

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 March 31, 1995 or

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

Commission file number 0-15235

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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

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(Address of principal executive offices)

(Zip Code)

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

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6225 Nancy Ridge Drive, San Diego, California 92121

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(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 X No

- -

There were 7,543,071 shares outstanding of the registrant's Common Stock as of  
April 25, 1995.

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

	March 31, 1995	September 30, 1994
	-----	-----
ASSETS		
-----		
CURRENT ASSETS:		
Cash	\$ 177,606	\$ 99,976
Accounts receivable	1,324,158	1,512,373
Note receivable	316,148	0
Subscription receivable	179,200	0
Income taxes receivable	0	238,950
Inventories	176,169	127,117
Prepaid expenses	69,679	72,534
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Total current assets	2,242,960	2,050,950
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PROPERTY AND EQUIPMENT-at cost:	1,107,816	2,634,279
Less accumulated depreciation and amortization	966,400	2,425,595
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Property and equipment-net	141,416	208,684
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OTHER ASSETS	680,951	813,982
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TOTAL	\$ 3,065,327	\$ 3,073,616
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
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CURRENT LIABILITIES:		
Note payable - bank	\$ 300,000	\$ 226,875
Current portion of long-term liabilities	291,879	335,662
Accounts payable	655,667	570,407
Accrued payroll and related taxes	179,331	202,914
Other accrued liabilities	283,584	562,092
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Total current liabilities	1,710,461	1,897,950
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LONG-TERM LIABILITIES	167,118	366,832
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COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock - \$.001 par value; 20,000,000 shares authorized; 7,423,071 and 6,913,013 issued and outstanding, respectively	7,423	6,913
Additional paid-in capital	3,179,265	2,820,619
Accumulated deficit	(1,998,940)	(2,018,698)
	-----	-----
Total stockholders' equity	1,187,748	808,834
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TOTAL	\$ 3,065,327	\$ 3,073,616
	=====	=====

See notes to financial statements.

MITEK SYSTEMS, INC.  
STATEMENTS OF OPERATIONS  
(Unaudited)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	March 31,		March 31,	
	1995	1994	1995	1994
	-----	-----	-----	-----
NET SALES	\$1,435,852	\$3,010,418	\$3,328,273	\$6,096,178
COST OF GOODS SOLD	689,902	1,930,792	1,720,935	4,048,419
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GROSS MARGIN	745,950	1,079,626	1,607,338	2,047,759
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COSTS AND EXPENSES:				
Selling and marketing	398,270	315,314	704,539	652,605
General and administrative	237,952	290,235	468,546	598,032
Research and development	286,997	319,024	575,863	532,412
Interest	20,652	35,288	39,280	73,079
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Total costs and expenses	943,871	959,861	1,788,228	1,856,128
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OPERATING INCOME (LOSS)	(197,921)	119,765	(180,890)	191,631
OTHER INCOME (Note D)	204,853		204,853	
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INCOME BEFORE INCOME TAXES	6,932	119,765	23,963	191,631
PROVISION FOR INCOME TAXES	800	23,000	4,206	33,800
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NET INCOME	\$ 6,132	\$ 96,765	\$ 19,757	\$ 157,831
	=====	=====	=====	=====
EARNINGS PER SHARE:				
Common and Common equivalent shares	\$ .00	\$ .01	\$ .00	\$ .02
	=====	=====	=====	=====
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES	7,029,079	7,041,916	7,019,981	7,027,949
	=====	=====	=====	=====

See notes to financial statements.

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

	Six Months Ended March 31,	
	1995	1994
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<b>OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 3,494,295	\$ 5,915,980
Cash paid to suppliers and employees	(3,744,447)	(5,230,289)
Interest paid	(42,487)	(76,508)
Income taxes refunded (paid)	238,150	(33,800)
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Net cash provided by (used in) operating activities	(54,489)	575,383
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<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(10,118)	(55,293)
Proceeds from sale of property & equipment	6,045	
Proceeds from sale of TEMPEST	50,000	
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Net cash provided by (used in) investing activities	45,927	(55,293)
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<b>FINANCING ACTIVITIES:</b>		
Borrowings under line of credit	390,000	
Repayment of debt	(483,764)	(631,917)
Proceeds from exercise of stock options	26,060	6,195
Net proceeds from sales of stock	153,896	
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Net cash provided by (used in) financing activities	86,192	(625,722)
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NET INCREASE (DECREASE) IN CASH	77,630	(105,632)
CASH AT BEGINNING OF PERIOD	99,976	236,353
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CASH AT END OF PERIOD	\$ 177,606	\$ 130,721
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<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Net income	\$ 19,757	\$ 157,831
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	212,387	472,501
Gain on sale of TEMPEST	(204,853)	
Gain on sale of property & equipment	(6,045)	
Changes in assets and liabilities:		
Deferred rent	(76,608)	5,825
Income tax receivable	238,950	
Accounts receivable	172,067	(180,198)
Inventories, prepaid expenses and other assets	(180,193)	167,663
Accounts payable and accrued expenses	(229,951)	(48,239)
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NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (54,489)	\$ 575,383
	=====	=====

See notes to financial statements.

