
Net cash provided by financing activities	143,680	3,403	4,383
Foreign currency effect on cash and cash equivalents	(207)	419	(406)
Net increase in cash and cash equivalents	10,326	3,238	7,720
Cash and cash equivalents at beginning of period	19,986	16,748	9,028
Cash and cash equivalents at end of period	$ 30,312	$ 19,986	$ 16,748
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 569	$ —	$ —
Cash paid for income taxes	$ 741	$ (451)	$ 310
Supplemental disclosures of non-cash investing and financing activities:			
Unrealized holding gain (loss) on available-for-sale investments	$ (165)	$ 103	$ 29

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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 currently serve more than 7,500 financial services organizations and leading marketplace and financial technology ("fintech") brands around the globe. Customers count on Mitek to deliver trusted and convenient online experiences, detect and reduce fraud, and document Know Your Customer ("KYC") and Anti-Money Laundering ("AML") regulatory compliance. Our solutions are embedded in native mobile apps and web browsers to facilitate digital consumer experiences. Mitek's identity verification and authentication technologies and services make it possible for banks, financial services organizations and the world's leading marketplace and sharing platforms to verify an individual's identity during digital transactions, allowing them to reduce risk and meet regulatory requirements. Our advanced mobile deposit system enables secure, fast and convenient deposit services. Thousands of organizations use Mitek solutions to optimize the security of mobile check deposits, new account openings and more.

To ensure a high level of security against evolving digital fraud threats, in June this year, Mitek acquired ID R&D, Inc. ("ID R&D"), an award-winning provider of AI-based voice and face biometrics and liveness detection. With a strong research and development team, ID R&D consistently delivers innovative, best-in-class biometric capabilities that raise the bar on usability and performance.

Mitek 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. 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.

In May 2021 (as more fully described in Note 3 to the consolidated financial statements) Mitek acquired ID R&D, Inc., an award-winning provider of artificial intelligence (AI)-based voice and face biometrics and liveness detection. The ID R&D Acquisition (as defined below) will help simplify and secure the entire transaction lifecycle for both businesses and consumers. Businesses and financial institutions will have access to one authentication solution to deploy throughout the complete transaction cycle, and can provide consumers with a simple, intuitive approach to fighting fraud.

Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 105-10, *Generally Accepted Accounting Principles*, in accordance with accounting principles generally accepted in the U.S. ("GAAP").

Principles of Consolidation

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

Foreign Currency

The Company has foreign subsidiaries that operate and sell products and services in various countries and jurisdictions around the world. As a result, the Company is exposed to foreign currency exchange risks. For those subsidiaries whose functional currency is not the U.S. dollar, assets and liabilities are translated into U.S. dollars equivalents at the exchange rate in effect on the balance sheet date and revenues and expenses are translated into U.S. dollars using the average exchange rate over the period. Resulting currency translation adjustments are recorded in accumulated other comprehensive loss in the consolidated balance sheet. The Company recorded net losses resulting from foreign exchange translation of $0.5 million for the twelve months ended September 30, 2021, net gains resulting from foreign exchange translation of $3.6 million for the twelve months ended September 30, 2020, and net losses resulting from foreign exchange translation of $3.5 million for the twelve months ended September 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, fair value of debt derivatives, standalone selling price related to revenue recognition, contingent consideration, and income taxes.

Reclassifications

Certain reclassifications have been made to the fiscal 2019 presentation to conform to the current year presentation. Prior to fiscal 2020, the Company had included its product management costs in selling and marketing expenses. Due to certain personnel and functional responsibility changes in this function, the Company has reclassified these costs to research and development expenses. To conform to the current period's presentation, the fiscal 2019 financials have been reclassified accordingly. The Company has determined that this reclassification was not material to previously reported financial statements. Product management costs were $3.0 million and $2.9 million, in the twelve months ended 2020 and 2019, respectively.

Revenue Recognition

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

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

Contract Assets and Liabilities

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

Contract Costs

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

Net Income (Loss) Per Share

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

For the twelve months ended September 30, 2021, 2020 and 2019, the following potentially dilutive common shares were excluded from the net income (loss) per share calculation, as they would have been antidilutive *(amounts in thousands)*:

	2021	2020	2019
Stock options	543	239	1,687
RSUs	1,113	1,519	2,352
ESPP common stock equivalents	9	14	74
Performance options	272	—	—
Performance RSUs	104	32	—
Convertible senior notes	4,856	—	—
Warrants	4,856	—	—
Total potentially dilutive common shares outstanding	11,753	1,804	4,113

The calculation of basic and diluted net income (loss) per share for the twelve months ended September 30, 2021, 2020, and 2019 is as follows *(amounts in thousands, except per share data):*

	2021	2020	2019
Net income (loss)	$ 7,978	$ 7,814	$ (724)
Weighted-average shares outstanding—basic	43,509	41,410	39,341
Common stock equivalents	1,574	1,123	—
Weighted-average shares outstanding—diluted	45,083	42,533	39,341
Net income (loss) per share:			
Basic	$ 0.18	$ 0.19	$ (0.02)
Diluted	$ 0.18	$ 0.18	$ (0.02)

Cash and Cash Equivalents

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

Investments

Investments consist of corporate notes and bonds, 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 twelve months ended September 30, 2021, 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, $0.2 million, and $0.1 million of write-offs to the allowance for doubtful accounts for the twelve months ended September 30, 2021, 2020, and 2019, respectively. The Company maintained an allowance for doubtful accounts of $0.4 million and $0.2 million as of September 30, 2021 and 2020, respectively.

Property and Equipment

Property and equipment are carried at cost. The following is a summary of property and equipment as of September 30, 2021 and 2020 *(amounts shown in thousands):*

	2021	2020
Property and equipment—at cost:		
Leasehold improvements	$ 2,623	$ 3,639
Equipment	2,947	3,545
Capitalized internal-use software development costs	2,147	1,363
Furniture and fixtures	700	618
	8,417	9,165
Less: accumulated depreciation and amortization	(4,746)	(5,555)
Total property and equipment, net	$ 3,671	$ 3,610

Depreciation and amortization of property and equipment are provided using the straight-line method over estimated useful lives ranging from three to ten years. Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the assets. The decrease in leasehold improvements of $1.0 million was due to fully depreciated leasehold improvements that were disposed of. Depreciation and amortization of property and equipment totaled $1.4 million, $1.5 million, and $1.4 million for the twelve months ended September 30, 2021, 2020, and 2019, respectively. Expenditures for repairs and maintenance are charged to operations. Total repairs and maintenance expenses were $0.1 million for each of the twelve months ended September 30, 2021, 2020, and 2019, respectively.

Leases

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

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

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

Long-Lived Assets

The Company evaluates the carrying value of long-lived assets, including license agreements and other intangible assets, when events and circumstances indicate that these assets may be impaired or in order to determine whether any revision to the related amortization periods should be made. This evaluation is based on management's projections of the undiscounted future cash flows associated with each product or asset. If management's evaluation indicates that the carrying values of these intangible assets were impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company did not record any impairment of long-lived assets for the twelve months ended September 30, 2021, 2020, or 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 twelve months ended September 30, 2021, 2020, and 2019, no software development costs were capitalized because the time period and cost incurred between technological feasibility and general release for all software product releases were not material or were not realizable. The Company had no amortization expense from capitalized software costs during the twelve months ended September 30, 2021, 2020, or 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 $0.8 million, $0.3 million, and $0.2 million of costs related to computer software developed for internal use during the twelve months ended September 30, 2021, 2020 and 2019, respectively. The Company recognized $0.3 million, $0.4 million and $0.3 million of amortization expense from internal use software during the twelve months ended September 30, 2021, 2020 and 2019, respectively.

Goodwill and Purchased Intangible Assets

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

The Company's goodwill is considered to be impaired if management determines that the carrying value of the reporting unit to which the goodwill has been assigned exceeds management's estimate of its fair value. Based on the guidance provided by ASC 350 and ASC Topic 280, *Segment Reporting*, management has determined that the Company operates in one segment and consists of one reporting unit. Because the Company has only one reporting unit, and because the Company is publicly traded, the Company determines the fair value of the reporting unit based on its market capitalization as it believes this represents the best evidence of fair value. In the fourth quarter of fiscal 2021, 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 twelve months ended September 30, 2021, 2020, or 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 September 30, 2021, $0.8 million, was outstanding under these agreements and approximately $0.1 million and $0.7 million is recorded in other current liabilities and other non-current liabilities, respectively, in the consolidated balance sheets. As of September

30, 2020, $0.7 million, was outstanding under these agreements and $0.1 million and $0.6 million is recorded in other current liabilities and other non-current liabilities, respectively, in the consolidated balance sheets.

