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Mitek Systems, Inc. (MITK)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to the Mitek Reports Fiscal Second Quarter 2026 Financial Results. At this time, all lines are in listen-only mode, and following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Thursday, May 7, 2026.

I would now like to turn the conference call over to Mr. Ryan Flanagan with IRC (sic) [ICR] (00:00:31). Please go ahead.

Ryan Flanagan

Managing Director, ICR Inc.

Thank you, Operator. Good afternoon, and thank you for joining us today to discuss Mitek's fiscal second 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. A description of these risks and uncertainties can be found in our 10-Q filing dated May 7, 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 Investor Relations website for further information regarding forward-looking statements and reconciliations of GAAP to non-GAAP financial measures.

And 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 less familiar with Mitek, we provide the verification, authentication, and fraud decisioning infrastructure that high assurance institutions rely on to protect customers and stop fraud across a broad digital life cycle. Whether someone is opening an account, logging in, depositing a check, approving a high-risk payment, our role is to help determine whether that person, session, document, check or transaction can be trusted.

By leveraging our data network, leading digital fraud detection solutions, expertise and history in financial services, we believe that we are well aligned to how the market is evolving to fight increasingly sophisticated synthetic AI-assisted fraud. This quarter's progress is a good indicator of that alignment. The team delivered a strong fiscal second quarter, including record revenue and record adjusted EBITDA.

With that as context, I'd like to walk through four key takeaways from this past quarter. First, Fraud and Identity remains our growth engine, with revenue up 28% year-over-year. Due to our data network, platform and expertise, our customers are becoming more engaged with Mitek, both contractually and technologically.

Second, our Check Verification solutions remain a durable cash generative foundation for the business with long-standing relationships that support broader Fraud and Identity growth. Third, the quality of our revenue base continues to improve. Total SaaS revenue grew 18% year-over-year and now represents approximately 44% of total last 12 months revenue. And fourth, execution is showing up in the numbers. Record revenue and profitability, healthy cash flow, and a significantly stronger balance sheet.

The consistent theme across all of this is that our Unify and Grow ethos is working. Fraud demand is increasing. Customers are expanding with us. Our platform is becoming more valuable as data and participation scale, and we're translating that progress into stronger financial performance. Underpinning that progress is a demand environment that continues to strengthen and AI is exacerbating it, increasing the scale, speed and unpredictability of attacks.

AI is lowering the cost of and making it easier to create fake identities, manipulated documents, deepfake images, cloned voices, and coordinated attacks at high velocity and scale. That is making legacy tools less effective, particularly during periods of changing attack volume. This environment plays directly to Mitek strengths. Customers increasingly need a trusted partner with flexible infrastructure that scales, combined with multiple fraud detection signals and proprietary network-based data to drive better trust decisions without adding unnecessary friction or cost.

Just as importantly, fraud rarely stays isolated to one institution. Once vulnerabilities are identified, attacks often spread across multiple organizations, increasing the value of a broader network that can recognize patterns early and help customers benefit from shared intelligence that no single institution can generate alone.

As fraud becomes more complex, more coordinated and more expensive to manage, we believe the need for modern identity verification, authentication, and fraud decisioning solutions will continue to grow.

Now back to our first key takeaway. As institutions confront this environment, they are gravitating toward a multi-layered approach that is showing up in our results with Fraud and Identity revenue up 28% year-over-year. High quality institutions are engaging more deeply with Mitek through stronger contractual commitments, broader platform adoption, and growing participation in our data network.

Reflecting this, several relationships deepened during the quarter. A flagship customer, one of the largest banks in the United Kingdom, evolved from a predominantly variable pay-as-you-go model to a new multi-year, multi-million dollar committed structure, increasing annual spend. We saw a similar pattern with a leading European information services customer which renewed into a larger committed relationship that included expansion.

These examples reflect a broader trend. As customers scale with Mitek, they increasingly choose larger multi-year contractual commitments, a positive indicator of customer confidence that improves visibility, strengthens revenue quality, and supports long-term value creation.

