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Mitek Systems, Inc. (MITK)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Ryan Flanagan
Managing Director, ICR

David B. Lyle
Chief Financial Officer, Mitek Systems, Inc.

Edward Hamilton West
Chief Executive Officer & Director, Mitek Systems, Inc.

OTHER PARTICIPANTS

Allen Klee
Analyst, Maxim Group

Mike Grondahl
Analyst, Northland Securities, Inc.

Jacob Zerbib
Analyst, William Blair & Co. LLC

Logan Lillehaug
Analyst, Craig-Hallum Capital Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to Mitek Reports Fiscal First Quarter 2026 Financial Results. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Thursday, February 5, 2026.

I would now like to turn the conference over to Ryan Flanagan with ICR. Please go ahead.

Ryan Flanagan
Managing Director, ICR

Thank you, operator. Good afternoon, and thank you for joining us today to discuss Mitek's fiscal first quarter 2026 financial results. Joining me today are Chief Executive Officer, Ed West; and Chief Financial Officer, Dave Lyle. Please note that today's call will include forward-looking statements, and because these statements are based on the company's current intent, expectations and projections, they are not guarantees of future performance and a variety of factors could cause actual results to differ materially.

The description of these risks and uncertainties can be found in our 10-Q filing dated February 5, 2026 and our other SEC filings. These forward-looking statements include, but are not limited to, our expectations around customer demand for our products and services, expansion of our Check Fraud Defender or CFD, data consortium, the ongoing stability of our Check Verification business, our growth and investment plans, expected improvements in gross profits and unit economics, improvement to operating leverage and scale, expected free cash flow conversion rates, and our FY 2026 financial outlook and guidance. Except as required by law, we do not undertake any obligation to update these forward-looking statements.

This call will also include references to non-GAAP adjusted results. Please reference this afternoon's press release and our Investors Relations website for further information regarding forward-looking statements and reconciliations of GAAP to non-GAAP financial measures.

With that, I'd like to turn the call over to Ed.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Thanks, Ryan. Good afternoon, everyone, and thank you for joining us today. For those who are less familiar with Mitek, we provide the verification, authentication and fraud decisioning infrastructure that high assurance institutions rely on to onboard customers, authenticate users and transactions, and in essence, to protect what's real across digital interactions.

Turning to our results, we delivered a strong fiscal first quarter and are raising our outlook as early execution against our Unify and Grow ethos continues to take hold in fiscal 2026. And with that as context, there are several key takeaways from this past quarter. First, generative AI is accelerating synthetic fraud globally, driving a growing need for our solutions. Second, Fraud and Identity revenue grew 30% year-over-year. Third, SaaS revenue grew 21% year-over-year, representing 43% of last 12 months' revenue. Fourth, Check Verification continues to be stable with 1.2 billion transactions annually. Fifth, we simplified the balance sheet by paying off our convertible notes and today announced a new \$50 million share repurchase program. And finally, our Unify and Growth ethos is taking hold. One Mitek is working.

The last quarter, I outlined our Unify and Grow operating ethos for 2026. The key elements of this plan are to fortify and unify our business and invest in key areas to accelerate growth. I'll touch briefly on how we're executing against each of the four pillars that I outlined last quarter, starting with fortifying Check Verification.

Our Check Verification portfolio continues to serve as a critical and convenient infrastructure for our customers. During the quarter, we sustained an annual run rate of approximately 1.2 billion Mobile Deposit transactions, while last 12 months' revenue remained stable at approximately \$91 million. Even though the broader check market continues its gradual secular decline, Mobile Deposit volumes have remained resilient, reflecting deeper penetration as well as the embedded mission-critical role these workflows play across financial institutions.

Check Verification renewal activity and expansions were solid and came in at the high end of our expectations for the quarter. Overall, we are encouraged by the outperformance in Check Verification and its continued role as a durable, cash-generative foundation for the business. The long-standing relationships in this portfolio continue to open doors for broader senior level fraud and identity conversations with partners and processors that historically engage with Mitek primarily through Check Verification.

Now, turning to our second pillar, which is unifying and scaling our Fraud and Identity portfolio, which now represents a majority of the business, as fraud accelerates its march towards being democratized as a result of generative AI and attackers become more sophisticated, customers are moving away from siloed point-in-time verification towards more continuous, signal-rich decisioning. In response, we are going to market as One Mitek with unified workflows that combine documents, biometrics, liveness and data insights into a single platform experience.