MITEK SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS

A. Basis of Presentation

The accompanying unaudited 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 six months ended March 31, 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.

B. Inventories

Inventories are summarized as follows:

	March 31, 1995	September 30, 1994
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Raw materials	\$ 45,376	\$ 69,567
Work in process	97,307	0
Finished goods	33,486	57,550
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Total	\$176,169	\$127,117
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Inventories are recorded at the lower of cost (on the first-in, first-out basis) or market.

C. Earnings Per Share

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

D. 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).

E. Sale of Common Stock

The Company undertook a private placement stock offering during the quarter. 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 120,000 shares of common stock, with an aggregate value of \$90,000, on April 25, 1995.

MITEK SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
Continued

F. Commitments

Effective in May 1 1995, the Company's lease for its San Diego facility was terminated and its remaining obligations/commitments under such lease were effectively assigned to another company.

A new non-cancelable San Diego facility lease was entered into in April 1995. Future annual minimum rental payments under this non-cancelable operating lease are as follows:

Year ending Sept 30:

1995 (5 months)	\$ 30,884
1996	86,167
1997	97,965
1998	58,457
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Total	\$273,473
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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

SALES Sales for the second quarter of fiscal 1995 ended March 31, 1995,

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decreased \$1,575,000 compared with the same period of fiscal 1994. Sales for the six months ended March 31, 1995 decreased \$2,768,000 or 45% compared with the first six months of fiscal 1994. The sales decrease is primarily due to the continuing decline in the TEMPEST market. The backlog of new orders decreased to \$1,979,000 compared to \$4,135,000 at March 31, 1994.

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

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three and six months ended March 31, 1995 were 48% and 51.7%, respectively. In the prior year, cost of goods sold as a percentage of sales for the three and six months ended March 31, 1994 were 64.1% and 66.4%, respectively. The decrease is due to product mix since ADR products yield a higher gross margin level than TEMPEST products.

OPERATING EXPENSES (Excluding Interest) Operating expenses decreased

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\$34,000 or 19.1% for six months ended March 31, 1995, with a minimal decrease for the three month comparison for the same periods for the previous year. The decrease is a result of company-wide cost reduction efforts.

INTEREST Interest expense decreased \$15,000, or 40% and \$34,000 or 46.6%

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for the three and six months ended March 31, 1995, compared with the same periods a year earlier. The decrease is due to reduced borrowings and expiration of notes payable.

INCOME TAXES The charge for income taxes is approximately 19% of income

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before taxes.

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

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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 As a result of the aforementioned cost reductions and sale of

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TEMPEST business segment, the Company netted income of \$6,000 and \$20,000 for the three and six months ended March 31, 1995, respectively, compared with the net income of \$97,000 and \$158,000 for the same periods a year earlier.

#### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1995, stockholders' equity was \$1,188,000, an increase of \$380,000 from September 30, 1994. The Company's working capital and current ratio was \$532,000 and 1.31 to 1 at March 31, 1995 compared to \$153,000 and 1.08 to 1 at September 30, 1994, respectively.

At March 31, 1995, the total liabilities to equity ratio was 1.58 to 1 compared to 2.8 to 1 at September 30, 1994. As of March 31, 1995, the Company's total liabilities were \$387,000 less than September 30, 1994.

Components of working capital with significant changes during the six months ended March 31, 1995 were: Accounts Receivable, Inventory, and Other Accrued Liabilities. Compared to September 30, 1994, the components changed as follows:

Accounts Receivable - Decreased \$188,000 due to the decrease in sales.

Note Receivable - Increased \$316,000 in conjunction with the sale of the TEMPEST business.

Subscription Receivable - Increased \$179,200 in conjunction with the outstanding commitments received under a private placement common stock offering. The proceeds were received in April 1995.

Inventory - Increase \$49,000 due to the procurement of materials to support the introduction of the new products.

Other Accrued Liabilities - Decreased \$279,000 primarily because to the decrease in deferred rents , and idle facilities and warranty reserves in conjunction with the sale of TEMPEST business.

As of March 31, 1995, the Company had a line of credit of \$500,000, of which \$300,000 was in use, to support its working capital requirements. On April 27, 1995, the Company's lender informed the Company that it desired the Company to seek a new financing institution. The lender agreed to continue to provide month-to-month financing on an interim basis, based upon the Company's financial results and progress in seeking a refinance of the debt.

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. The exhibits are on Form 8-K: None
- b. Reports on Form 8-K: Sale of TEMPEST Business

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: May 5, 1995

/s/ John Kessler

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John Kessler, President and  
Chief Executive Officer

Date: May 5, 1995

/s/ Gerald I. Farmer

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Gerald I. Farmer, Executive Vice President  
and Assistant Treasurer



	6-MOS	
	SEP-30-1995	
	OCT-01-1994	
	MAR-31-1995	
		177,606
		0
	1,819,506	
		0
		176,169
	2,242,960	
		1,107,816
		966,400
	3,065,327	
1,710,461		
		167,118
		7,423
	0	
		0
		1,180,325
3,065,327		
		3,328,273
	3,328,273	
		1,720,935
		1,748,948
	(204,853)	
		0
	39,280	
		23,963
		4,206
19,757		
		0
		0
		0
		19,759
		.00
		.00