Customers are also expanding their use of Mitek beyond a single onboarding workflow to address the broader customer life cycle, including account login, profile changes, account recovery, step-up authentication, and higher-risk transactions. We saw clear examples of this during the quarter. A major UK bank expanded fraud decisioning across customer journeys. A leading UK digital bank broadened its relationship into Germany while adding fraud capabilities. And a major European customer adopted MiPass as a part of a broader authentication strategy.

Finally, participation in our data network continues to grow. Check Fraud Defender ACV now exceeds \$19 million, up more than 50% year-over-year, with contributing datasets covering over 60% of US checking accounts and annualized volumes now measured in the billions. Checks remain a meaningful part of the US financial system, and those workflows produce rich image and behavioral data that is highly valuable for fraud detection.

As participation grows, the network strengthens through greater volumes. More institutions contributing means a richer view of cross-institutional fraud patterns, better outcomes, and stronger customer ROI. During the quarter, we added another top 10 financial institution with another top 10 FI currently in pilot.

This proprietary visibility is also where our broader Fraud and Identity strategy gains its edge. Few participants see US check activity at this scale, and those signals translate into stronger decisioning across adjacent workflows. We saw that play out this quarter with the launch of the first phase of Positive Pay Plus, which strengthens controls at the point of presentment by comparing issued checks against presented items in real time and automating historically manual decisions.

Because it leverages existing infrastructure with no new integration required for many customers, adoption friction is low and time to value is fast. We added a new top US regional bank for these capabilities and expanded within a large existing customer.

It's a clear example of how our Check Verification footprint creates an expansion opportunity, one that drives broader F&I platform adoption and gives customers a stronger fraud detection signal than they could have built on their own.

Importantly, this value is resonating beyond the largest institutions. Through partners such as Abrigo and our recently announced Tyfone integration, we are broadening access to consortium-powered fraud intelligence for community and regional banks who face meaningful fraud losses and operational strain of their own.

We also continue to extend the platform through strategic ecosystem partnerships that broaden reach and simplify deployment for customers, including our recently announced integration with Ping Identity to help customers embed identity verification more seamlessly across the customer journey and our partnership with Synectics Solutions, which brings Mitek's identity capabilities into the insurance market through its fraud orchestration platform.

Now on to our second key takeaway. Check Verification continues to operate as a durable and highly cash-generative part of Mitek and represents trusted positions with many of the largest financial institutions in North America. During the quarter, we saw multiple meaningful renewals, extensions, and license wins across leading processors and financial institutions, including activity tied to key partners such as FIS, Jack Henry, and Candescend, as well as additional international wins. These relationships provide deep connectivity into the FI ecosystem and reinforce the critical role our solutions play in supporting high-volume, mission-critical workflows.

Importantly, we're seeing these relationships evolve as customers look to address rising check fraud, exception handling, and workflow complexity. Many institutions that have historically relied on Mitek for mobile deposit are now expanding into adjacent fraud use cases.

Now to our third key takeaway. We continue to improve the quality and durability of our revenue base. This quarter, SaaS revenue grew 18% year-over-year and represented approximately 44% of the total last 12-month revenue, up 40% from a year ago. We view this as a meaningful indicator of the continued evolution of our business model towards a larger, higher quality recurring revenue base. And this mix improvement is being driven by SaaS growth.

We now estimate that a substantial and growing portion of our SaaS revenue is generated from committed contractual arrangements rather than variable pay-go or overage structures. This enhances visibility, improves durability, and reduces reliance on more volatile consumption patterns over time.

Given our revenue is increasingly tied to transaction activity, usage volumes, and customer workflows rather than seat-based pricing, our model is well-aligned where the market is going. As digital interactions grow and more decisions move into automated or machine-to-machine environments, we believe our model is well-positioned to scale alongside that activity. Taken together, these shifts are helping create a business that is increasingly recurring, visible, scalable, and resilient.

And on to our fourth and final takeaway. Consistent execution is translating into stronger profitability, healthy cash generation, and a significantly improved balance sheet. We delivered record revenue and record adjusted EBITDA quarter reflecting the benefits of growth, improving mix, and continued operating discipline across the business. We're also seeing leverage in the model as we scale, supported by automation, tooling efficiencies, focused investment, and a disciplined cost structure.