Our first quarter results reflect solid progress in executing against that strategy. During the quarter, transaction volumes experienced attractive growth levels as customers responded to the increase in fraud and activity. As fraud becomes more democratized and easier to execute at scale, customers are routing more transactions through our solutions to detect, assess and mitigate risk in real time. This reflects two structural dynamics taking hold across our platform.

First, customers are running more journeys across more use cases. Existing customers are extending beyond onboarding into authentication and other in-life workflows, while new customers are coming to Mitek specifically for those journeys. Because authentication and in-life verification are persistent needs rather than one-time events, they apply across a much broader set of industries than onboarding alone, expanding the relevance of our platform beyond traditional financial services.

Now, second, we're seeing more transactions per journey. As we continue to add additional capabilities, data sources and third-party checks alongside our proprietary technologies, each journey becomes richer, more secure, and more valuable to the customer. That increased richness drives higher value capture per journey for us as customers rely on Mitek for more of the decisioning within a single workflow. Importantly, the momentum we're seeing is broad-based across geographies and customer segments, reflecting platform-led adoption rather than reliance on any single customer, product or use case.

In North America, performance was driven by large enterprise renewals and targeted expansions, including a new platform entry point at a top five financial institution with clear expansion potential. In EMEA, we made tangible progress migrating several legacy customers onto MiVIP in Spain, enabling new digital channel use cases and supporting expansion across various industries beyond core banking use cases, including telecommunications, insurance, mobility, and payments.

Taken together, these wins reinforce two important themes. First, growth is increasingly being driven by more journeys and more transactions per journey rather than isolated point solutions or pricing changes. Second, MiVIP-led journeys are continuing to deliver higher gross profit per journey as richer, more secure workflows create greater value for our customers and improved economics as the platform scales.

Now, alongside this momentum, Check Fraud Defender continued to scale as a core component of our broader Fraud and Identity portfolio. While our identity solutions focus on verifying and reverifying who a customer is across the life cycle, Check Fraud Defender addresses a complementary problem, preventing payment fraud through consortium-based network intelligence.

During the quarter, we continued to expand participation across the consortium, with new institutions joining and existing participants deepening their engagement. As a result, annualized contract value across Check Fraud Defender now stands at approximately \$17 million, up 44% year-over-year, reflecting continued momentum and growing confidence in the value of the network.

Datasets compiled in the consortium now cover in excess of 50% of US checking accounts, including institutions in production and active pilots, representing billions in transactions annually. As coverage expands, detection accuracy and loss prevention outcomes continue to improve, reinforcing the network effects that underpin the model and strengthening the value proposition for all participants.

Each transaction contributes behavioral and payment-related signals that enhance the intelligence of the platform over time, allowing risk models to continuously improve as scale increases. We believe this growing data asset will represent a durable competitive advantage that is extremely difficult to replicate through point solutions or isolated on-premise deployments. Taken together, our Check Fraud Defender product continues to scale as intended, expanding coverage, strengthening network effects, and delivering increasingly differentiated fraud prevention outcomes as participation grows.

Now, progress across Fraud and Identity would not be possible without deliberate, targeted investment, which brings me to our third pillar, which is investing where we believe we can lead and differentiate. Our investments

continue to be focused on innovation and strengthening the core of the platform, and extending its capabilities in areas that matter most to customers and can create competitive advantages.

During the quarter, investments included targeted work to improve platform infrastructure, automation and model performance, as well as continued expansion of capabilities within MiVIP and our fraud solutions. The objective is to deliver more accurate insights and decisions while improving scalability and operating leverage over time.

Equally important, we are investing in the organization itself. During the quarter, we reallocated resources towards higher-value initiatives; upgraded key skill sets across product, engineering, and go-to-market; and sharpened accountability to improve execution, speed and consistency. I feel good about the team's progress and we all recognize that we must continue to execute to capitalize on the growing opportunity in front of us.

I want to turn now to our fourth and final pillar, which is disciplined capital allocation. Execution and investment discipline ultimately show up in how capital is deployed. As we scale the platform and advance Unify and Grow, we are focused on ensuring that operational progress is matched by a strong balance sheet and deliberate capital deployment.