Guarantees

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

Income Taxes

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

Management evaluates the available evidence about future taxable income and other possible sources of realization of deferred tax assets. The valuation allowance reduces deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized. See Note 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* ("ASC 718"). Forfeitures are recorded as they occur.

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

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

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

Advertising Expense

Advertising costs are expensed as incurred and totaled $1.2 million, $1.6 million and $0.8 million during the twelve months ended September 30, 2021, 2020, and 2019, respectively.

Research and Development

Research and development costs are expensed in the period incurred.

Segment Reporting

FASB ASC Topic 280, *Segment Reporting*, requires the use of a management approach in identifying segments of an enterprise. During the twelve months ended September 30, 2021, management determined that the Company has only one operating segment: the development, sale, and service of proprietary software solutions related to mobile imaging.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss), unrealized gains and losses on available-for-sale securities, and foreign currency translation adjustments. Included on the consolidated balance sheet is an accumulated other comprehensive loss of $0.9 million and $0.3 million at September 30, 2021 and 2020, respectively.

Recently Adopted Accounting Pronouncements

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

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

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

Change in Significant Accounting Policy

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

Convertible Senior Notes Hedge and Embedded Conversion Derivative

In February 2021, the Company issued $155.3 million aggregate principal amount of 0.750% convertible notes due 2026 (the "2026 Notes"). Concurrently with the issuance of the 2026 Notes, the Company entered into privately-negotiated convertible senior note hedge (the "Notes Hedge") and warrant transactions (the "Warrant Transactions") which, in combination, are intended to reduce the potential dilution from the conversion of the 2026 Notes. The Company could not elect to issue the shares of its common stock, par value $0.001 per share ("Common Stock") upon settlement of the 2026 Notes due to insufficient authorized share capital. As a result, the embedded conversion option (the "embedded conversion derivative") is accounted for as a derivative liability and the Notes Hedge as a derivative asset with the resulting gain (or loss) reported in other income, net, in the consolidated statement of operations to the extent the valuation changed from the date of issuance of the 2026 Notes. The Warrant Transactions were recorded in additional paid-in-capital in the consolidated balance sheet and are not remeasured as long as they continue to meet the conditions for equity classification. See Note 8. "Convertible Senior Notes" for additional information related to these transactions.

Recently Issued Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2020-06—Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)—Accounting For Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"). ASU 2020-06 simplifies accounting for convertible instruments by removing major separation models required under current GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features through equity. Without an initial allocation of proceeds to the conversion option, the debt will likely have a lower discount, thereby resulting in less noncash interest expense through accretion. ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for such exception. ASU 2020-06 also simplifies the diluted net income per share calculation in certain areas. ASU 2020-06 is effective for annual and interim periods beginning after December 15, 2021, and early adoption is permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. This update permits the use of either the modified retrospective or fully retrospective method of transition. The Company expects that ASU 2020-06 will eliminate the separate accounting described above and reduce the interest expense that we expect to recognize. The Company plans to early adopt ASU 2020-06 for its fiscal year beginning October 1, 2021.

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

No other new accounting pronouncement issued or effective during the twelve months ended September 30, 2021 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*):

	Twelve Months Ended September 30,		
	2021	2020	2019
Major product category			
Deposits software and hardware	$ 55,129	$ 49,765	$ 41,860
Deposits services and other	20,388	17,965	15,170
Deposits revenue	75,517	67,730	57,030
Identity verification software and hardware	4,940	4,387	4,985
Identity verification services and other	39,340	29,193	22,575
Identity verification revenue	44,280	33,580	27,560
Total revenue	$ 119,797	$ 101,310	$ 84,590

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

Contract Balances

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

	September 30, 2021	September 30, 2020
Contract assets, current	$ 4,080	$ 5,187
Contract assets, non-current	4,409	4,468
Contract liabilities (deferred revenue), current	10,381	7,973
Contract liabilities (deferred revenue), non-current	955	1,597

Contract assets, reported within current assets and other long-term assets in the consolidated balance sheets, primarily result from revenue being recognized when a license is delivered and payments are made over time. Contract liabilities primarily relate to advance consideration received from customers, deferred revenue, for which transfer of control occurs, and therefore revenue is recognized, as services are provided. Contract balances are reported in a net contract asset or liability position on a customer-by-customer basis at the end of each reporting period. The Company recognized $9.1 million and $3.9 million of revenue during the twelve months ended September 30, 2021 and 2020, 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 $2.3 million and $1.5 million at September 30, 2021 and 2020, respectively. Contract costs are amortized based on the transfer of goods or services to which the asset relates. The amortization period also considers expected customer lives and whether the asset relates to goods or services transferred under a specific anticipated contract. These costs are included in selling and marketing expenses in the consolidated statement of operations and other comprehensive income (loss) and totaled $1.2 million and $0.8 million during the twelve months ended September 30, 2021 and 2020, respectively. There were no impairment losses recognized during the twelve months ended September 30, 2021 and 2020 related to capitalized contract costs.

3. BUSINESS COMBINATIONS

On May 28, 2021 (the "Closing Date"), the Company completed the acquisition of ID R&D (the "ID R&D Acquisition") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated May 28, 2021, by and among the Company, ID R&D and Alexey Khitrov (the "Representative"). Upon completion of the ID R&D Acquisition, ID R&D became a direct wholly owned subsidiary of Mitek Systems, Inc. ID R&D is an award-winning provider of artificial intelligence-based voice and face biometrics and liveness detection.

As consideration for the ID R&D Acquisition, the Company agreed to pay an aggregate purchase price of up to $49.0 million. On the Closing Date, the equityholders of ID R&D received from the Company: (i) $13.0 million in cash, subject to adjustments for transaction expenses, escrow amounts, indebtedness and working capital adjustments (the "Initial Cash Payment"); and (ii) 867,226 shares or $13.9 million of Common Stock. In addition to the foregoing, the equityholders of ID R&D may become entitled to receive additional consideration from the Company upon achievement of certain milestones as follows (collectively, the "Earnout Payments"): subject to ID R&D's achievement of target revenue for the period commencing on the Closing Date and ending on the one year anniversary thereof and the period commencing on the one year anniversary of the Closing Date and ending on the one year anniversary thereof (each such period, an "Earnout Period"): (i) an aggregate maximum amount of approximately $12.3 million with respect to the first Earnout Period and (ii) approximately $9.8 million with respect to the second Earnout Period, with 15% of the first Earnout Period's payment to be deposited (as additional funds) into an escrow fund described below. The Company will make the Earnout Payments in the form of cash and up to 711,535 shares of Common Stock as set forth in the Merger Agreement. The Company has granted the Representative an option to shift the Earnout Period(s) out by one year, pursuant to the terms of the Merger Agreement. Moreover, in the event actual revenue for an Earnout Period exceeds the target revenue for such period, the amount of such excess will be credited towards the achievement of the subsequent Earnout Period's Earnout Payment.

The Company estimated the fair value of the consideration for the Earnout Periods to be $15.7 million on the Closing Date, which was determined using a discounted cash flow methodology based on financial forecasts determined by management that included assumptions about revenue growth and discount rates, and is included in level three of the fair value hierarchy. Each quarter the Company revises the estimated fair value of the consideration for the Earnout Periods. Accordingly, an additional $1.1 million of expense was recognized in acquisition-related costs and expenses in the consolidated statements of operations and other comprehensive income (loss) for the twelve months ended September 30, 2021.

The Company incurred $0.6 million of expense in connection with the acquisition primarily related to legal fees, outside service costs, and travel expense, which are included in acquisition-related costs and expenses in the consolidated statements of operations and other comprehensive income (loss).

On the Closing Date, the Company deposited a portion of the Initial Cash Payment and a number of shares of Common Stock having a collective value of approximately $4.0 million into an escrow fund to serve as collateral and partial security for working capital adjustments and certain indemnification rights of the Company. As indicated above, 15% of the Earnout Payment with respect to the first Earnout Period, if and when earned, will also be deposited into the escrow fund. The escrow fund will be maintained for up to 24 months following the completion of the ID R&D Acquisition or until such earlier time as the escrow fund is exhausted. The Company used cash on hand for the Initial Cash Payment.

