

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 1995 or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 0-15235

Mitek Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware

87-0418827

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

10070 Carroll Canyon Road, San Diego, California

92131

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (619) 635-5900

6225 Nancy Ridge Drive, San Diego, California 92121

(Former name, former address and former fiscal year, if changed since last report)

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

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There were 7,727,959 shares outstanding of the registrant's Common Stock as of August 10, 1995.

PART I: FINANCIAL INFORMATION
MITEK SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 1995	September 30, 1994
	-----	-----
ASSETS		

CURRENT ASSETS:		
Cash	\$ 103,800	\$ 99,976
Accounts receivable	1,179,326	1,512,373
Note receivable	252,906	0
Income taxes receivable	0	238,950
Inventories	205,748	127,117
Prepaid expenses	73,789	72,534
	-----	-----
Total current assets	1,815,569	2,050,950
	-----	-----
PROPERTY AND EQUIPMENT-at cost:	1,152,458	2,634,279
Less accumulated depreciation and amortization	1,001,627	2,425,595
	-----	-----
Property and equipment-net	150,831	208,684
	-----	-----
OTHER ASSETS	737,722	813,982
	-----	-----
TOTAL	\$ 2,704,122	\$ 3,073,616
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Note payable - bank	\$ 97,000	\$ 226,875
Current portion of long-term liabilities	280,865	335,662
Accounts payable	610,966	570,407
Accrued payroll and related taxes	116,966	202,914
Other accrued liabilities	148,911	562,092
	-----	-----
Total current liabilities	1,254,708	1,897,950
	-----	-----
LONG-TERM LIABILITIES	118,062	366,832
	-----	-----
COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock - \$.001 par value; 20,000,000 shares authorized; 7,724,182 and 6,913,013 issued and outstanding, respectively	7,724	6,913
Additional paid-in capital	3,419,569	2,820,619
Accumulated deficit	(2,095,941)	(2,018,698)
	-----	-----
Total stockholders' equity	1,331,352	808,834
	-----	-----
TOTAL CONSOLIDATED	\$ 2,704,122	\$ 3,073,616
	=====	=====

See notes to financial statements.

MITEK SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	June 30,		June 30,	
	1995	1994	1995	1994
	----	----	----	----
NET SALES	\$1,562,881	\$2,198,885	\$4,891,153	\$8,295,062
COST OF GOODS SOLD	700,111	1,364,974	2,421,045	5,413,394
	-----	-----	-----	-----
GROSS MARGIN	862,770	833,911	2,470,108	2,881,668
	-----	-----	-----	-----
COSTS AND EXPENSES:				
Selling and marketing	346,970	383,559	1,051,508	1,036,164
General and administrative	372,958	154,696	841,505	752,728
Research and development	230,485	251,848	806,348	784,259
Interest	9,357	29,858	48,637	102,937
	-----	-----	-----	-----
Total costs and expenses	959,770	819,961	2,747,998	2,676,088
	-----	-----	-----	-----
OPERATING INCOME (LOSS)	(97,000)	13,950	(277,890)	205,580
OTHER INCOME (Note D)	0	0	204,853	0
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	(97,000)	13,950	(73,037)	205,580
PROVISION FOR INCOME TAXES	0	0	4,206	33,800
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ (97,000)	\$ 13,950	\$ (77,243)	\$ 171,780
	=====	=====	=====	=====
EARNINGS (LOSS) PER SHARE:				
Common and Common equivalent shares	\$ (.01)	\$.00	\$ (.01)	\$.02
	=====	=====	=====	=====
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES	7,561,814	6,875,087	7,136,995	6,875,087
	=====	=====	=====	=====

See notes to consolidated financial statements.