At a high level, our approach is simple: we protect financial flexibility; we invest in high ROI, organic opportunities aligned with our road map; and we return excess capital to shareholders, all with an eye towards maximizing shareholder value. We've also taken deliberate actions to strengthen flexibility and simplify the balance sheet, including the retirement of our convertible senior notes. With that behind us today, we also announced a new \$50 million share repurchase authorization.

This quarter reflects the operating cadence that we've been building towards, which is disciplined execution, hitting singles and doubles, and compounding progress as data, participation and customer engagement reinforce one another across the platform, essentially creating a durable flywheel or network effect grounded in trust, long-standing customer relationships and proven performance in highly regulated mission critical environments.

As AI lowers the cost of writing code and accelerates the pace and sophistication of fraud, these attributes become more valuable for us. Our customers are not simply buying software features, they are buying real-time risk mitigation and reduction, regulatory confidence, and a trusted intermediary with a long track record in regulated industries across multiple geographies. Mitek is uniquely positioned to aggregate signals, govern models, and continuously improve outcomes in ways that a single institution or point solution approach simply cannot. We believe this will lead to a strong competitive differentiation and business durability, and ultimately translates into long-term shareholder value.

Now, with all that as context, I'd like to turn the call over to Dave to walk through our financial performance for the quarter and review our updated guidance.

David B. Lyle

Chief Financial Officer, Mitek Systems, Inc.

Thanks, Ed. I'll start with a review of our first quarter financial performance. I'll then touch on our balance sheet and recent capital allocation actions, particularly in light of the fact that we retired our \$155 million convertible senior notes in full, drew \$50 million on our term loan, and authorized a new \$50 million share repurchase program. Finally, I'll close with our updated outlook.

For the first quarter of fiscal 2026, total revenue was \$44.2 million, up 19% year-over-year, driven by strength across the portfolio, led by 30% growth in Fraud and Identity, 21% growth in Fraud and Identity SaaS and overall

SaaS growth of 21%. Adjusted EBITDA was \$13.3 million, up 69% year-over-year, representing a margin of 30%, driven by revenue scale, mix, and incremental capitalized R&D.

Looking at revenue by portfolio, Fraud and Identity revenue was \$25.5 million, up 30% year-over-year or \$5.9 million. Growth was driven by \$3.6 million of SaaS growth, led by MiVIP and Check Fraud Defender, reflecting continued transaction volume momentum and broad-based adoption across the portfolio, with the balance coming from standalone biometrics licensing, primarily from volume overages.

Turning to Check Verification, revenue for the quarter was \$18.8 million, up 6% year-over-year. On an LTM basis, Check Verification revenue was approximately \$91 million, consistent with a year ago, with annual transaction volumes remaining broadly stable at approximately 1.2 billion, reflecting the durability of the franchise.

Within the quarter, performance was driven by renewals, strong services activity, and continued conversions from CheckReader to Check Intelligence, with incremental license activity increasing late in the quarter. Non-GAAP gross margin was 82%, a decline of approximately 280 basis points year-over-year. The majority of the decline was related to early stage Check Fraud Defender pilot deployments that incurred costs in the quarter ahead of associated revenue, which we expect to moderate as those pilots convert into full production. We also saw pressure from SaaS and services delivery economics as we supported higher volumes, onboarding activity and customer implementations.

Finally, revenue mix continued to impact margins as SaaS and services continued to represent a higher proportion of revenue. Despite this near-term pressure, underlying unit economics across the platform remain attractive. We continue to see more transactions per journey and increasing gross profit dollars per journey as adoption scales, which we believe supports operating leverage on these costs as volumes mature.

Total non-GAAP operating expense for the quarter was \$23.2 million, improving 3% from last year. As revenue scaled, operating expense as a percentage of revenue improved by approximately 1,200 basis points to 52%. This operating leverage reflects a combination of revenue growth, the disciplined redirection of spend toward higher ROI investment, and an increase in capitalized software development, consistent with the nature of the work being performed.