Acquisitions are accounted for using the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. Accordingly, the results of operations of ID R&D have been included in the accompanying consolidated financial statements since the date of such acquisition. The purchase price has been allocated to the tangible and intangible assets acquired and liabilities assumed based upon the respective estimates of fair value as of the date of the ID R&D Acquisition and are based on assumptions that the Company's management believes are reasonable.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed from the ID R&D Acquisition as of September 30, 2021 (*amounts shown in thousands*):

Current assets	$	320
Property, plant, and equipment		114
Intangible assets		16,930
Goodwill		27,748
Current liabilities		(425)
Other non-current liabilities		(2,355)
Net assets acquired	$	42,332

The goodwill recognized is due to expected synergies and other factors and is not expected to be deductible for income tax purposes. The Company estimated the fair value of identifiable acquisition-related intangible assets with definite lives primarily based on discounted cash flow projections that will arise from these assets. The Company exercised significant judgment with regard to assumptions used in the determination of fair value such as with respect to discount rates and the determination of the estimated useful lives of the intangible assets. The following table summarizes the estimated fair values and estimated useful lives of intangible assets with definite lives acquired from the ID R&D Acquisition during the twelve months ended September 30, 2021 (*amounts shown in thousands, except for years*):

	Amortization Period		**Amount assigned**
Completed technologies	7.0 years	$	14,020
Customer relationships	3.0 years		2,540
Trade names	5.0 years		370
Total intangible assets acquired		$	16,930

The following unaudited pro forma financial information should not be taken as representative of the Company's future consolidated results of operations and includes adjustments for the amortization expense related to the identified intangible assets. The following table summarizes the Company's unaudited pro forma financial information and is presented as if the ID R&D Acquisition occurred on October 1, 2018 (*amounts shown in thousands*):

	For the twelve months ended September 30,			
	2021		**2020**	
Pro forma revenue	$	121,533	$	102,880
Pro forma net income (loss)	$	4,977	$	2,919

Revenue of $0.8 million and a net loss of $3.0 million from ID R&D since the acquisition date is included in the Company's consolidated statements of operations and other comprehensive income (loss).

4. INVESTMENTS

The Company determines the appropriate designation of investments at the time of purchase and reevaluates such designation as of each balance sheet date. All of the Company's investments are designated as available-for-sale debt securities. As of September 30, 2021 and 2020, the Company's short-term investments have maturity dates of less than one year from the balance sheet date. The Company's long-term investments have maturity dates of greater than one year from the balance sheet date.

Available-for-sale marketable securities are carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of taxes, and reported as a separate component of stockholders' equity. Management reviews the fair value of the portfolio at least monthly and evaluates individual securities with fair value below amortized cost at the balance sheet date. For debt securities, in order to determine whether impairment is other-than-temporary, management must conclude whether the Company intends to sell the impaired security and whether it is more likely than not that the Company will be required to sell the security before recovering its amortized cost basis. If management intends to sell an impaired debt security or it is more likely than not that the Company will be required to sell the security prior to recovering its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. The amount of an other-than-temporary impairment on debt securities related to a credit loss, or securities that management intends to sell before recovery, is recognized in earnings. The amount of an other-than-temporary impairment on debt securities related to other factors is recorded consistent with changes in the fair value of all other available-for-sale securities as a component of stockholders' equity in other comprehensive income (loss). No other-than-temporary impairment charges were recognized in the twelve months ended September 30, 2021, 2020, and 2019. There were no realized gains or losses from the sale of available-for-sale securities during the twelve months ended September 30, 2021 and 2020.

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

The following tables summarize investments by type of security as of September 30, 2021 and 2020, respectively *(amounts shown in thousands):*

September 30, 2021:	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available-for-sale securities:				
U.S. Treasury, short-term	$ 4,222	$ 1	$ —	$ 4,223
Asset-backed securities, short-term	4,812	1	(2)	4,811
Corporate debt securities, short-term	140,042	6	(25)	140,023
U.S. Treasury, long-term	6,996	1	(2)	6,995
Foreign government and agency securities, long-term	2,909	—	(1)	2,908
Corporate debt securities, long-term	38,184	3	(39)	38,148
Total	$ 197,165	$ 12	$ (69)	$ 197,108

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

Fair Value Measurements and Disclosures

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

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

The following tables represent the fair value hierarchy of the Company's investments and acquisition-related contingent consideration as of September 30, 2021 and 2020, respectively *(amounts shown in thousands):*

September 30, 2021:	Balance	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Short-term investments:				
U.S. Treasury	$ 4,223	$ 4,223	$ —	$ —
Asset-backed securities	4,811	—	4,811	—
Corporate debt securities	65,666	—	65,666	—
Commercial paper	74,357	—	74,357	—
Total short-term investments at fair value	149,057	4,223	144,834	—
Long-term investments:				
U.S. Treasury	6,995	6,995	—	—
Foreign government and agency securities	2,908	—	2,908	—
Corporate debt securities	38,148	—	38,148	—
Total long-term investments at fair value	48,051	6,995	41,056	—
Convertible senior notes hedge	48,208	—	48,208	—
Total assets at fair value	$ 245,316	$ 11,218	$ 234,098	$ —
Liabilities:				
Current liabilities:				
Acquisition-related contingent consideration	$ 11,050	$ —	$ —	$ 11,050
Non-current liabilities:				
Acquisition-related contingent consideration	5,720	—	—	5,720
Embedded conversion derivative	48,208	—	48,208	—
Total liabilities at fair value	$ 64,978	$ —	$ 48,208	$ 16,770

September 30, 2020:	Balance	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Short-term investments:				
U.S. Treasury	$ 10,283	$ 10,283	$ —	$ —
Asset-backed securities	4,759	—	4,759	—
Corporate debt securities	9,619	—	9,619	—
Commercial paper	15,374	—	15,374	—
Total short-term investments at fair value	40,035	10,283	29,752	—
Long-term investments:				
Corporate debt securities	1,963	—	1,963	—
Total long-term investments at fair value	1,963	—	1,963	—
Total assets at fair value	$ 41,998	$ 10,283	$ 31,715	$ —
Liabilities:				
Acquisition-related contingent consideration	$ 753	$ —	$ —	$ 753
Total liabilities at fair value	$ 753	$ —	$ —	$ 753

As of September 30, 2021, total acquisition-related contingent consideration related to the ID R&D Acquisition of $11.1 million is recorded in acquisition-related contingent consideration and $5.7 million is recorded in other non-current liabilities, in the consolidated balance sheets. The Company recorded the acquisition-date fair value based on the likelihood of contingent Earnout Payments, as part of the consideration transferred. The Earnout Payments consist of cash payments and issuances of Common Stock and are subsequently remeasured to fair value each reporting date. The Company uses a Monte Carlo Simulation to estimate fair value of total contingent consideration. Additionally, for contingent consideration to be settled in a variable number of shares of Common Stock, the Company used the most recent Mitek share price as reported by NASDAQ to determine the fair value of the shares expected to be issued. The Company classified the contingent consideration as Level 3, due to the lack of relevant observable inputs and market activity. Changes in assumptions described above could have an impact on the payout of contingent consideration with a maximum payout being $22.1 million. The following table includes a summary of the contingent consideration measured at fair value using significant unobservable inputs (Level 3) during the twelve months ended September 30, 2021 *(amounts shown in thousands):*

Balance at September 30, 2020	$	753
Contingent consideration associated with ID R&D Acquisition		15,690
Expenses recorded due to changes in fair value		1,080
Payment of contingent consideration associated with the ICAR acquisition		(782)
Foreign currency effect on contingent consideration		29
Balance at September 30, 2021	$	16,770

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company has goodwill balances of $63.1 million and $35.7 million at September 30, 2021 and 2020, respectively, representing the excess of costs over fair value of net assets of businesses acquired. Goodwill acquired in a business combination and determined to have an indefinite useful life is not amortized, but instead is tested for impairment at least annually in accordance with ASC Topic 350. The following table summarizes changes in the balance of goodwill during the twelve months ended September 30, 2021 (*amounts shown in thousands*):

Balance at September 30, 2020	$	35,669
Acquisition of ID R&D		27,748
Foreign currency effect on goodwill		(321)
Balance at September 30, 2021	$	63,096

Intangible Assets

Intangible assets include the value assigned to purchased completed technology, customer relationships, and trade names. The estimated useful lives for all of these intangible assets, range from two to seven years. Intangible assets as of September 30, 2021 and 2020 are summarized as follows *(amounts shown in thousands, except for years):*

September 30, 2021:	Weighted Average Amortization Period		Cost		Accumulated Amortization		Net
Completed technologies	6.6 years	$	34,361	$	13,311	$	21,050
Customer relationships	4.6 years		20,168		12,905		7,263
Trade names	4.7 years		988		567		421
Total intangible assets		$	55,517	$	26,783	$	28,734

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

Amortization expense related to acquired intangible assets was $7.5 million, $6.4 million, and $7.0 million for twelve months ended September 30, 2021, 2020, and 2019, respectively and is recorded in acquisition-related costs and expenses in the consolidated statements of operations.

