Corrected Transcript

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Mitek Systems, Inc. (MITK)

Q3 2026 Earnings Call

CORPORATE PARTICIPANTS

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David B. Lyle
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Derek Greenberg
Analyst, Maxim Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to Mitek Reports Fiscal Third 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 August 6, 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 third 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 August 6, 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 on 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.

Good afternoon, everyone, and thank you for joining us. Today, I would like to give a quick summary of the quarter, provide some background on Mitek, and then, hit four key takeaways for you. The team delivered a strong fiscal third quarter with total revenue growth of 18% versus last year above our previous expectations. We also achieved record fraud and identity revenue and record total SaaS revenue, up 36% versus last year, along with strong profitability and continued margin expansion.

Now, for those less familiar with Mitek, our mission is to establish trust in digital interactions. 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 lifecycle. Whether someone is opening an account, logging in, depositing a check or 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, platform of digital fraud and 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 AI-assisted digital fraud. This quarter's progress is a good indicator of that alignment.

Now, with that as context, I'd like to walk through four key takeaways from the quarter. First, our consortium network is scaling into a differentiated, data-driven fraud prevention capability. Second, our fraud and identity portfolio is deepening across the customer lifecycle and into new high-assurance demand. Third, check verification continues to perform well and deliver strategically important core capabilities with deep FI and channel partner relationships and remains a durable, cash-generative foundation. And fourth, our strong execution is showing up in the numbers.

Now, beginning with our first takeaway. This quarter, our consortium data network reached an important milestone. A top five US bank has now successfully completed its pilot and is now moving into the Check Fraud Defender consortium network. We earned this move by showing that the power of the network combined with our cloud-based fraud software delivered superior results to their existing solution even though they're one of the largest banks in the nation.

Our partner channel is also accelerating into tangible, recurring contribution. I'm honored to announce that Fiserv is now live as a reseller of Check Fraud Defender, extending the network's availability to the thousands of institutions that they serve. We added dozens of new logos this quarter through our partner channel, including through partners Abrigo, CSI and DataVisor, which brings the consortium's shared intelligence community to regional banks. As more institutions participate, the shared pool of data grows and the network becomes more valuable to everyone who participates.

We estimate that we now have contributing datasets covering approximately 70% of the US checking accounts and annualized volumes now measured in the billions. Check Fraud Defender ACV grew 73% year-over-year with growth accelerating over recent quarters. The network's strength is also opening adjacent opportunities. Positive Pay Plus, which extends fraud detection to the point of check presentment continued to gain traction. We expanded with an existing bank and added our first non-bank design partner, a leading business payments company, extending these capabilities into B2B payments and accounts payable for the first time.

Now, that strength extends into our second key takeaway. Our fraud and identity portfolio is deepening both with existing customers and in entirely new areas of demand. At a high level, our portfolio summarizes to two core solutions. One, a data-driven network consisting of hundreds of FIs addressing the payments use case of check fraud. And second, our core identity platform with the Mobile Verify and MiVIP engines, which is enhanced by our proprietary and leading biometric capabilities.

Customers engage with our platform in different ways. Some adopt the full journey across onboarding, verification and authentication. Others come to us for a single capability. A striking example this quarter came in the use of age verification. Demand ran many millions of transactions beyond our expectations and drove identity transaction volumes well above any prior quarter. Our expertise, reliability and ability to scale served the situation well. Importantly, this unexpected surge was tied to a specific regulatory driver involving age assurance. Our existing customers continue to deepen their relationships with us, increasingly through multi-year committed contracts. We also continue to win beyond our traditional FI core customer group.

Recent examples range from a large enterprise software company using our verification for employee screening to one of the largest football clubs in the United Kingdom, verifying and authenticating its season ticket holders. A common thread is that they all want the same thing. Bank-grade, high-assurance verification and authentication delivered as a reliable infrastructure, not a patchwork of point tools. Increasingly, more of what we sell are multi-signal, fully orchestrated KYC journeys rather than single checks with transactions per journey holding up well as customers adopt richer workflows.