Sales and marketing expense was \$7.9 million, down from \$8.7 million last year, with sales and marketing as a percentage of revenue improving by approximately 550 basis points to 18%. This improvement reflects a more focused, platform-led go-to-market model where teams are selling the full portfolio in a more unified way across existing customers, partners and new customer opportunities, allowing us to scale more efficiently while continuing to invest behind growth initiatives.

Non-GAAP R&D expense was \$7.6 million, up 6% from \$7.2 million last year, with R&D as a percentage of revenue declining by approximately 215 basis points to 17%. This reduction as a percentage of revenue is fully explained by a higher proportion of development work that required capitalization in the quarter and reflects continued execution of our Unify and Grow strategy, including the realignment of R&D talent toward platform-level, reusable capabilities that support enterprise-scale adoption.

Capitalized development remained a low single-digit percentage of revenue, consistent with software peers operating in an investment phase. The full cash impact of these investments is reflected in free cash flow, which remains our key measure of underlying performance. Finally, non-GAAP G&A expense was \$7.7 million, down from \$8.1 million last year, with G&A as a percentage of revenue improving by approximately 430 basis points to 17%. This improvement reflects continued operating discipline and simplification across core corporate functions

we cited last quarter, including more standardized contracting and procurement, increased automation across finance and administrative workflows, tighter vendor management, and continued consolidation of internal systems.

Strong fiscal Q1 revenue performance and operating leverage translated into an increase in adjusted EBITDA of 69% year-over-year, or \$13.3 million, representing an adjusted EBITDA margin of 30%, an improvement of roughly 900 basis points versus last year. Non-GAAP income tax expense was approximately 12% that pre-tax income, resulting in non-GAAP net income of \$12.4 million and adjusted EPS of \$0.26 per diluted share, representing approximately 80% growth year-over-year.

Overall, first quarter results reflect continued improvement in earnings quality with revenue growth, operating leverage and earnings per share scaling together. Free cash flow for the quarter was \$6.6 million and \$60.5 million on last 12 months basis, representing 102% conversion of LTM adjusted EBITDA compared to 83% last year. This elevated conversion reflects non-structural tailwinds that will moderate over time, including interest arbitrage prior to the repayment of our convertible notes, a step change improvement in working capital efficiency, and temporarily lower cash taxes in 2026 and 2027 following recent tax legislation.

Over the longer term, we continue to view free cash flow conversion of approximately 70% to 80% of adjusted EBITDA as a more representative steady state range, consistent with recurring revenue software peers. Our capital allocation priorities remain disciplined and unchanged. We prioritize funding high-ROI growth initiatives, maintaining balance sheet resilience, and returning excess capital to shareholders.

We ended the quarter with \$192 million of cash and investments and approximately \$159 million of total debt, resulting in a net cash position of \$33 million. Subsequent to quarter end, we retired our \$155 million convertible senior notes in full and drew \$50 million on our term loan. These actions were neutral to net cash, simplified the balance sheet, and extended our debt maturity profile to 2030.

Turning to capital return, during the first quarter, we repurchased approximately \$10 million of shares, which left approximately \$11 million remaining under the authorization at quarter end. Since quarter end through February 4, we repurchased an additional \$7 million, leaving just over \$4 million remaining under the current authorization.

Given our confidence in the business and cash generation profile, today, we announced a new two-year \$50 million repurchase authorization, which will become effective upon completion of the current program. At current equity levels, we believe disciplined share repurchases represent an attractive use of capital and a compelling opportunity to drive long-term per share value creation.

Turning to our updated fiscal 2026 outlook, we are raising our fiscal 2026 revenue guidance range by \$2 million to \$187 million to \$197 million compared to our prior range of \$185 million to \$195 million. This update reflects two distinct factors. First, we increased the lower end of the implied Check Verification range by \$1 million, reflecting completed renewals and improved visibility into remaining fiscal year activity. Second, we increased the lower end of the Fraud and Identity range by \$1 million and the upper end of the range by nearly \$2 million, resulting in a new annual range of \$102 million to \$107 million. This increase reflects strong first quarter execution, continued momentum into Q2, and improved visibility into deal timing and customer expansion early in the year.