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

	Estimated Future Amortization Expense	
2022	$	8,830
2023		6,801
2024		4,471
2025		3,264
2026		2,051
Thereafter		3,317
Total	$	28,734

6. STOCKHOLDERS' EQUITY

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense related to RSUs, stock options, and ESPP shares for the twelve months ended September 30, 2021, 2020, and 2019, which were allocated as follows *(amounts shown in thousands):*

	2021		2020		2019	
Cost of revenue	$	339	$	267	$	207
Selling and marketing		3,399		2,528		2,554
Research and development		3,218		2,802		2,426
General and administrative		4,576		3,954		4,450
Stock-based compensation expense included in expenses	$	11,532	$	9,551	$	9,637

No options were granted in the twelve months ended September 30, 2021. The fair value calculations for stock-based compensation awards to employees for the twelve months ended September 30, 2020, and 2019 were based on the following assumptions:

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

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

As of September 30, 2021, the Company had $19.6 million of unrecognized compensation expense related to outstanding RSUs, stock options, and ESPP shares expected to be recognized over a weighted-average period of approximately 2.2 years.

2020 Incentive Plan

In January 2020, the Board adopted the Mitek Systems, Inc. 2020 Incentive Plan (the "2020 Plan") upon the recommendation of the compensation committee of the Board. On March 4, 2020, the Company's stockholders approved the 2020 Plan. The total number of shares of Common Stock reserved for issuance under the 2020 Plan is 4,500,000 shares plus such number of shares, not to exceed 107,903, as remained available for issuance under the 2002 Stock Option Plan, 2006 Stock Option Plan, 2010 Stock Option Plan, and 2012 Incentive Plan (collectively, the "Prior Plans") as of January 17, 2020, plus any shares underlying awards under the Prior Plans that are terminated, forfeited, cancelled, expire unexercised or are settled in cash after January 17, 2020. As of September 30, 2021, (i) 929,135 RSUs and 528,724 Performance RSUs were outstanding under the 2020 Plan, and 2,767,497 shares of Common Stock were reserved for future grants under the 2020 Plan and (ii) stock options to purchase an aggregate of 506,928 shares of Common Stock and 1,023,130 RSUs were outstanding under the Prior Plans.

Employee Stock Purchase Plan

In January 2018, the Board adopted the Mitek ESPP. On March 7, 2018, the Company's stockholders approved the ESPP. The total number of shares of Common Stock reserved for issuance thereunder is 1,000,000 shares. As of September 30, 2021, (i) 479,135 shares have been issued to participants pursuant to the ESPP and (ii) 520,865 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 $0.6 million in stock-based compensation expense related to the ESPP during the twelve months ended September 30, 2021 and $0.4 million in each of the twelve months ended September 30, 2020 and 2019.

Director Restricted Stock Unit Plan

In January 2011, the Board adopted the Mitek Systems, Inc. Director Restricted Stock Unit Plan, as amended and restated (the "Director Plan"). On March 10, 2017, the Company's stockholders approved an amendment to the Director Plan. The total number of shares of Common Stock reserved for issuance thereunder is 1,500,000 shares. As of September 30, 2021, (i) 333,819 RSUs were outstanding under the Director Plan and (ii) 214,888 shares of Common Stock were reserved for future grants under the Director Plan.

Stock Options

The following table summarizes stock option activity under the Company's stock option plans during the twelve months ended September 30, 2021, 2020, and 2019:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in Years)
Outstanding at September 30, 2018	2,806,364	$ 4.75	4.6
Granted	409,368	$ 9.59	
Exercised	(1,384,647)	$ 3.25	
Canceled	(144,183)	$ 6.62	
Outstanding at September 30, 2019	1,686,902	$ 7.00	5.4
Granted	92,610	$ 9.49	
Exercised	(580,861)	$ 6.15	
Canceled	(36,146)	$ 10.76	
Outstanding at September 30, 2020	1,162,505	$ 7.51	6.1
Granted	—	$ —	
Exercised	(329,878)	$ 7.63	
Canceled	(15,910)	$ 9.41	
Outstanding at September 30, 2021	816,717	$ 7.42	5.8
Vested and Expected to Vest at September 30, 2021	816,717	$ 7.42	5.8
Exercisable at September 30, 2021	628,763	$ 6.79	5.3

The Company recognized $0.7 million in stock-based compensation expense related to outstanding stock options in the twelve months ended September 30, 2021, 2020, and 2019, respectively. As of September 30, 2021, the Company had $0.8 million of unrecognized compensation expense related to outstanding stock options expected to be recognized over a weighted-average period of approximately two 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 twelve months ended September 30, 2021, 2020, and 2019 was $2.7 million, $2.5 million, and $11.1 million, respectively. There were no options granted during the twelve months ended September 30, 2021. The per-share weighted-average fair value of options granted during the twelve months ended September 30, 2020 and 2019 were $4.32, and $5.07, respectively. The aggregate intrinsic value of options outstanding as of September 30, 2021 and 2020, was $9.0 million and $6.1 million, respectively.

Restricted Stock Units

The following table summarizes RSU activity under the Company's equity plans in the twelve months ended September 30, 2021, 2020, and 2019:

	Number of Shares		Weighted-Average Fair Value Per Share
Outstanding at September 30, 2018	2,580,176	$	6.92
Granted	1,147,976	$	9.67
Settled	(881,420)	$	6.53
Canceled	(494,245)	$	7.70
Outstanding at September 30, 2019	2,352,487	$	8.26
Granted	1,394,869	$	7.39
Settled	(818,665)	$	7.82
Canceled	(266,748)	$	8.26
Outstanding at September 30, 2020	2,661,943	$	7.95
Granted	887,049	$	13.35
Settled	(975,764)	$	7.64
Canceled	(161,961)	$	8.94
Outstanding at September 30, 2021	2,411,267	$	9.99

The cost of RSUs is determined using the fair value of the Common Stock on the award date, and the compensation expense is recognized ratably over the vesting period. The Company recognized $8.1 million, $6.9 million, and $6.8 million in stock-based compensation expense related to outstanding RSUs in the twelve months ended September 30, 2021, 2020, and 2019, respectively. As of September 30, 2021, the Company had approximately $16.0 million of unrecognized compensation expense related to outstanding RSUs expected to be recognized over a weighted-average period of approximately 2.3 years.

Performance Restricted Stock Units

Pursuant to the 2020 Plan, the Company granted a performance-based restricted stock unit award ("Performance RSUs") to certain members of the Company's senior leadership team including the Chief Executive Officer. The Performance RSUs are subject to vesting based on a performance-based condition and a service-based condition. The Performance RSU will vest over three years in a percentage of the target number of shares between 0 and 133%, depending on the extent the performance condition is achieved. The following table summarizes Performance RSU activity under the Company's equity plans in the twelve months ended September 30, 2021, 2020, and 2019:

	Number of Shares		Weighted-Average Fair Value Per Share
Outstanding at September 30, 2018	2,042,817	$	7.66
Granted	—	$	—
Exercised	—	$	—
Canceled	(320,266)	$	7.11
Outstanding at September 30, 2019	1,722,551	$	7.76
Granted	353,556	$	6.06
Exercised	—	$	—
Canceled	(1,722,551)	$	7.76
Outstanding at September 30, 2020	353,556	$	6.06
Granted	284,765	$	11.84
Exercised	(90,345)	$	6.06
Canceled	(19,252)	$	6.06
Outstanding at September 30, 2021	528,724	$	9.17

There were 528,724 Performance RSUs outstanding as of September 30, 2021. The Company recognized $1.3 million, $0.7 million, and $1.0 million in stock-based compensation expense related to outstanding Performance RSUs in the twelve months ended September 30, 2021, 2020, and 2019, respectively. As of September 30, 2021, the Company had $2.5 million of unrecognized compensation expense related to outstanding Performance RSUs expected to be recognized over a weighted-average period of approximately 2.0 years. During the twelve months ended September 30, 2021, the Company cancelled 19,252 of previously issued Performance RSUs as the criteria for vesting were not met during the performance period.