At the same time, we have taken meaningful steps to strengthen the balance sheet. Following the retirement of our convertible notes, we remain in a healthy net cash position with added flexibility, resilience, and a simplified capital structure.

On capital allocation, we continue to take a balanced and disciplined approach, returning capital to shareholders through share repurchases while preserving strategic flexibility. While Dave will cover the financial details shortly, the takeaway is straightforward. Our Unify and Grow ethos is creating a more profitable and more resilient Mitek better positioned to generate and allocate capital from a position of strength.

In closing, we remain confident in the direction of the business. The market continues to reinforce a simple reality. As AI makes fraud cheaper, faster, and more scalable, trust becomes more valuable. In an AI-driven fraud environment, we believe Mitek's relevance increases. We sit at the center of that shift by building a network-driven business that is designed to secure our customers' digital interactions, supported by deep integrations, proprietary data, and long-standing customer relationships.

With that, I'd now like to turn the call over to Dave to walk through the financial results and our raised outlook in more detail.

David B. Lyle

Chief Financial Officer, Mitek Systems, Inc.

Thanks, Ed. I'll review our second quarter results and then walk through our updated outlook for the rest of the year. Second quarter fiscal 2026 was a record revenue quarter for Mitek, with total revenue of \$54.8 million, up 6% year-over-year. Fraud and Identity grew 28%, and Check Verification declined 8% on renewal timing against a strong prior year comparison.

Total SaaS revenue grew 18%, bringing SaaS to approximately 44% of last 12 months revenue, up from 40% a year ago and improving the overall mix. Adjusted EBITDA set a Mitek record at \$22.3 million, a margin of approximately 41%. Revenue scale, favorable mix, higher capitalized costs, and strong drop-through from Check Verification and our seasonally strongest renewal quarter all contributed.

Looking at revenue by portfolio, Fraud and Identity revenue grew 28% year-over-year, reflecting continued demand for identity verification, authentication, and fraud prevention across the customer lifecycle. Fraud and Identity SaaS revenue again led the way at 19% growth, driven by healthy transaction volumes, adoption of higher-value workflows, and momentum in Check Fraud Defender.

The bridge between 19% Fraud and Identity SaaS growth and 28% total Fraud and Identity growth reflects another strong quarter of biometric software licensing, making a second consecutive quarter where license activity contributed meaningfully. Customers are deepening relationships through multiyear commitments and expanded deployments which can drive higher upfront license revenue recognition.

Biometrics license activity is lumpy by nature, and we expect it to step down sequentially from these first-half highs as we move through the back-half of the year. With SaaS being the substantial majority of Fraud and Identity revenue, we expect portfolio growth to track SaaS growth more closely over time.

Turning to Check Verification, revenue for the quarter was \$29.1 million, driven by seasonally strong renewals and customer upgrades from legacy CheckReader to our modernized Check Intelligence solutions.

On a trailing 12-month basis, Check Verification revenue was \$88.2 million, consistent with the range we have seen previously. Overall, Check Verification remains a durable, highly profitable, and cash-generative portfolio. The trusted relationships it anchors also create a strategic foundation for broader growth in Fraud and Identity.

Non-GAAP gross profit for the quarter was \$46.6 million, and non-GAAP gross margin was 85%, a decline of approximately 270 basis points year-over-year. Roughly half of the change was mix shift towards faster-growing SaaS and services, which carry lower gross margins and software license revenue at close to 100%.

The remainder was implementation activity in early-stage pilots where costs occur ahead of revenue. We expect this to moderate over the next few quarters as those customers move into production, and we have already factored that trajectory into our gross margin outlook for the balance of the year.

Beneath the headline, CFD SaaS margins actually expanded this quarter as a re-architecture of how CFD transactional data is stored materially reduced the compute costs of moving it through our analytics pipeline. We expect these efficiencies to compound as transaction volumes scale. Taken together, the underlying margin profile remains strong with attractive unit economics across the platform, with gross profit dollars per customer journey expanding as adoption deepens.