For the second fiscal quarter, we expect revenue to be in the range of \$50 million to \$55 million. The variability in this range primarily reflects the timing of Check Verification license renewals, where revenue can shift between quarters based on closing timing rather than changes in demand or execution. Q2, typically our most active quarter for Check Verification, and a small number of large renewals can be recognized on a single day, resulting

in wider than usual quarterly guidance range. As visibility improves through the year, we currently expect second half revenue to be more heavily weighted to fiscal Q3, driven by the timing of Check Verification license renewals.

Turning to profitability, we are updating our fiscal 2026 adjusted EBITDA margin guidance to 29% to 32%, up from our prior range of 27% to 30%. The 200 basis points increase is driven primarily by a higher level of capitalized software development than we assumed when we set guidance in December. Following a complete quarter of execution, we now have greater confidence that a larger portion of our development activity requires capitalization. Importantly, on a cash basis, total R&D spend is higher year-over-year, reflecting our investment road map, and these costs are fully reflected in free cash flow.

From a cash flow and modeling perspective, we expect capital expenditures to be approximately 3% of revenue and depreciation and amortization to be approximately 1% of revenue, and reflecting increased capitalization of R&D and an overall increase in cash R&D investment year-over-year. We continue to expect gross margins to remain in the low 80% range, with operating expenses stepping up sequentially through the year as we invest behind our growth initiatives.

More broadly, these outcomes reflect continued progress under our Unify and Grow ethos as the organization operates more cohesively as One Mitek. Execution across the platform is becoming more consistent, investments are increasingly aligned to scale capabilities, and that discipline is increasingly showing up in growth, margins and free cash flow.

With that, operator, we are ready to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you so much. Ladies and gentlemen, we'll now begin the question-and-answer session. [Operator Instructions] One moment, please, for your first question. Your first question comes from Allen with Maxim Group. Allen, please [ph] go (00:27:36).

Allen Klee

Analyst, Maxim Group

Q

Yes, hi. Good evening. For your Fraud and Identity segment, can you discuss a little the competitive environment and why you think you're winning and in what cases would you maybe be losing?

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Well, good afternoon, Allen. Thanks for the question. So the way we see the environment, frankly, through the tight relationships that we have with many institutions around the world, the environment is growing and the needs for growing, driven by AI, generative AI and the synthetic fraud that's accelerating, and frankly, all applications that we see across the board that's creating more demand, more need. And I think we're pretty well-situated because of our broad platform, the capabilities, going back to our heritage, as well as the capabilities around biometrics, the liveness to detect synthetic fraud, deepfake detection and other risk elements.

And we're increasingly combining other data elements in this to make it a data-rich experience and detection and assessment for our customers. And I think that's also unique in the market when you combine it with our heritage, with high assurance businesses like financial institutions, that becomes a smaller and smaller group that – in the

market. And so we feel good about the position. And as I mentioned in my talks, the durability of the business by adding more and more data into the business – and the more customers that come in, the richer the environment becomes, and it's that network effect and it's – offers richer signals. So, again, we look forward to that and continue to build and grow.

Allen Klee

Analyst, Maxim Group

Okay, great. Thank you very much.

Q

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Thank you, Allen.

A

Operator: All right. Your next call comes from Jake. Jake, please go ahead, with William Blair.

Jacob Zerbib

Analyst, William Blair & Co. LLC

Hi. This is Jacob Zerbib on for Jake Roberge, and congrats on the solid quarter. I wanted to ask, great to see the Check Verification business continuing to do well. I guess from a growth perspective, how are you thinking about the pricing lever for growth over the longer term? And then I have one follow-up after that. Thanks.

Q

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

So let's circle back. Thank you, Jacob. And we were very pleased with the outcome from this past quarter. So I mentioned in my comments around renewals, renewals and expansions coming in at the high end of expectations. The pricing continues on. It's a very strong foundation that we have and relationships with our core partners. We're also having broad discussions around expanding, expanding particularly around Fraud and Identity on the market, and bringing in the broader suite of solutions that we can bring forth to help support our partners; growth, which we look forward to continuing to deepen those conversations.

A

On overall in the market, as I mentioned, checks continue to decline, but fortunately, our solution clearly shows us the convenience and the mission-critical nature for financial institutions and, obviously, as a result, the penetration continues to deepen, and we still see stable activity with nominal prices.