Performance Options

On November 6, 2018, as an inducement grant pursuant to Nasdaq Listing Rule 5635(c)(4), the Company's Chief Executive Officer was granted performance options (the "Performance Options") to purchase up to 800,000 shares of Common Stock at an exercise price of $9.50 per share, the closing market price for a share of the Common Stock on the date of the grant. As long as he remains employed by the Company, such Performance Options shall vest upon the closing market price of the Common Stock achieving certain predetermined levels and his serving as the Chief Executive Officer of the Company for at least three years. In the event of a change of control of the Company, all of the unvested Performance Options will vest if the per share price payable to the stockholders of the Company in connection with the change of control is an amount reaching those certain predetermined levels required for the Performance Options to otherwise vest. During fiscal 2021 the performance conditions were achieved and in November 2021 the performance options vested in full. The Company recognized $0.8 million and $0.8 million in stock-based compensation expense related to outstanding Performance Options in the twelve months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, the Company had $0.1 million of unrecognized compensation expense related to outstanding Performance Options expected to be recognized over a weighted-average period of approximately 0.1 years.

Earnout Shares

In connection with the acquisition of ID R&D and subject to the achievement by ID R&D of certain revenue targets for the period commencing on the Closing Date and ending on the one year anniversary thereof and the period commencing on the one year anniversary of the Closing Date and ending on the one year anniversary thereof, the Company will issue to certain equity holders of ID R&D up to an aggregate of 711,535 shares of Common Stock (the "Earnout Shares"). The Company will make the Earnout Payments as set forth in the Merger Agreement. The Company estimated the fair value of the consideration for the Earnout Periods to be $15.7 million on the Closing Date, which was determined using a discounted cash flow methodology based on financial forecasts determined by management that included assumptions about revenue growth and discount rates, and is included in level three of the fair value hierarchy. Each quarter the Company revises the estimated fair value of the consideration for the Earnout Periods and changes in the fair value are included in acquisition-related costs and expenses in the consolidated statements of operations and other comprehensive income (loss). The Company recognized $1.1 million in acquisition-related costs and expenses related to the Earnout Shares for the twelve months ended September 30, 2021. The Company did not recognize any expense related to the Earnout Shares for each of the twelve months ended September 30, 2020 and 2019.

Share Repurchase Program

On June 15, 2021, the Board authorized and approved a share repurchase program for up to $15 million of the currently outstanding shares of our Common Stock. The share repurchase program will expire on June 30, 2022. The timing, price and volume of repurchases will be based on market conditions, relevant securities laws and other factors. The repurchases may be made from time to time, through solicited or unsolicited transactions in the open market, in privately negotiated transactions or pursuant to a share repurchase trading plan. The program may be discontinued or amended at any time.

The Company made purchases of $0.2 million, or 10,555 shares, during twelve months ended 2021 at an average price of $17.99 per share.

From the period October 1, 2021 through December 10, 2021, the Company made purchases of $8.1 million, or 474,213 shares at an average price of $17.09 per share.

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

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

Rights Agreement

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

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

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

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.

The Rights expired on October 22, 2021 and no Rights were redeemed or exchanged.

7. INCOME TAXES

Provision for Income Taxes

Income (loss) before income taxes for the twelve months ended September 30, 2021, 2020, and 2019 is comprised of the following (*amounts shown in thousands*):

	2021	2020	2019
Domestic	$ 10,966	$ 11,071	$ 8,992
Foreign	(2,164)	(1,662)	(12,980)
Total	$ 8,802	$ 9,409	$ (3,988)

For the twelve months ended September 30, 2021, 2020, and 2019 the income tax benefit (provision) was as follows *(amounts shown in thousands):*

	2021	2020	2019
Federal—current	$ —	$ —	$ (117)
Federal—deferred	(1,387)	(2,182)	639
State—current	(78)	(46)	(438)
State—deferred	457	67	515
Foreign—current	(1,119)	(436)	594
Foreign—deferred	1,303	1,002	2,071
Total	$ (824)	$ (1,595)	$ 3,264

Deferred Income Tax Assets and Liabilities

Significant components of the Company's net deferred tax assets and liabilities as of September 30, 2021 and 2020 are as follows *(amounts shown in thousands):*

	2021	2020
Deferred tax assets:		
Stock-based compensation	$ 1,864	$ 2,503
Net operating loss carryforwards	5,669	5,931
Research credit carryforwards	7,322	6,264
Lease liability	856	1,091
Intangibles	—	300
Total deferred assets	15,711	16,089
Deferred tax liabilities:		
Right of use asset	(570)	(726)
Foreign deferred liabilities	(8,019)	(5,756)
Other, net	1	(62)
Net deferred tax asset	7,123	9,545
Valuation allowance for net deferred tax assets	(729)	(710)
Net deferred tax asset	$ 6,394	$ 8,835

The net change in the total valuation allowance for the twelve months ended September 30, 2021 and 2020 was an increase of $19 thousand and a decrease of $0.2 million, respectively. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. Based on the level of historical operating results and the projections for future taxable income, the Company has determined that it is more likely than not that the deferred tax assets may be realized for all deferred tax assets with the exception of the net foreign deferred tax assets at Mitek Systems B.V.

As of September 30, 2021, the Company has available net operating loss carryforwards of $14.9 million for federal income tax purposes. The Company did not generate any net operating losses in the twelve months ended September 30, 2021. Of the remaining net operating losses, $9.4 million can be carried forward indefinitely, and $5.6 million, which were generated prior to the fiscal year 2021, will start to expire in 2032 unless previously utilized. The net operating losses for state purposes are $28.0 million, which will begin to expire in 2028. As of September 30, 2021, the Company has available federal research and development credit carryforwards, net of reserves, of $3.8 million. The federal research and development credits will start to expire in 2022. As of September 30, 2021, the Company has available California research and development credit carryforwards, net of reserves, of $3.4 million, which do not expire.

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

Income Tax Provision Reconciliation

The difference between the income tax benefit (provision) and income taxes computed using the U.S. federal income tax rate was as follows for the twelve months ended September 30, 2021, 2020, and 2019 *(amounts shown in thousands):*

	2021	2020	2019
Amount computed using statutory rate	$ (1,849)	$ (1,977)	$ 841
Net change in valuation allowance for net deferred tax assets	(19)	221	(459)
Other	—	—	—
Foreign rate differential	13	86	664
Non-deductible items	(141)	(178)	(151)
State income tax	(276)	(205)	(370)
Impact of tax reform on deferred taxes	—	—	—
Research and development credits	1,248	897	1,694
Foreign income tax	(15)	10	(494)
Stock compensation, net	215	(449)	1,539
Income tax benefit (provision)	$ (824)	$ (1,595)	$ 3,264

Uncertain Tax Positions

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

The following table reconciles the beginning and ending amount of unrecognized tax benefits for the twelve months ended September 30, 2021, 2020, and 2019 *(amounts shown in thousands):*

	2021	2020	2019
Gross unrecognized tax benefits at the beginning of the year	$ 1,810	$ 1,607	$ 1,321
Additions from tax positions taken in the current year	268	203	213
Additions from tax positions taken in prior years	36	—	73
Gross unrecognized tax benefits at end of the year	$ 2,114	$ 1,810	$ 1,607

Of the total unrecognized tax benefits at September 30, 2021, $2.1 million will impact the Company’s effective tax rate. The Company does not anticipate that there will be a substantial change in unrecognized tax benefits within the next twelve months.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of September 30, 2021, no accrued interest or penalties related to uncertain tax positions are recorded in the consolidated financial statements.

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

Tax Cuts and Jobs Act

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

In conjunction with the tax law changes, the Securities and Exchange Commission staff issued Staff Accounting Bulletin 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act. In accordance with SAB 118, the Company completed the accounting for the remeasurement of deferred tax assets and liabilities in the twelve months ended September 30, 2020, which included the period of enactment. Additionally, for the twelve months ended September 30, 2020, the entire fiscal year’s activity was under the 21% tax rate.

CARES Act

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief and Economic Security (CARES) Act” (the “CARES Act”). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company continues to examine the impacts the CARES Act may have on our business. For the twelve months ended September 30, 2021, the CARES Act has been considered for the income tax provision.

