

MITEK SYSTEMS INC

Form 10-Q

February 08, 2019

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

Form 10-Q

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

For the quarterly period ended December 31, 2018

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

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

MITEK SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware 87-0418827

(State or Other (I.R.S. Employer
Jurisdiction of Identification
No.)

Incorporation or Organization)

600 B

Street, Suite

100 92101

San Diego,

California

(Address of

Principal

Executive

Offices)

(Zip Code)

(619) 269-6800

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer

Accelerated filer

(Do not check if a

Non-accelerated filer

smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

There were 38,734,691 shares of the registrant's common stock outstanding as of January 31, 2019.

MITEK SYSTEMS, INC.
FORM 10-Q
For The Quarterly Period Ended December 31, 2018
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PART I
FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.
MITEK SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands except share data)

	December 31, 2018 (Unaudited)	September 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,437	\$ 9,028
Short-term investments	9,248	8,448
Accounts receivable, net	12,831	16,821
Prepaid expenses	2,096	2,278
Other current assets	2,455	1,053
Total current assets	37,067	37,628
Property and equipment, net	4,779	4,665
Intangible assets, net	30,742	32,947
Goodwill	34,058	34,407
Deferred income tax assets	16,716	15,356
Other non-current assets	2,815	2,147
Total assets	\$ 126,177	\$ 127,150
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,507	3,573
Accrued payroll and related taxes	6,202	7,915
Deferred revenue, current portion	4,655	4,792
Acquisition-related contingent consideration	1,823	1,849
Other current liabilities	2,023	2,278
Total current liabilities	19,210	20,407

Deferred revenue, non-current portion	407	485
Deferred income tax liabilities	8,055	8,162
Other non-current liabilities	2,937	2,702
Total liabilities	30,609	31,756
Stockholders' equity:		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value, 60,000,000 shares authorized, 38,638,816 and 37,961,224 issued and outstanding, as of December 31, 2018 and September 30, 2018, respectively	39	38
Additional paid-in capital	120,199	116,944
Accumulated other comprehensive loss	(1,397)	(586)
Accumulated deficit	(23,273)	(21,002)
Total stockholders' equity	95,568	95,394
Total liabilities and stockholders' equity	\$ 126,177	\$ 127,150

See accompanying notes to consolidated financial statements.

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

(amounts in thousands except per share data)

	Three Months Ended December 31,	
	2018	2017
Revenue		
Software and hardware	\$ 9,995	\$ 7,206
Service and other	7,688	4,930
Total revenue	17,683	12,136
Operating costs and expenses		
Cost of revenue—software and hardware	845	719
Cost of revenue—service and other	2,033	898
Selling and marketing	7,208	4,775
Research and development	4,488	3,280
General and administrative	5,842	3,517
Acquisition-related costs and expenses	1,827	1,259
Total operating costs and expenses	22,243	14,448
Operating loss	(4,560)	(2,312)
Other income, net	14	190
Loss before income taxes	(4,546)	(2,122)
Income tax benefit (provision)	1,355	(3,614)
Net loss	\$ (3,191)	(5,736)
Net loss per share—basic and diluted	\$ (0.08)	\$ (0.17)
Shares used in calculating net loss per share—basic and diluted	38,247	34,207

Other comprehensive loss		
Net loss	\$ (3,191)	(5,736)
Foreign currency translation adjustment	(824)	189
Unrealized gain (loss) on investments	13	(59)
Other comprehensive loss	\$ (4,002)	(5,606)

See accompanying notes to consolidated financial statements.

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MITEK SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(amounts in thousands except per share)

Three Months Ended December 31, 2018							
	Common Stock Outstanding Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	
Balance, September 30, 2018	37,96	\$ 38	\$ 116,944	\$ (21,002)	\$ (586)	\$	95,394
Exercise of stock options	135	—	586	—	—		586
Settlement of restricted stock units	543	1	(1)	—	—		—
Stock-based compensation expense	—	—	2,670	—	—		2,670
Cumulative-effect adjustment from the adoption of ASU 2014-09	—	—	—	920	—		920
Components of other comprehensive loss:							
Net loss	—	—	—	(3,191)	—		(3,191)
Currency translation adjustment	—	—	—	—	(824)		(824)
Change in unrealized gain on investments	—	—	—	—	13		13
Total other comprehensive loss							(4,002)
Balance, December 31, 2018	38,63	\$ 39	\$ 120,199	\$ (23,273)	\$ (1,397)	\$	95,568

Three Months Ended December 31, 2017							
	Common Stock Outstanding Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	
Balance, September 30, 2017	33,72	\$ 34	\$ 78,677	\$ (17,450)	\$ 147	\$	61,408
Exercise of stock options	63	—	137	—	—		137
Settlement of restricted stock units	450	—	—	—	—		—

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Acquisition-related shares issued	666	1		5,607				5,608			
Stock-based compensation expense	—	—		1,889	—	—		1,889			
Amortization of closing shares	—	—		710	—	—		710			
Cumulative-effect adjustment from the adoption of ASU 2016-09	—	—		—	8,255	—		8,255			
Components of other comprehensive loss:											
Net loss	—	—		—	(5,736)	—		(5,736)			
Currency translation adjustment	—	—		—	—	189		189			
Change in unrealized loss on investments	—	—		—	—	(59)		(59)			
Total other comprehensive loss								(5,606)			
Balance, December 31, 2017	34,90	\$	35	\$	87,020	\$	(14,931)	\$	277	\$	72,401

See accompanying notes to consolidated financial statements.

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

	Three Months Ended December 31,	
	2018	2017
Operating activities:		
Net loss	\$ (3,191)	\$ (5,736)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	2,670	1,889
Amortization of closing and earnout shares	—	355
Amortization of intangible assets	1,774	484
Depreciation and amortization	373	91
Amortization of investment premiums and other	(9)	(46)
Deferred taxes	(1,631)	4,417
Changes in assets and liabilities:		
Accounts receivable	3,925	3,065
Other assets	(733)	(1,549)
Accounts payable	943	307
Accrued payroll and related taxes	(1,809)	(1,389)
Deferred revenue	(205)	(326)

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Other liabilities	189	1,005
Net cash provided by operating activities	2,296	2,567
Investing activities:		
Purchases of investments	(1,728)	(15,391)
Sales and maturities of investments	950	9,950
Acquisitions, net of cash acquired	—	(2,991)
Purchases of property and equipment	(508)	(