Jacob Zerbib

Analyst, William Blair & Co. LLC

Got it, thanks. And then you talk a lot about the linking between Fraud and Identity. You called it out over the past couple of calls. Can you talk a little bit about what you're doing from a go-to-market perspective to help drive that value for customers?

Q

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Absolutely. It is because of the growing need, and it's why it was so important, as we announced this past quarter around our focus around Unify and Grow, bringing all of our capabilities and solutions together into a single platform approach, and that also includes our go-to-market team from a sales standpoint, that we're now showing up at customers and prospects as one business, bringing forward the full suite. And we see both fraud solutions

A

as well as the identity as well as authentication capabilities, deepfake detection all being offered in an integrated way and trained our sales team to talk more broadly against that.

And also another important aspect, I believe, is that we've moved way up the stack within our core customers in terms of who we're talking with and meeting with at the institutions as Head of Fraud, Head of Product, Head of the Retail Bank because of the mission-critical nature of what we're providing not only on new customer onboarding, but ongoing customer engagement through authentication and synthetic fraud detection.

So because we're bringing all this together, that has changed. We're also now been bringing in people looking at other markets, other verticals beyond the heritage financial institutions and financial services. We now have relationships and business through other partner channels who are also taking us into other verticals as well, including government, insurance, telecom as well as our own hunters on that front as well. So a lot of investment is taken and we'll continue to invest more because of the demand that we've seen and growing.

Jacob Zerbib

Analyst, William Blair & Co. LLC

Got it. Thank you very much.

Q

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Thank you.

A

Operator: Your next call comes from Mike with Northland Securities. Mike, please go ahead.

Mike Grondahl

Analyst, Northland Securities, Inc.

Hey, thanks, guys. First question, just has there been any expansion of the sales force like in terms of head count or marketing budget? Just kind of curious on those two after the last question.

Q

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Yeah, I'll start off with some and then Dave can elaborate as well. Yes, we have expanded head count. We've gone through a lot of changes, as I mentioned in the last question, in terms of consolidating the people and the training, bringing on additional hunters and capabilities. As we also expand into other markets, we've brought in more on the channel partner side as well, expanding to the channel capabilities as well as SDRs and qualification of delivering leads and opportunities into the sales team. The marketing dollars, I mean, that's – that can be jumpy from quarter-to-quarter up and down in terms of where we see and where we're investing. I don't know if, Dave, if you want to talk more about what we see in the changes ahead there.

A

David B. Lyle

Chief Financial Officer, Mitek Systems, Inc.

Sure. We talked about in the last call that we would be investing in 2026, both in R&D on a whole bunch of different fronts as well as sales and marketing, specifically, on GTM, go-to-market. You'll see that across the year quarter-to-quarter as we both hire sales force talent but also enforce and enhance some of the programs that we have out there.

A

Mike Grondahl

Analyst, Northland Securities, Inc.

Q

I guess, like, would you say the sales force is expanding head count 5%? Can you quantify it at all?

David B. Lyle

Chief Financial Officer, Mitek Systems, Inc.

A

Yeah, we haven't gone to that level of guidance detail, but we're not going to see – if you're asking, are we going to see a big spike here to start generating revenue, the answer is no. Ed talked about in his prior comments and prior quarter that the unification of the sales force has created some real synergy, and having everybody sell the entire portfolio is really helping. We're already seeing...

Mike Grondahl

Analyst, Northland Securities, Inc.

Q

Got it.

David B. Lyle

Chief Financial Officer, Mitek Systems, Inc.

A

...the results of that in the numbers, and I think that will continue. So we should get some more leverage, revenue leverage out of the existing sales force, and then putting some more talent on the team will – should be able to accelerate that.

Mike Grondahl

Analyst, Northland Securities, Inc.

Q

Got it...

[indiscernible] (00:36:13)

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

And, Mike, it's an area where we'll continue to invest in making sure we're bringing in the skills and talent, and we're seeing the demand continuing to increase on both the direct as well as the channel side, which is why we're broadening out on both sides. But we've also been able to drive more efficiency...

[indiscernible] (00:36:35)

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

...through tighter arrangement, offsetting some of that investment.

Mike Grondahl

Analyst, Northland Securities, Inc.

Q

Got it. Hey, next, with Check Fraud Defender, it sounded like you guys had maybe started a couple interesting – maybe a couple of larger pilots. Any more color you can provide there?