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

	Nine Months Ended June 30,	
	1995	1994
	----	----
OPERATING ACTIVITIES:		
Cash received from customers	\$ 5,228,855	\$ 8,368,542
Cash paid to suppliers and employees	(5,641,167)	(7,310,126)
Interest paid	(49,804)	(107,411)
Income taxes refunded (paid)	238,150	(33,800)
	-----	-----
Net cash provided by (used in) operating activities	(223,966)	917,205
	-----	-----
INVESTING ACTIVITIES:		
Net purchases of property and equipment	(35,082)	(58,401)
Proceeds from sale of property & equipment	6,045	
Proceeds from sale of TEMPEST	112,094	
	-----	-----
Net cash provided by (used in) investing activities	83,057	(58,401)
	-----	-----
FINANCING ACTIVITIES:		
Borrowings under line of credit	390,000	
Repayment of debt	(766,388)	(945,398)
Proceeds from exercise of stock options	45,422	6,195
Net proceeds from sales of stock	475,699	
	-----	-----
Net cash provided by (used in) financing activities	144,733	(939,203)
	-----	-----
NET INCREASE (DECREASE) IN CASH	3,824	(80,399)
CASH AT BEGINNING OF PERIOD	99,976	236,353
	-----	-----
CASH AT END OF PERIOD	\$ 103,800	\$ 155,954
	=====	=====
RECONCILIATION OF NET INCOME		
TO NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Net income (loss)	\$ (77,243)	\$ 171,780
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	318,050	598,949
Gain on sale of TEMPEST	(204,853)	
Gain on sale of property & equipment	(6,045)	
Changes in assets and liabilities:		
Deferred rent	(76,337)	40,345
Income tax receivable	238,950	
Accounts receivable	343,747	73,480
Inventories, prepaid expenses and other assets	(225,420)	257,870
Accounts payable and accrued expenses	(534,815)	(225,219)
	-----	-----
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (223,966)	\$ 917,205
	=====	=====

See notes to consolidated financial statements.

MITEK SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnote disclosures that are otherwise required by Regulation S-X and that will normally be made in the Company's Annual Report on Form 10-K. The financial statements do, however, reflect all adjustments (solely of a normal recurring nature) which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented.

Results for the three and nine months ended June 30, 1995 and 1994 are not necessarily indicative of results which may be reported for any other interim period or for the year as a whole.

The financial statements include the accounts of Mitek Systems, Inc. and its wholly-owned subsidiary, Mitek Systems Canada, incorporated on June 21, 1995. All intercompany transactions and balances are eliminated in consolidation.

B. Inventories

Inventories are summarized as follows:

	June 30, 1995 -----	September 30, 1994 -----
Raw materials	\$ 123,377	\$ 69,567
Work in process	9,459	0
Finished goods	72,912	57,550
	-----	-----
Total	\$ 205,748 =====	\$ 127,117 =====

Inventories are recorded at the lower of cost (on the first-in, first-out basis) or market.

C. Earnings (Loss) Per Share

Earnings (loss) per share amounts are computed based on the weighted average shares outstanding during the periods which include any dilutive stock options.

D. Acquisition

On June 21, 1995, the company purchased substantially all of the assets and assumed the liabilities of TRACS INTERNATIONAL, INC., a Calgary, Canada based developer of local area network facsimile servers. The purchase price included 75,000 unregistered shares of the Company's common stock and a 5% royalty of facsimile related sales for a maximum period of three years or a maximum amount of \$300,000. Additional issuances of the Company's common shares may occur, contingent upon the exceeding of certain revenue targets during a six month period following release from beta testing of a new product. This six month period following is expected to begin October 1, 1995. The purchase resulted in \$136,250 of goodwill, to be amortized over 60 months. Sales and operational results for the period ending June 30, 1995, were immaterial to the Company's results.

E. Sale of TEMPEST business

Other income, consisting of the gain on the sale of the TEMPEST business, is made up of the following components: Sale price (\$350,000) offset by the carrying cost of inventory sold (\$132,000) and costs related to the transaction (\$13,000).

MITEK SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
Continued

F. Sale of Common Stock

The Company undertook a private placement stock offering during the second quarter of 1995. At March 31, 1995 an additional 470,333 shares of common stock were issued, with an aggregate value of \$357,625, before subtracting associated offering costs of \$24,529.

In conjunction with the aforementioned stock offering the Company issued an additional 196,667 shares of common stock, with an aggregate value of \$147,500 during the quarter ending June 30, 1995.

G. Subsequent Event

In August 1995, the Company obtained a \$40,000 working capital loan from its majority shareholder.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

This information should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 1 of this Quarterly Report and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended September 30, 1994 contained in the Company's 1994 Annual Report to Shareholders, which is incorporated by reference in the Company's Annual Report on Form 10-K for the year ended September 30, 1994

SALES Sales for the third quarter of fiscal 1995 ended June 30, 1995,

decreased \$636,000 compared with the same period of fiscal 1994. Sales for the nine months ended June 30, 1995 decreased \$3,404,000 or 41% compared with the first nine months of fiscal 1994. The sales decrease is the result of the sale of the TEMPEST business segment in March 1995. The sales for the quarter ended June 30, 1995, consisted only of Automated Document Recognition (ADR) products and services whereas the sales for the same period at fiscal 1994 included TEMPEST and ADR products and services.