Total non-GAAP operating expense was \$24.8 million, improving 4% year-over-year. As a percentage of revenue, operating expense improved approximately 440 basis points to 45%, driven by revenue growth, cost discipline, and prioritized investment in our highest return growth opportunities.

Non-GAAP sales and marketing expense was \$8.5 million, down from \$9.5 million last year. As a percentage of revenue, sales and marketing improved by approximately 290 basis points to 15%. This reflects a more focused go-to-market model, tighter marketing spending, and growing ability to sell the broader portfolio through a unified commercial approach.

Non-GAAP R&D expense was \$7.1 million, down from \$8.4 million last year. As a percentage of revenue, R&D declined by approximately 330 basis points to 13%. The reported reduction reflects capitalized development activity and higher revenue. On a cash basis, R&D investment is actually up approximately 8.5% year-to-date. [indiscernible] (00:20:01 – 00:20:07) and AI-based decisioning, fraud intelligence, and biometrics innovation.

And finally, non-GAAP G&A expense was \$9.2 million, up from \$7.8 million last year. As a percentage of revenue, G&A increased by approximately 170 basis points to 17%. This year-over-year increase is amplified by an unusually low prior-year comparison, which benefited from a bad debt expense reversal. This quarter's G&A reflects a more normalized base going forward. We continue to drive discipline, automation, and efficiency across our corporate functions, and we expect to see those actions deliver leverage over the coming years.

As I mentioned, adjusted EBITDA was a record \$22.3 million, up 10% year-over-year at a margin of approximately 41%. Non-GAAP income tax expense was approximately 15% of pre-tax income, resulting in non-GAAP net income of \$18.5 million and adjusted diluted earnings per share of \$0.38. Free cash flow for the quarter was negative \$2.5 million, while trailing 12-month free cash flow was approximately \$45 million, representing approximately 72% conversion of adjusted EBITDA.

Quarterly free cash flow was driven by timing-related working capital, most notably higher accounts receivable from late quarter billings, which we substantially collected in April. This is typical of our fiscal second quarter, when a concentration of Check Verification annual renewals closes late in the quarter, temporarily increasing receivables and reducing cash conversion. On a trailing 12-months basis, free cash flow remains healthy and within our 70% to 80% long-term conversion range.

Our capital allocation priorities are unchanged, investing in high-return growth, maintaining balance sheet strength, and returning excess capital to shareholders. We ended the quarter with \$78 million of cash and investments and \$54.5 million of total debt, resulting in a net cash position of \$23.1 million.

As we discussed in our last call, during the quarter, we fully retired our \$155 million convertible notes and drew \$50 million on our term loan facility, reducing total debt by approximately \$105 million versus the prior quarter and extending our nearest debt maturity to 2030, simplifying the capital structure and adding flexibility and resilience.

We also returned \$8 million to shareholders through share repurchases. As a reminder, we previously announced a new \$50 million share repurchase program, which provides ongoing flexibility to return capital opportunistically.

Turning to our updated fiscal 2026 outlook, we are raising full-year revenue guidance to \$189 million to \$198 million, which now represents 8% year-over-year growth at the midpoint. The raise reflects stronger first-half execution and improved visibility, particularly within Fraud and Identity, where SaaS continues to lead growth.

We are also raising our full-year Fraud and Identity revenue outlook to \$103 million to \$108 million, representing approximately 17% growth at the midpoint. For the fiscal third quarter, we expect revenue in the range of \$49 million to \$53 million. This implies fiscal fourth quarter revenue in the range of \$41 million to \$46 million, broadly in line with last year's fiscal fourth quarter, reflecting Check Verification, renewal timing, and the step down in biometrics license from a strong first-half.

Importantly, we anticipate Fraud and Identity SaaS will continue to step up sequentially through the balance of the year, which is a better proxy for the underlying growth trajectory of the business. We expect non-GAAP operating expense in fiscal Q3 to be in the range of \$25 million to \$26 million, up modestly from fiscal Q2, reflecting our continued investment in R&D.