Now, turning to our third key takeaway. Check verification continues to deliver industry-leading convenience for millions of consumers like you and me and thousands of financial institutions on a daily basis. This solution brings Mitek credibility, expertise and exceptional network of channel partners and of course, terrific cash flow. Check verification also provides the core software for check fraud detection, a software at the heart of our Check Fraud Defender network. At the macro level, the Federal Reserve's latest payment study released a few weeks ago confirms that paper check usage continues its gradual, long-term decline with approximately 9.2 billion checks written in the United States in 2024.

Against that backdrop, our check verification revenue has stayed range bound on a trailing 12-month basis as mobile deposit penetration driven by its inherent convenience and disciplined pricing have offset volume declines. So, while we plan for check verification revenue to soften gradually over time, the strategic value stays with us through the embedded infrastructure and the relationships and it opens the door to our broader fraud and identity portfolio. Fiserv is the clearest example, a check verification partner of ours for years, now leveraging our fraud network to market through their own channel.

This brings us to the fourth key takeaway. Execution is showing up in the numbers. We paired double-digit revenue growth with expanding margins and real operating leverage. And that profitable growth is converting efficiently into cash. Just as important, the revenue base itself is becoming higher quality and more durable. With SaaS now approaching half of our total revenue, a more recurring, more predictable Mitek than just over one year ago. That profitability, together with a strong net cash position, gives us sufficient flexibility. Our capital allocation approach remains balanced and disciplined. We continue to invest behind the platform while returning capital to shareholders through buybacks with ample capacity remaining to do both.

Now, before I turn it over to Dave, I want to share an important step forward for the organization. As we scale we are unifying our go to market functions, including direct and channel partner sales, customer success, sales engineering and professional service teams under a single CRO organization. And as you saw on our earnings release this afternoon, we are pleased to welcome Aaron Seyler as our Chief Revenue Officer effective August

17. Aaron has a terrific track record of achievement and revenue growth in the space. Our consortium data network and our identity platform are both driving growth and solid execution is showing up in our results.

And with that, I'd like to turn the call over to Dave.

David B. Lyle

Chief Financial Officer, Mitek Systems, Inc.

Thanks, Ed. I'll cover our third quarter results, and then, walk through our updated fiscal 2026 outlook. Summarizing the quarter, total revenue was $54 million, up 18% year-over-year and above the high end of our previous guidance range with adjusted EBITDA margin of approximately 38% on revenue scale, favorable mix and expense discipline. Beginning with fraud and identity, revenue was $29 million, up 14% year-over-year, near the targeted range of the mid to high teens for this product portfolio. Growth gains were somewhat offset by the conversion of a large on-premises software license customer to a Check Fraud Defender SaaS agreement, a one-quarter impact.

The 37% fraud and identity SaaS growth had two primary drivers. One, underlying growth in identity transaction volumes and new Check Fraud Defender customers. And two, an unexpected surge in age verification demand in our EMEA region, where new regulations required a one-time upfront age verification. Fraud and identity SaaS is a key growth driver of our business. And on a normalized basis, this quarter saw a similar high teens to low 20s SaaS growth rate that we have seen over recent quarters.

Moving to check verification, revenue was $25 million, up 24%, driven by two large renewals that did not fall in the same quarter last year. This reflects renewal timing rather than underlying growth, and we remain confident in the approximately $90 million trailing 12-month revenue level for the full year. On revenue mix, our revenue base continues to improve towards more predictable and durable SaaS.

Total SaaS revenue is now approximately 46% of last 12 months' revenue, up from 41% a year ago. Contributing to the total SaaS revenue mix growth was Check Fraud Defender, whose ACV grew 73% year-over-year and now exceeds $22 million, a growing share of our fraud and identity SaaS is now generated by committed multiyear contracts as customers convert from overages and pay-as-you-go usage, which improves our visibility and reflects the structural advantage of our transaction-based model.