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Yes, we have. With the pilots that are underway, as I mentioned, one of the ways to – of looking at that is the datasets that have now been accumulated from all the data that's coming through, we're now seeing volume and transactions literally in the billions of transactions that are going through on an annualized basis now. Those pilots continue to track. We're very pleased with the progress, pleased with the platform, the progress of the platform, the deepening engagement with our customers, the value that's being returned, and the size of the institutions that are now continuing to seek and potentially participate in – overall into the consortium.

That the more data that comes in, the more partners that come in, the more and more valuable that franchise and data asset is. So we're encouraged by the progress and enthusiastic about continuing to build it out.

David B. Lyle

Chief Financial Officer, Mitek Systems, Inc.

A

Yeah. The point about increase in coverage is really important because as the coverage increases, the value per participant increases, which improves conversion and expansion economics.

Mike Grondahl

Analyst, Northland Securities, Inc.

Q

Great. Yeah, 50% kind of jumped out at me. Maybe last year, last – is there an average life to a pilot? Like are some of these getting to a point where they got to convert or is that next quarter, we'll hear that, or is that something over the course of 2026?

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

There's not an average life, obviously, this is a relatively a new solution and continuing to bring in more partners, and we'll keep you updated as progress ensues. So it's – we feel good and encouraged about the progress so far. Obviously, we'd like...

Mike Grondahl

Analyst, Northland Securities, Inc.

Q

Thank you.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

...them all to be quicker, but – and we'll continue to try to accelerate that.

Mike Grondahl

Analyst, Northland Securities, Inc.

Q

Sounds good. Thank you.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Thank you, Mike.

Operator: All right. [Operator Instructions] Now it's George with Craig-Hallum. Please go ahead.

Logan Lillehaug

Analyst, Craig-Hallum Capital Group LLC

Q

Hey, guys. This is Logan on for George. Thanks for taking the question and congrats on another nice quarter here. Ed, when we think about what is obviously a very rapidly changing kind of environment out there when it comes to AI-driven fraud, synthetic fraud, things of that nature, are you seeing that creep into sales cycles at all on the Fraud and Identity side where maybe FI's are pushing a bit more, there's a bit more urgency to kind of bring you guys in?

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Yeah. Thank you, Logan. Great question. If a institution's been through an attack, yes, we do see that moving potentially more quickly on a – from a sales cycle standpoint. But this is a comprehensive solution, bringing in a lot of different factors can take time, and frankly, what we've seen mostly is a first level of engagement and going off onto a certain part of the business. Let's just say, for example, maybe starts off at an FI in opening up digital checking accounts, then that can broaden into auto loans or broaden into mortgages and credit cards, then moving into various other countries.

So that's where we see that engagement continuing to broaden out, and then also into fuller authentication from verification and continuing to get deeper and then bringing in other signals. And if there has been a attack or something they've experienced or vulnerability, we do see those times accelerate.

Logan Lillehaug

Analyst, Craig-Hallum Capital Group LLC

Q

And I guess on a similar note, like are you seeing kind of more activity maybe from some of your channel partners on that side, just where, kind of, there's more engagement from them?

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Yes, there is, and bringing additional opportunities, that's where, if we look at some of the channel partners who operate outside of financial services, are bringing us – coming into as a partner into other verticals, for example, government or insurance verticals, which has been terrific in seeing opportunities, and also opportunities around authentication, like, for example, with MiPass on that front, and that's also in multiple countries.

And when we talk about – with our core partners in financial services, they all recognize and – well, you mentioned to me, the number one issue that they're hearing from their customers today is around synthetic fraud. It's one of the top topics out there, which is why we're there, bringing there in full force to help support both our partners' growth in solutions for their customers.

Logan Lillehaug

Analyst, Craig-Hallum Capital Group LLC

Q

Okay. Got it. I'll leave it there. Thanks for taking the questions.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Thank you, Logan.

Operator: All right. There are no further questions at this time. I'll turn the call back over to Ed West.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Great. Thank you, operator, and we want to thank you for joining our quarterly progress report today. And speaking for our terrific and enthusiastic employees, we all look forward to executing on the growing opportunity ahead for Mitek. So thank you very much and have a great day.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating and you may now disconnect.

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