Turning to profitability, we are raising our fiscal 2026 adjusted EBITDA margin guidance range to 30% to 33%. Reflecting stronger first-half revenue, operating discipline and an increasingly favorable SaaS mix. From a modeling perspective, we expect non-GAAP gross margin to remain in the low 80s range for the rest of the year. We continue to expect capital expenditures of approximately 3.5% of revenue and depreciation and amortization of approximately 1% of revenue for the full-year.

Overall, our results reflect our Unify and Grow ethos, a more focused and scalable Mitek delivering stronger growth, expanding profitability and durable cash generation with the flexibility to allocate capital from a position of strength.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we'll now begin the question-and-answer session. [Operator Instructions] Your first question comes from Mike Grondahl from Northland Capital Markets. Please go ahead.

Logan Hennen

Analyst, Northland Securities, Inc.

Q

Hey, this is Logan on for Mike. Thanks for taking our question. With the rise in Gen AI fraud, can you give some color around how customer urgency has changed over the last six to 12 months, especially with the larger banks? Thanks.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Sure. Hello, Logan. Thanks for the question. Yeah, we have seen a increase in interest and demand because of the increase in attacks. As I mentioned in my comments, just with the cost and speed, with cost going down, the speed, the ubiquity of access to a very sophisticated models for fraudsters to use around the world. They're obviously attacking locations where they want to steal or have an attack or go into an account takeover. So we're seeing increasing issues, which is also increasing outreach and interest and working with them, partnering with them.

Very importantly, we use a highly layered approach, bringing forth our knowledge, our expertise, working with financial institutions in a highly regulated environment, model governance, controls, and bringing in our capabilities, not just on the verification, but also the biometrics. And seeking for various types of attacks that a fraudster might utilize, whether manipulating the documents or whether an injection attack, a deepfake or other presentation. And so we'll use a layered approach and also bring in other third parties to work with our customers to help prevent – detect and prevent the fraud.

So demands have been increasing in that, and I think that's going to continue to do so. Attacks have been and they're morphing and changing. So it's a high focus of interest. And not just in financial institutions. We've actually been seeing more recently, increase in demand from other sectors, which we're predominantly approaching through partners, to approach other high-risk, digital interactions.

Logan Hennen

Analyst, Northland Securities, Inc.

Q

Could you double click on that? What other verticals are you exploring for Gen AI fraud to combat that?

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Well, in terms of vertical, in terms of a customer standpoint, where someone who might be utilizing AI for fraud, like in insurance. I mentioned a partnership with Synectics, who has a fraud orchestration platform working with insurance industries. We have a close partnership with them, and that's a very large vertical. It's related to financial services, and that's supporting.

Another one is with the government, like in the United Kingdom, working through other channel partners, who have relationships with various ministries in the United Kingdom or other governments in Europe, working to them

for support government. We also have healthcare of interest because of the records, the access in healthcare, have seen an approach. So that's several beyond just financial services.

Clearly, our expertise has been centered for a long time on financial services and understanding the regulatory, the approach, the expertise, the knowledge, but – and then working through these partners who have a lot of expertise in some of these other verticals, utilizing our tools and capability.

Logan Hennen

Analyst, Northland Securities, Inc.

Got it. Appreciate the color, and congrats on another great quarter.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Hey, thanks, Logan.

Operator: Thank you. Your next question comes from Derek Greenberg from Maxim Group. Please go ahead.

Derek Greenberg

Analyst, Maxim Group LLC

Hey, guys. Congrats on the quarter. I wanted to talk about the Fraud and Identity segment in terms of just the overall economics of that business. I know historically the deposits have been the cash cow. I was wondering when you expect this segment to turn profitable, the Fraud and Identity, that is?

David B. Lyle

Chief Financial Officer, Mitek Systems, Inc.

We haven't talked about Fraud and Identity as a segment with or without profitability. We did – if you remember a year ago, before we changed the way we categorized our product portfolio, we had talked about getting identity to profitability, which we had done a year ago. And then we shuffled some products around to make more sense into different product groups, Fraud and Identity and Check Verification.

That being said, historically, Check Verification has been a very profitable heritage business for us. It not only generates a lot of cash for us, but it's pretty important strategically as we've merged Mitek into One Mitek. And it's helping our Fraud and Identity products grow. But in terms of specific profitability metrics, we haven't put those out at this point.