Non-GAAP gross margin was 85.5%, up approximately 40 basis points year-over-year, which was driven by two items. First, our SaaS maintenance and other gross margin line reached roughly 77% in the quarter, up 250 basis points year-over-year as consortium pilots completed and moved into the network. And second, this quarter carried a heavier license revenue mix given the timing of the large check verification renewals, which carry near 100% gross margins.

Total non-GAAP operating expense was $25.9 million, down about 1% year-over-year while revenue grew 18%, generating roughly 950 basis points of operating leverage and bringing operating expense to about 48% of revenue. Sales and marketing and G&A together contributed about 650 basis points of that improvement as revenue scaled. R&D contributed the remaining 300 basis points, but the reported 3% year-over-year decline in R&D expense is largely a software capitalization effect. On a cash basis, R&D rose approximately 17% year-over-year and 11% year-to-date. So, our underlying investment in AI-based decisioning, fraud intelligence and biometrics continues to increase even though it shows up more modestly in the P&L.

Below the operating line, the net of interest income and other income was approximately $700,000 versus $2.4 million a year ago, reflecting a cleaner balance sheet after retiring our convertible notes and a thinner yield spread today between cash income and our term loan. Non-GAAP tax expense was approximately 14% of pre-tax income, resulting in non-GAAP net income of $16.8 million and adjusted diluted earnings per share of approximately $0.34, up 58% year-over-year. Free cash flow in the quarter was $25.3 million. On a trailing 12 month basis, free cash flow was $48.6 million or 70%, consistent with our target range of 70% to 80% and compared with roughly 99% a year ago.

The year-over-year decline have four drivers. First, working capital, the main factor, which swung from a source of cash last year to modest use this year and reflects timing and no underlying change in billing or collections velocity. Second, higher cash taxes. Third, lower net interest income following the retirement of our convertible notes. And fourth, the planned step-up in capitalized development cost as we invest in our product portfolio. None reflect the change in cash quality and we continue to expect free cash flow conversion to land within our 70% to 80% long-term range.

Our capital allocation priorities remain unchanged. We ended the quarter with $100 million of cash and investments and $54 million of total debt, resulting in net cash position of approximately $46 million, up from $23 million a year ago. Share repurchases totaled about $2 million in the quarter, bringing trailing 12 months repurchases to approximately $21 million with $48 million remaining under our current authorization.

Turning to our updated fiscal 2026 outlook, we are raising full year revenue guidance to $195 million to $200 million, approximately 10% growth at the midpoint, raising full year fraud and identity revenue to $105 million to $109 million, representing approximately 19% growth at the midpoint, and raising adjusted EBITDA margin guidance to 32% to 34%. This implies fourth quarter revenue in the range of $42 million to $47 million.

As a reminder, we see typical seasonal softness in fiscal Q1 and fiscal Q4 of each year due to renewal timings from check verification customers. We expect fraud and identity SaaS to ease modestly sequentially from Q3 to Q4 off of the unexpected age verification surge in the third quarter. We expect fourth quarter non-GAAP operating expense of $26 million to $27 million, up modestly on continued R&D investment. For modeling, we are assuming fiscal 2026 full year gross margin in the low 80s, CapEx of approximately 3.5% of revenue and depreciation and amortization of approximately 1% of revenue.

In closing, this quarter reflects another quarter of our Unify and Grow ethos playing out, a more focused and scalable Mitek delivering stronger growth, expanding profitability and durable cash generation.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer. [Operator Instructions] Your first question comes from George Sutton from Craig-Hallum. Please go ahead.

George Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

[indiscernible] (00:20:37) an impressive quarter here. So, first one for me, on MiVIP when we think about some of the solutions there like biometrics, document verification, liveness detection, where do you think general adoption of those solutions sits in the industry? And then you talked about kind of customers taking more and more of their portfolio from you. When you're winning business, I'm curious how much of that is maybe a customer adopting that solution for the first time as compared to you displacing somebody?