8. CONVERTIBLE SENIOR NOTES

The carrying values of the Company’s 2026 Notes are as follows (in thousands):

		September 30, 2021
2026 Notes:		
Principal amount	$	155,250
Less: unamortized discount and issuance costs, net of amortization		(34,332)
Carrying amount		120,918
2026 Notes embedded conversion derivative	$	48,208

In February 2021, the Company issued $155.3 million aggregate principal amount of the 2026 Notes (including the Additional Notes, as defined below). The 2026 Notes are senior unsecured obligations of the Company. The 2026 Notes were issued pursuant to an Indenture, dated February 5, 2021 (the “Indenture”), between the Company and UMB Bank, National Association, as trustee. The Indenture includes customary covenants and sets forth certain events of default after which the 2026 Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Company after which the 2026 Notes become automatically due and payable. The Company granted the initial purchasers of the 2026 Notes (collectively, the “Initial Purchasers”) a 13-day option to purchase up to an additional $20.25 million aggregate principal amount of the 2026 Notes (the “Additional Notes”), which was exercised in full. The 2026 Notes were purchased in a transaction that was completed on February 5, 2021.

The 2026 Notes will mature on February 1, 2026, unless earlier redeemed, repurchased or converted. The 2026 Notes will bear interest from February 5, 2021 at a rate of 0.750% per year payable semiannually in arrears on February 1 and August 1 of each year, beginning on August 1, 2021. The 2026 Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding August 1, 2025, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021, if the last reported sale price per share of Common Stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the “measurement period”) in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Common Stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Common Stock. On or after August 1, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2026 Notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances. Upon conversion, the Company may satisfy its conversion obligation by paying and/or delivering, as the case may be, cash and, if applicable at the Company’s election, shares of the Common Stock, based on the applicable conversion rate(s); provided that the Company will be required to settle conversions solely in cash unless and until the Company (i) receives stockholder approval to increase the number of authorized shares of the Common Stock and (ii) reserves such amount of shares of the Common Stock for future issuance as required pursuant to the Indenture that governs the 2026 Notes. The conversion rate for the 2026 Notes will initially be 47.9731 shares of the Common Stock per $1,000 principal amount of 2026 Notes, which is equivalent to an initial conversion price of approximately $20.85 per share of the Common Stock. The initial conversion price of the 2026 Notes represents a premium of approximately 37.5% to the $15.16 per share last reported sale price of the Common Stock on February 2, 2021. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture.

The net proceeds from this offering were approximately $149.7 million, after deducting the Initial Purchasers’ discounts and commissions and the Company’s estimated offering expenses related to the offering. The Company used approximately $9.3 million of the net proceeds from the offering to pay the cost of the Notes Hedge (as defined below) (after such cost is partially offset by the proceeds from the Warrant Transactions described below). The Initial Purchasers exercised their option to purchase Additional Notes in full and the Company used a portion of the net proceeds from the sale of such Additional Notes to enter into additional Notes Hedges (after such cost is partially offset by the proceeds from the additional Warrant Transactions) with the Option Counterparties (as defined below). The Company intends to use the remainder of the net proceeds from the offering for general corporate purposes, which may include working capital, capital expenditures, and potential acquisitions and strategic transactions.

As of September 30, 2021, the number of authorized and unissued shares of Common Stock that are not reserved for other purposes is less than the maximum number of underlying shares that will be required to settle the 2026 Notes into equity. Accordingly, unless and until the Company has a number of authorized shares that have not been issued or reserved for any other purpose that equals or exceeds the maximum number of underlying shares ("share reservation condition"), the Company will pay to the converting holder in respect of each $1,000 principal amount of notes being converted solely cash in an amount equal to the sum of the daily conversion values for each of the 40 consecutive trading days during the related observation period. However, following satisfaction of the share reservation condition, the Company may settle conversions of notes through payment or delivery, as the case may be, of cash, shares of Common Stock or a combination of cash and shares of Common Stock, at the Company's election.

In accounting for the issuance of the 2026 Notes, the conversion option of the 2026 Notes was deemed an embedded derivative requiring bifurcation from the 2026 Notes ("host contract") and separate accounting as an embedded derivative liability, as a result of the Company not having the necessary number of authorized but unissued shares of its Common Stock available to settle the conversion option of the 2026 Notes in shares. The proceeds from the 2026 Notes are first allocated to the embedded derivative liability and the remaining proceeds are then allocated to the host contract. On February 5, 2021, the fair value of the embedded derivative liability representing the conversion option was $33.2 million and the remaining $116.5 million was allocated to the host contract. The difference between the principal amount of the 2026 Notes and the fair value of the host contract (the "debt discount") is amortized to interest expense using the effective interest method over the term of the 2026 Notes.

As of September 30, 2021, the embedded derivative liability is included in embedded conversion derivative in the consolidated balance sheet and the change in fair value of derivative is included in other income, net in the consolidated statement of operations and other comprehensive income (loss). The carrying amount of the embedded derivative liability was determined using a Black-Scholes option valuation model.

The following table presents the fair value and the change in fair value for the embedded conversion derivative (in thousands):

Embedded conversion derivative		
Fair value as of February 5, 2021	$	33,192
Change in fair value		15,016
Fair value as of September 30, 2021	$	48,208

Debt issuance costs for the issuance of the 2026 Notes were approximately $5.5 million, consisting of initial purchasers' discount and other issuance costs. In accounting for the transaction costs, the Company allocated the total amount incurred to the 2026 Notes. Transaction costs were recorded as debt issuance cost (presented as contra debt in the consolidated balance sheet) and are being amortized using the effective interest method to interest expense over the term of the 2026 Notes.

The following table presents the total amount of interest cost recognized relating to the 2026 Notes for the twelve months ended September 30, 2021 and 2020 (in thousands):

	2021		2020	
Contractual interest expense	$	756	$	—
Amortization of debt discount and issuance costs		4,372		—
Total interest expense recognized	$	5,128	$	—

The derived effective interest rate on the 2026 Notes host contract was determined to be 6.71%, which remains unchanged from the date of issuance. The remaining unamortized debt discount was $34.3 million as of September 30, 2021, and will be amortized over approximately 4.3 years.

Convertible Senior Notes Hedge and Warrants

In connection with the pricing of the 2026 Notes, the Company entered into the Notes Hedge with Bank of America, N.A., Jefferies International Limited and Goldman Sachs & Co. LLC (the "Option Counterparties"). The Notes Hedge provided the Company with the option to acquire, on a net settlement basis, approximately 7.4 million shares of Common Stock at a strike price of $20.85, which is equal to the number of shares of Common Stock that notionally underlie and corresponds to the conversion price of the 2026 Notes. The Company also entered into Warrant Transactions with the Option Counterparties relating to the same number of shares of the Common Stock, subject to customary anti-dilution adjustments. The strike price of the Warrant Transactions is $26.53 per share, which represents a 75.0% premium to the last reported sale price of the Common Stock on The NASDAQ Capital Market on February 2, 2021, and is subject to certain adjustments under the terms of the Warrant Transactions.

As the Company is required to settle the Notes Hedge in cash, they do not qualify for the scope exception for contracts involving an issuer's own equity in ASC 815 and have been accounted for as a derivative asset. Upon initial purchase, the Notes Hedge was recorded in our consolidated balance sheets in convertible senior notes hedge at $33.2 million. As of September 30, 2021, the Notes Hedge is included in convertible senior notes hedge in the consolidated balance sheet and the change in fair value is included in other income, net in the consolidated statement of operations and other comprehensive income (loss). As of September 30, 2021, the Company had not purchased any shares under the Notes Hedge.

As a result of the Warrant Transactions, the Company is required to recognize incremental dilution of earnings per share to the extent the average share price is over $26.53 for any fiscal quarter. During 2021, there was no dilution of earnings per share. The Warrant Transactions expire over a period of 80 trading days commencing on May 1, 2026 and may be settled in net shares of Common Stock or net cash at the Company's election. Upon initial sale, the Warrant Transactions were recorded as an increase in additional paid-in capital within stockholders' equity of $23.9 million. As of September 30, 2021, the Warrant Transactions had not been exercised and remained outstanding.