Derek Greenberg

Analyst, Maxim Group LLC

Okay. Got it. Thank you. That's helpful color. I guess I was just curious how to think about – I mean, the margins this quarter, 41% adjusted EBITDA margins. I was wondering as identity eventually matures and scales, how much upside do you see from what we saw this quarter in terms of margins?

David B. Lyle

Chief Financial Officer, Mitek Systems, Inc.

Yeah. First of all, I think we're at the very early innings given how fast the market's growing and how large it already is. I think the opportunity is there for us. And I think we have leading-edge products to be able to compete. You'll see in the – if you look at our adjusted EBITDA guidance for the entire year of 30% to 33%, we've been

raising that two quarters in a row. We feel pretty confident in that range. The adjusted EBITDA in Q2 is typically our highest quarter for adjusted EBITDA, but that's mostly driven by Check Verification is seasonally strongest in Q2. Typically Q3 is second, and then Q1 and Q4 are typically weakest. So you see a little more pressure on adjusted EBITDA margins.

All in all, if you kind of look at the core of what's driving our growth, it's Fraud and Identity SaaS. Fraud and Identity SaaS has pretty consistently been in kind of the, call it 20% range, fluctuates a little bit quarter to quarter, depending on overages and there's certain seasonality in Q1 and Q3. But otherwise, I think we feel pretty good about those kinds of growth rates in that core part of the business. So when I say that, I really mean product portfolio that includes Mobile Verify, MiVIP, Check Fraud Defender, MiPass, those kinds of products.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

And Derek, I would just add on to what Dave is saying there. It's a mindset that we've had since working together for the last year-and-a-half in the organization and across the company, and it's just that mindset of continuous improvement, continuing to drive scale, efficiency. As we're seeing now with such a strong focus in growth.

And as Dave talked about, how even going through the remainder of the year with the growth within SaaS and F&I SaaS, the scale each quarter progresses. More and more scale, more volume, better unit economics across the business. We've been implementing with new tooling, new capabilities, more efficiency, how we're utilizing various tools across the business. So we're actually very encouraged, year-to-date progress, how we see that going and seeing improved unit economics over time. That said, we're highly focused on growth and continuing to capitalize on the opportunity that's ahead of us.

Derek Greenberg

Analyst, Maxim Group LLC

Q

Okay. Got it. One last question. I was wondering just maybe if you could talk about in terms of the growth, if you're seeing more from current customers on the platform expanding workflows and transactions or if it's more driven by new customer sign-ups on the platform or if it's kind of just broad-based?

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

I would say it's broad, where a large part of the growth has come from is relationships that have continued to expand. As I mentioned and as you know, in particular on the Fraud and Identity side, we work with numerous large financial institutions and other large high-assurance businesses that have multiple divisions operating in multiple countries, multiple products. And what we find is, even though the sales cycle is long, and working with them and starting to roll out and the implementation of the systems, but over time, as the relationships grow, we find, we expand to different margins, or different markets, different product uses, capabilities, other step-up functions.

And so that's where a lot of the growth has come, in addition to signing up several new relationships over the last several quarters, some of the largest financial institutions in North America, as well as Europe, and through, and other partners, but we're early on through that.

Last, I would just say one last comment. I think you've also noticed like on part of the business on fraud where we've amping up more of a focus on our partners. And we've announced several new channel partner

relationships and now having them out bringing on additional institutions like onto our fraud platform, and that's really been accelerating over the last several months. And we see – we are -there's more to go on that front too.

Derek Greenberg
Analyst, Maxim Group LLC

Q

Okay. Got it. Thanks for taking my questions.

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

A

Thanks, Derek.

Operator: Thank you. And your last question comes from George Sutton from Craig-Hallum. Please go ahead.

Logan Lillehaug
Analyst, Craig-Hallum Capital Group LLC

Q

Hey, guys. Logan on for George. Thanks for taking the questions. Ed, I wanted to follow up on kind of the comments you were just making there. I mean, you talked quite a bit today about expanding with existing customers and kind of that upsell motion. So [ph] I was hoping (00:37:00) you could just shed some light on what's enabling the success there? I mean, does that just kind of have to do with the better market environment, or is some of that drawn to the changes in the go-to-market that you've been making over the last year?