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

A

Well, good afternoon. Thanks. I think kind of going back, stepping back on your question there about the broadness of looking at overall verification and authentication on our identity platform, based on what's happening in the marketplace, and as I outlined on my call, we believe we're in the early stages of continuing adoption of the breadth, needs and use of identity verification, authentication and overall interaction and it's about trusting the digital interactions. We work with a high-assurance set of customers who are really wanting to drive the trust and ensure that, who are highly focused on experience, expertise and regulatory understanding. And the market continues to evolve there. I think with the advent of AI, the acceleration of AI, the acceleration, proliferation of digital and synthetic fraud, I think the use cases are continuing to grow.

So, long story, it's early on. I think one of the unique things that we bring forward here obviously is the platform approach on the authentication and verification, and then, obviously layered approach on fraud detection, but also the data network. And seeing real acceleration on the data front pertaining to check fraud as I talked about on the call. So that, just to go back to address them.

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

A

Yeah. And in terms of winning new business just to round that out, a lot of our growth we talked about historically has been through expansion opportunity. In this particular quarter we grew not only new logos, especially on the Check Fraud Defender side, but also from expansion opportunities and how that typically works as you start small, one part of a financial institution and you expand slowly over time. When you expand, sometimes you get an exponential effect. And so, the land and expand is our approach on that front.

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

A

I think on the last part there on the expansion, one thing we're seeing more and more in the market that we've talked about is going on initially maybe starting off with new account openings. And as the relationships continue to mature, that, that broaden out to not only new markets for them, new products, new lines of business, but now also much deeper into authentication. The use case with MiPass, we're seeing that continuing to move forward and accelerating the use of it as the market moves beyond just password and pin code verification to a biometric authentication backed to a verified identity, which is really what we're all about and having trust in that interaction.

George Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

Got it. One other for me, I was hoping you could talk about Positive Pay Plus a little bit. I mean, is that something you're trying to attach to Check Fraud Defender deals or what does the sales effort look like? And maybe just anything you can give us in terms of how big you're thinking that opportunity is or even how pricing works there?

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

A

Sure. No, it's a great point. And I think this is another great example of leveraging our assets and capabilities. As we built out the network with Check Fraud Defender and addressing the use case of check fraud, it's broadening the use now with Positive Pay Plus. For those not as familiar with Positive Play, it's really more of a commercial product that many banks use with their commercial accounts. What we designed it for is to try to stop fraud at the point of presentment and before a bad payment or fraudulent payment item even comes in to the banking system and putting that to the front end and working with our core customers to do that. It's early on, we just brought the product out last quarter working with customers on that. The good – another thing I mentioned here was bringing our first B2B and enterprise solution, looking at the accounts payable market. So, it does have broader applications there in terms as we broaden out into overall payments fraud.

George Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

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

A

[indiscernible] (00:25:30).

Operator: Thank you. Okay. Your next question comes from Jack Rhiner from William Blair. Please go ahead.

Jack Rhiner
Analyst, William Blair & Co. LLC

Q

Hi. This is Jack Rhiner on for Jonathan Ho and thanks for taking my question. And let me echo the congrats on the strong quarter. Could you talk a little bit more about the expanded partner and reseller channel and what's driving that growth?

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

A

Sure. Thanks, Jack. Good afternoon. What we mentioned there is our channel partner relationships and resellers with our CFD, which is the data network. As more – as we've been broadening out and building up the platform with more and more institutions, we've now begun bringing in over the last several quarters our partner network, and most recently this quarter, we're really honored to announce that Fiserv, who is one of the largest core platforms in the financial services. And so, now it extends the availability to their network of thousands of financial institutions to join in and join our platform and consortium to stop check fraud.

So, that's, continuing to accelerate, our growth in this has accelerated now this past quarter to 73%, and we've seen that continue to pick up over the last several quarters. And one of the real values here is the visibility that we have across the industry, around check fraud, and now, visibility of the data sets with approximately about 70% of US checking accounts. It's a strong asset, but it's also a strong base for us from which to grow and to leverage that data to help stop fraud with our core set of customers.

Jack Rhiner
Analyst, William Blair & Co. LLC

Q

Thank you.