9. COMMITMENTS AND CONTINGENCIES

Leases

The Company's principal executive offices, as well as its research and development facility, are located in approximately 29,000 square feet of office space in San Diego, California and the term of the lease continues through June 30, 2024. The average annual base rent under this lease is approximately $1.2 million per year. In connection with this lease, the Company received tenant improvement allowances totaling approximately $1.0 million. These lease incentives are being amortized as a reduction of rent expense over the term of the lease. As of September 30, 2021, the unamortized balance of the lease incentives was $0.4 million, of which $0.1 million has been included in other current liabilities and $0.2 million has been included in other non-current liabilities.

The Company's other offices are located in Paris, France; Amsterdam, The Netherlands; New York, New York; Barcelona, Spain; and London, United Kingdom. The term of the Paris, France lease continues through May 31, 2025, with an annual base rent of approximately €418 thousand (or $484 thousand). The term of the Amsterdam, The Netherlands lease continues through December 31, 2022, with an annual base rent of approximately €191 thousand (or $222 thousand). The term of the New York, New York lease continues through November 30, 2024, with an annual base rent of approximately $195 thousand. The term of the Barcelona, Spain lease continues through May 31, 2023, with an annual base rent of approximately €97 thousand (or $113 thousand). The term of the London, United Kingdom lease continues through May 31, 2022, with an annual base rent of approximately £112 thousand (or approximately $151 thousand).

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

The Company's leases have remaining terms of 1 to 9 years. Certain leases contain renewal options for varying periods, which are at the Company's sole discretion. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company's ROU assets and lease liabilities. As of September 30, 2021, the weighted-average remaining lease term for the Company's operating leases was 5.5 years and the weighted-average discount rate was 3.2%.

Lease liabilities expected to be paid within one year are recorded in current liabilities in the consolidated balance sheets. All other lease liabilities are recorded in non-current liabilities in the consolidated balance sheets. As of September 30, 2021, the Company had operating ROU assets of $7.1 million. Total operating lease liabilities of $8.5 million were comprised of current lease liabilities of $1.9 million and non-current lease liabilities of $6.6 million.

The Company recognized $2.2 million of operating lease costs in the twelve months ended September 30, 2021. Operating lease costs are included within cost of revenue, selling and marketing, research and development, and general and administrative expenses, dependent upon the nature and use of the ROU asset, in the Company's consolidated statement of operations and other comprehensive income (loss). Rent expense for the Company's operating leases for its facilities for the twelve months ended September 30, 2021, 2020, and 2019 totaled $2.2 million, $2.2 million and $2.1 million, respectively.

The Company paid $2.3 million in operating cash flows for operating leases in the twelve months ended September 30, 2021.

Maturities of our operating lease liabilities as of September 30, 2021 were as follows *(amounts shown in thousands)*:

	Operating leases
2022	$ 2,140
2023	2,096
2024	1,764
2025	677
2026	671
Thereafter	1,759
Total	9,107
Less: amount representing interest	577
Present value of future lease payments	$ 8,530

Claim Against ICAR

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

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

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

Third-Party Claims Against Our Customers

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

On July 7, 2018, United Services Automobile Association (“USAA”) filed a lawsuit against Wells Fargo Bank, N.A. (“Wells Fargo”) in the Eastern District of Texas alleging that Wells Fargo’s remote deposit capture systems (which in part utilize technology provided by the Company to Wells Fargo through a partner) infringe four USAA owned patents related to mobile deposits (the “First Wells Lawsuit”). On August 17, 2018, USAA filed a second lawsuit (the “Second Wells Lawsuit” and together with the First Wells Lawsuit, the “Wells Lawsuits”) against Wells Fargo in the Eastern District of Texas asserting that an additional five patents owned by USAA were infringed by Wells Fargo’s remote deposit capture system. In neither lawsuit was the Company named in the Complaint as an infringer and at no time did USAA allege specifically that the Company’s products by themselves infringed any of the asserted patents. Subsequently, on November 6, 2019, a jury in the First Wells Lawsuit found that Wells Fargo willfully infringed at least one of the Subject Patents (as defined below) and awarded USAA $200 million in damages. In the Second Wells Lawsuit, USAA dropped two of the patents from the litigation, and the judge in the case found that one of the remaining three patents was invalid. On January 10, 2020, a jury in the Second Wells Lawsuit found that Wells Fargo willfully infringed at least one of the patents at issue in that case and awarded USAA $102 million in damages. No Mitek product was accused of infringing either of the two patents in question in the Second Wells Lawsuit as the litigation involved broad banking processes and not Mitek’s specific mobile deposit features. USAA and Wells Fargo subsequently reached a settlement, and on April 1, 2021 the court granted the parties’ joint motion and stipulation of dismissal of the Wells Lawsuits with prejudice.

Wells Fargo filed petitions for *Inter Partes* Review (“IPR”) with the Patent Trial and Appeal Board (“PTAB”) challenging the validity of the four patents in the First Wells Lawsuit. Three of those four petitions were instituted, while one (relating to the ‘090 Patent) was denied institution. On November 24, 2020, and January 26, 2021, the PTAB issued final written decisions determining that Wells Fargo had not demonstrated by a preponderance of the evidence that any claims of the ‘571 Patent, the ‘779 Patent, or ‘517 Patent were unpatentable.

On September 30, 2020, USAA filed suit against PNC Bank (the "First PNC Lawsuit") in the Eastern District of Texas alleging infringement of U.S. Patent Nos. 10,482,432 and 10,621,559. These two patents are continuations of an asserted patent in the Second Wells Lawsuit and relate to similar subject matter. On October 19, 2020, PNC Bank's integration partner, NCR Corporation, sent an indemnification demand to the Company requesting indemnification from all claims related to the First PNC Lawsuit. The complaint against PNC does not claim that any Company product infringes any of the asserted patents. At this time, the Company does not believe it is obligated to indemnify NCR Corporation or end-users of NCR Corporation resulting from the patent infringement allegations by USAA. On December 4, 2020, USAA filed an amended complaint against PNC Bank also asserting two patents at issue in the First Wells Lawsuit—U.S. Patent Nos. 8,699,779 ("the '779 Patent") and 8,977,571 ("the '571 Patent"). Also on December 4, 2020, PNC Bank filed a complaint for declaratory judgement of non-infringement of the '779 Patent and the '571 Patent in the Western District of Pennsylvania ("PNC DJ Action"). On January 19, 2021, USAA filed a motion to dismiss the PNC DJ Action in view of the pending lawsuit between the parties in the Eastern District of Texas. On February 2, 2021, NCR Corporation sent a second indemnification demand to the Company requesting indemnification of the claims described in the amended complaint. On March 31, 2021, USAA filed another suit against PNC Bank in the Eastern District of Texas alleging infringement of two patents from the Second Wells Lawsuit, U.S. Patent Nos. 10,013,605 and 10,013,681 (the "Second PNC Lawsuit" and together with the First PNC Lawsuit, the "PNC Lawsuits"). On June 1, 2021, the Western District of Pennsylvania court stayed the PNC DJ Action in view of the earlier-filed action between USAA and PNC in the Eastern District of Texas. On July 7, 2021, USAA filed a third lawsuit against PNC Bank (the "Third PNC Lawsuit") asserting infringement of U.S. Patents 10,769,598; 10,402,638; and 9,224,136.

While neither the Wells Lawsuits nor the PNC Lawsuits name the Company as a defendant, given (among other factors) the Company's prior history of litigation with USAA and the continued use of the Company's products by its customers, on November 1, 2019, the Company filed a Complaint in the U.S. District Court for the Northern District of California seeking declaratory judgment that its products do not infringe the '779 Patent, the '571 Patent, U.S. Patent No. 9,336,517 ("the '517 Patent"), and U.S. Patent No. 9,818,090 ("the '090 Patent") (collectively, the "Subject Patents"). On January 15, 2020, USAA filed motions requesting the dismissal of the declaratory judgement of the Subject Patents and transfer of the case to the Eastern District of Texas, both of which the Company opposed. On April 21, 2020, the court in the Northern District of California transferred the Company's declaratory judgement action to the Eastern District of Texas and did not rule on USAA's motion to dismiss. On April 28, 2021, the court in the Eastern District of Texas granted USAA's motion to dismiss the Company's declaratory judgment action on jurisdictional grounds. The Court's ruling did not address the merits of the Company's claim of non-infringement. The Company continues to believe that its products do not infringe the Subject Patents and will vigorously defend the right of its end-users to use its technology.