The ADR products sales for the quarter ended June 30, 1995, compared to the same period of fiscal 1994 increased \$394,000 or 27%. Sales of ADR products for the nine months ended June 30, 1995, increased \$19,000 or 1% compared with the same period of fiscal 1994.

The backlog of ADR products and services at June 30, 1995, decreased to \$1,568,000 compared to \$2,850,000 at June 30, 1994.

COST OF GOODS SOLD Cost of goods sold as a percentage of sales for the

three and nine months ended June 30, 1995, were 45% and 49.5%, respectively. In the prior year, cost of goods sold as a percentage of sales for the three and nine months ended June 30, 1994, were 62% and 65%, respectively. The decrease is due to the absence of TEMPEST product sales in the third quarter of 1995, and because ADR products and services yield a higher gross margin .

OPERATING EXPENSES (Excluding Interest) For the period ending June 30,

1995, operating expenses increased \$160,000 and \$126,000 for the three and nine months respectively, over the same fiscal period of 1994. The increase for the three month period was the result of facility moving expenses totaling \$80,000, while the prior period included a bad debt recovery of \$90,000.

INTEREST Interest expense decreased \$21,000, or 31% and \$54,000 or 47%

for the three and nine months ended June 30, 1995, compared with the same periods a year earlier. The decrease is due to reduced borrowings and repayment of notes payable.

OTHER INCOME Other income, consisting of the gain on the sale of the

TEMPEST business, is made up of the following components: Sale price (\$350,000) offset by the carrying cost of inventory sold (\$132,000) and costs related to the transaction (\$13,000).

NET INCOME (LOSS) As the result of the aforementioned reduction in sales

offset by the sale of the TEMPEST product line, the company experienced a loss for both the three and nine months ended June 30, 1995.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1995, stockholders' equity was \$1,331,000, an increase of \$523,000 from September 30, 1994. The Company's working capital and current ratio was \$561,000 and 1.45 to 1 at June 30, 1995 compared to \$153,000 and 1.08 to 1 at September 30, 1994, respectively.

At June 30, 1995, the total liabilities to equity ratio was 1.03 to 1 compared to 2.8 to 1 at September 30, 1994. As of June 30, 1995, the Company's total liabilities were \$892,000 less than September 30, 1994.

Components of working capital with significant changes during the six months ended June 30, 1995 were: Accounts Receivable, Inventory, and Other Accrued Liabilities. Compared to September 30, 1994, the components changed as follows:

Accounts Receivable - Decreased \$333,000 due to the decrease in sales and prompt collections.

Note Receivable - Increased \$253,000 in conjunction with the sale of the TEMPEST business and reduced by subsequent payments.

Note Payable Bank - Decreased \$130,000 due to payments made on the line of credit.

Inventory - Increased \$79,000 due to the procurement of materials to support the introduction of new products and fulfillment of backlog.

Other Accrued Liabilities - Decreased \$413,000 primarily because of the decrease in unearned revenue and the write downs of deferred rents and other reserves related to the sale of the TEMPEST business.

As of June 30, 1995, the Company had borrowings outstanding under a bank line of credit, of which \$97,000 was in use to support its working capital requirements. On April 27, 1995, the bank informed the Company that it desired the Company seek a new financing institution. The lender agreed to continue to provide month-to-month financing on an interim basis, currently outstanding with such bank, based upon the Company's financial results and progress in seeking a refinance of the all debt currently outstanding with such bank. In August 1995, the Company obtained a \$40,000 working capital loan from its majority shareholder..

Management believes that the available line-of credit, funds generated by operations, existing cash, collection of outstanding note receivable, and other methods of financing available to the Company are adequate to meet the Company's near-term capital requirements.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits: None

b. Reports on Form 8-K: None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MITEK SYSTEMS, INC.
(Registrant)

Date: August 14, 1995

John Kessler, President and
Chief Executive Officer

Date: August 14, 1995

Gerald I. Farmer, Executive Vice President
and Assistant Treasurer

9-MOS
 SEP-30-1995
 OCT-01-1994
 JUN-30-1995
 103,800
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 205,748
 1,815,569
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