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

Derek Greenberg
Analyst, Maxim Group LLC

Q

Hi. Great job, guys. Congrats on the quarter. I wanted to just follow up from the last question and see if you could talk about maybe how to expect how much growth is driven through your reseller and channel partnerships versus like internal sales team?

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

A

Yeah. Good afternoon. Thanks for the comment. What we've been seeing is that growth picking up because we just started with the channel partners in the last several quarters and each quarter that's picked up more and more. So, that's also helping drive the acceleration. We as a direct basis, we've typically focused on the top 100 financial institutions. We're only so large as an institution, which is the value, the relationships that we have with our four partners who have access to thousands of FIs that they work with. And it's through them that now with that access gives the availability to come in and enjoy the network and participate to fight fraud.

There's a very clear value proposition for them. They're already integrated, so it's easy for them with their customers to turn it on, join in and recognize the benefits of fighting the fraud. So, what we would expect is going forward that continue to be an accelerating part of the growth. Separately, as I mentioned, we closed this past quarter on a top five of one of the largest financial institutions in the United States. It's terrific to have them now in participating and there's other financial institutions that we continue to talk to, to join in and participate with us.

Derek Greenberg
Analyst, Maxim Group LLC

Q

Okay. Thank you. That's very helpful.

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

A

Thank you.

Derek Greenberg
Analyst, Maxim Group LLC

Q

And then I was wondering if you could also just maybe expand upon, I know earlier on the call you had mentioned expanding with like an enterprise sales customer as well as like one of the top football clubs in the UK. I was wondering how you see the opportunity outside of your traditional banking and FI customers? Maybe like what that could represent as a percent of identity revenue as you continue to scale?

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

Well, our core focus is in financial services. That's our heritage, that's our expertise, the regulatory knowledge, understanding of how many financial institutions work around the world. And our principal focus with – that's our principal focus internally. But we've also had these other areas as well over time. Other markets we focus through channel partners and through partners like technology platforms, others to help bring in because of their expertise, whether that be in health care, whether government, insurance, has worked through other partners to bring in to our platform. That will grow over time. But still today, roughly 80% of our revenues are tied back into financial services.

End of the day, they all want the same thing. And that is bank-rate quality, capability, high assurance, understanding of the regulatory and deliver a secure, reliable and scalable transaction. I think this past quarter we went through, experienced some of that, a lot of the growth that we talked about that was a surge in unanticipated volume through that regulatory change and around age assurance was also through our partner channel.

Derek Greenberg
Analyst, Maxim Group LLC
Q

Yeah. Got it. Thanks for taking my question.

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

Thank you.

Operator: Thank you. [Operator Instructions] There are no further questions at this time. Please proceed with your closing remarks.

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

One thing – one, would like to kind of come back in, one of the things that I'm talking about in terms of the business overall and just thinking about into this next year in terms of the transition as we think from 2026 into 2027, I don't know, if Dave, if you wanted to comment a little bit on that, some of the insights?

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

Sure. I can give a little color there. Although we typically don't guide until our next earnings call, I can give a little more color. As you know, our growth engine is fraud and identity, which is – we've talked about ranges in the mid to high teens that we've seen over the past couple of quarters with that part of the business. The SaaS line within fraud and identity where a lot of investment is going has been growing in the high teens to low 20s growth over the past several quarters. So, that's a good starting point I think when you're looking out into 2027.

And then, on the other side of the equation with check verification revenue, it's been holding in the $90 million range now for two years if we hit midpoint of our guidance on Q4. And so, that's not a bad starting point for 2027 there. There are two other variables that could change that a little bit. One is that we could see pressure next year from a little bit of renewal timing. And there's also in the backdrop of the continued secular decline in checks. But right now, that's too early to call. All in all, though, we're feeling really good about the business and the trajectory that we're on.

Edward Hamilton West

Chief Executive Officer & Director, Mitek Systems, Inc.

Very good. All right. Well, thank you. Thank you very much for the quarter. And we look forward to following up with you and meeting with you in person. Have a great day.

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