In April, May, and June 2020, the Company filed petitions for IPR with the PTAB of the U.S. Patent & Trademark Office challenging the validity of the Subject Patents. On November 6 and 17, 2020, the PTAB decided to exercise its discretion and deny institution of the four petitions due to the alleged relationship between the Company and Wells Fargo, who previously filed petitions for IPR on the Subject Patents. The PTAB did not address the merits of the Company's petitions or the prior art cited in those petitions. The Company continues to believe that the prior art cited in the petitions renders all the claims of the Subject Patents invalid. On December 6, 2020, December 17, 2020, and February 23, 2021, the Company filed requests for rehearing and Precedential Opinion Panel ("POP") review of the four denied IPR petitions.

In September 2020, the Company filed an additional two petitions for IPR with the U.S. Patent & Trademark Office challenging the validity of U.S. Patent Nos. 10,013,681 and 10,013,605—two of the patents at issue in the Second Wells Lawsuit. In March 2021, the PTAB decided not to institute the two petitions.

On July 7, July 14, and July 21 2021, PNC Bank filed six additional petitions for IPR with the U.S. Patent & Trademark Office challenging the validity of the '779 Patent, the '571 Patent, the '559 Patent, and the '432 Patent. In November and December of 2021, PNC Bank filed four more petitions for IPR against the '638 Patent, the '136 Patent, and the '598 Patent. Decisions from the Patent Office whether to institute these IPRs are expected in February and May 2022.

On August 16, 2021, USAA filed suit against BBVA USA ("BBVA") in the Eastern District of Texas alleging infringement of the same patents at issue in the lawsuits against PNC. While Mitek's IPR petitions were mentioned in the complaint, Mitek was not named as a defendant or mentioned in connection with any alleged infringement. BBVA then sent Mitek an indemnification demand on September 7, 2021. For the same reasons discussed above in connection with PNC, the Company does not believe it is obligated to indemnify BBVA.

The Company incurred legal fees of $1.0 million in the fiscal year ended September 30, 2021 related to third-party claims against our customers. Such fees are included in general and administrative expenses in the consolidated statement of operations and other comprehensive income (loss).

Claim Against UrbanFT, Inc.

On July 31, 2019, the Company filed a lawsuit against one of its customers, UrbanFT, Inc. ("UrbanFT") in the United States District Court for the Southern District of California (case No. 19-CV-1432-CAB-DEB). UrbanFT is delinquent in payment and attempted to justify its non-payment by asserting that the Company is or may be infringing on purported UrbanFT patents. The Company filed such lawsuit to collect the delinquent payments and to obtain a declaratory judgment of non-infringement of five purported UrbanFT patents. UrbanFT filed an answer and later asserted infringement of two of the five patents-at-issue in the Company's lawsuit against UrbanFT. The Company thereafter filed counterclaims seeking a declaration that the two patents now asserted by UrbanFT are invalid in addition to being not infringed. During the course of the litigation, the Company learned that a judgment had been entered against UrbanFT's affiliates and its predecessor owner in which an Oregon court ordered that the patents in issue revert to a prior owner, Mr. Stevens, because UrbanFT's affiliates did not pay the purchase price owed to the prior owner. On September 8, 2020, the Company filed a motion for summary judgment on its breach of contract claim. On September 15, 2020, the district court issued an order to show cause regarding jurisdiction over patent issues in light of the Oregon judgment. On December 17, 2020, the district court dismissed Mitek's claims for declaratory judgment of non-infringement and UrbanFT's counterclaims for patent infringement and related affirmative defenses based on infringement of the patents for lack of subject matter jurisdiction because UrbanFT does not own the patents. The district court then dismissed the remaining state law claims without prejudice to refiling in state court.

On December 18, 2020, the Company filed a new suit against UrbanFT in the Superior Court of the State of California, County of San Diego (case no. 37-2020-00046670-CU-BC-CTL) asserting claims for breach of contract, open book account, and monetary damages. UrbanFT filed an answer and has not asserted any cross-claims. The Company filed a motion for summary judgment which is set to be heard on April 15, 2022. No trial date has been set. We intend to vigorously pursue our claims and defend any cross-claims if any are filed at a later date.

Other Legal Matters

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

Employee 401(k) Plan

The Company has a 401(k) plan that allows participating employees to contribute a percentage of their salary, subject to Internal Revenue Service annual limits. In 2015, the Company implemented a company match to the plan. The Company's contributions are made in an amount equal to 50% of the first 6% of an employee's designated deferral of their eligible compensation. The Company's total cost related to the 401(k) plan was \$0.7 million, \$0.4 million, and \$0.2 million for the twelve months ended September 30, 2021, 2020, and 2019, respectively.

10. REVENUE CONCENTRATION

Revenue Concentration

For the twelve months ended September 30, 2021, the Company derived revenue of \$20.2 million from one customer, with such customer accounting for 17% of the Company's total revenue. For the twelve months ended September 30, 2020, the Company derived revenue of \$15.8 million from one customer, with such customer accounting for 16% of the Company's total revenue. For the twelve months ended September 30, 2019, the Company derived revenue of \$22.8 million from two customers, with such customers accounting for 17% and 10% of the Company's total revenue. The corresponding accounts receivable balances of customers from which revenues were in excess of 10% of total revenue were \$3.4 million, \$4.5 million, and \$5.4 million at September 30, 2021, 2020, and 2019, respectively.

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

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

International sales accounted for approximately 26%, 24%, and 31% of the Company's total revenue for the twelve months ended September 30, 2021, 2020, and 2019, respectively. From a geographic perspective, approximately 24% and 66% of the Company's total long-term assets as of September 30, 2021 and 2020, respectively, are associated with the Company's international subsidiaries. From a geographic perspective, approximately 6% and 15% of the Company's total long-term assets excluding goodwill and other intangible assets as of September 30, 2021 and 2020, respectively, are associated with the Company's international subsidiaries.

11. QUARTERLY INFORMATION (UNAUDITED)

The following table sets forth selected quarterly financial data for 2021, 2020, and 2019 *(shown in thousands except per share data):*

	2021			
	1	2	3	4
Revenue	$ 25,976	$ 28,773	$ 31,778	$ 33,270
Cost of revenue	4,138	3,792	3,410	3,200
Operating expenses	20,301	22,598	22,936	26,145
Operating income	1,537	2,383	5,432	3,925
Interest expense	—	1,319	2,223	1,587
Other income, net	96	372	80	106
Income tax benefit (provision)	534	(417)	(304)	(637)
Net income	$ 2,167	$ 1,019	$ 2,985	$ 1,807
Net income per share:				
Net income per share—basic	$ 0.05	$ 0.02	$ 0.07	$ 0.04
Net income per share—diluted	$ 0.05	$ 0.02	$ 0.07	$ 0.04
Shares used in calculating net income per share—basic	42,476	43,138	43,773	44,616
Shares used in calculating net income per share—diluted	43,897	44,554	45,194	46,236

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

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

Exhibit 21.1

List of Subsidiaries

The following is a list of subsidiaries of Mitek Systems, Inc., omitting certain subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of September 30, 2021.

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

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-80567, 333-58032, 333-106843, 333-133765, 333-172810, 333-172811, 333-178527, 333-179942, 333-194151, 333-210127, 333-219991, 333-223858, 333-230545, 333-237442, and 333-260123 on Form S-8 and Registration Statement Nos. 333-177965, 333-215182, and 333-235662 on Form S-3 of our report dated December 10, 2021, relating to the consolidated financial statements of Mitek Systems, Inc. as of September 30, 2021 and 2020 and for each of the three years in the period ended September 30, 2021, and the effectiveness of Mitek Systems, Inc.'s internal control over financial reporting, as of September 30, 2021, included in this Annual Report on Form 10-K for the year ended September 30, 2021.

/s/ Mayer Hoffman McCann P.C.
San Diego, California
December 10, 2021

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

I, Scipio Maximus Carnecchia, certify that:

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

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

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

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

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

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

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

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

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

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

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

December 10, 2021

/s/ Scipio Maximus Carnecchia

Scipio Maximus Carnecchia
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

I, Frank Teruel, certify that:

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

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

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

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

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

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

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

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

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

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

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

December 10, 2021

/s/ Frank Teruel

Frank Teruel
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

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

1. This Annual Report on Form 10-K for the period ended September 30, 2021 (this "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

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

December 10, 2021	/s/ Scipio Maximus Carnecchia
	Scipio Maximus Carnecchia Chief Executive Officer (Principal Executive Officer)
December 10, 2021	/s/ Frank Teruel
	Frank Teruel Chief Financial Officer (Principal Financial and Accounting Officer)

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

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