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

A

I mean, I wouldn't say there's any one. It's just having a full focus with these organizations. What's important is establishing and building trust. Trust doesn't happen overnight. It's earned over time, and credibility, and having the results and the team. We have terrific people working with these organizations. And working and partnering with them, in particular when there's a fraud attack, and where they may be the subject of a fraud coming on and about how we can work with them, having our systems and people and bringing in the expertise associated with that.

And then many of these institutions, as you know, they're highly regulated. The regulatory knowledge and expertise, model governance is very important. You know, that is our language that we speak with them. And then, from a go-to-market standpoint is in dialogue, in conversations, in trying to broaden with them, support them in many other ways.

That said, we continue to bring on new relationships too, but we may be early on, and they just expand over time with them. So there's also the benefit, like within SaaS, it's a layered approach where you continue to add on additional contracts, and we see that layering on benefit over time as we bring on expansions in the new relationships, and it all just adds up incremental.

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

A

Yeah. You'll see expanded geographies, expanded use cases. That gives us more journeys. We get more transactions per journeys with more journeys, so you get some nice unit economics and revenue expansion, gross profit expansion also.

Logan Lillehaug

Analyst, Craig-Hallum Capital Group LLC

Q

So one of the key focuses kind of in the industry seems to be the idea of having more kind of layers of protection on each engagement or session, if you will, which I think you've touched on a bit today. So I was wondering if you could just talk about sort of how that changes the scope of your monetization opportunity on the Fraud and Identity side?

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Well, I think it's what Dave just mentioned, where you're bringing in, and it's a multilayered approach, bringing in additional signals beyond just doing the verification or authentication, bringing in digital signals with the biometrics, seeking for either deepfake or an injection attack or some sort of other layered data that comes in for that particular journey.

We could also be bringing in other third-party data as well, maybe looking at geo or device in the utilization of that particular transaction. So think of a journey within multiple transactions. The more volume, the more throughput, better unit economics for each transaction or journey.

Logan Lillehaug

Analyst, Craig-Hallum Capital Group LLC

Q

Got it. Thanks, guys.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Thank you.

Operator: Thank you. And your last question comes from Jonathan Ho from William Blair. Please go ahead.

Jonathan Ho

Analyst, William Blair & Co. LLC

Q

Hi. Good afternoon. I wanted to maybe try to better understand, with all the concerns out there with Claude Mythos, have your discussions changed at all with banks, or has prioritization potentially risen for Fraud and Identity solutions, just given what's potentially coming down the pipe? And how do you think about maybe exploiting some of that increased concern over time?

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

A

Well, good afternoon, Jonathan. The answer – the simple answer is yes, in terms of the dialogue has increased. But I would say that's not just from Mythos or changes with Claude, it's just really AI in general and the proliferation of fraud attacks and the sophisticated nature of that. Obviously, thinking about with Mythos coming out and what that does from a cyber standpoint and looking for vulnerabilities, all this comes back to the same key point, which is around how are we protecting our franchise, how are we protecting our interactions with our customers. That's where we come in. And having the conversation on that digital interaction and making sure we're protecting it to the greatest extent possible. Continuing to bring in new solutions, ideas, thoughts around that, based on our technologies and capabilities and experience.

So the trend clearly is continuing to go up over time. The relevance of Mitek has gone up significantly within the conversations. I would say, when I started first at the company, a year-and-a-half ago, just the profile, who we're having in dialogue with, the importance across the organization is at the highest levels of many of these institutions and the high assurance businesses that we work with because of the concern and the fraud and the sophisticated nature of the fraud that's now prevalent in the world.

Jonathan Ho

Analyst, William Blair & Co. LLC

Thank you.

Q

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Thank you.

A

Operator: Thank you. Ladies and gentlemen, this does conclude your conference call for today. We thank you very much for your participation, and you may now disconnect. Have a great day, everybody.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Thank you.

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