SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 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

(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 7,727,959 shares outstanding of the registrant's Common Stock as of January 16, 1996.

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

	December 31, 1995	September 30, 1995
ASSETS		
CURRENT ASSETS:		
Cash	$ 63,986	$ 103,895
Accounts receivable-net	2,010,578	1,619,886
Note receivable	62,929	158,335
Inventories	140,576	131,929
Prepaid expenses	37,607	52,777
Total current assets	2,315,676	2,066,822
PROPERTY AND EQUIPMENT-at cost	1,183,360	1,170,634
Less accumulated depreciation and amortization	1,074,883	1,039,549
Property and equipment-net	108,477	131,085
PREPAID LICENSE AND OTHER ASSETS	591,767	666,393
TOTAL	$ 3,015,920	$ 2,864,300
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term liabilities	$ 236,958	$ 267,927
Amount payable under factoring agreement	382,896	195,545
Accounts payable	507,413	722,955
Accrued payroll and related taxes	153,173	163,789
Other accrued liabilities	290,389	114,803
Total current liabilities	1,570,829	1,465,019
LONG-TERM LIABILITIES	13,538	56,567
COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Preferred stock - $.001 par value; 1,000,000 shares authorized; none outstanding		
Common stock - $.001 par value; 20,000,000 shares authorized; 7,727,959 issued and outstanding, respectively	7,728	7,728
Additional paid-in capital	3,423,250	3,423,072
Accumulated deficit	(1,999,425)	(2,088,086)
Total stockholders' equity	1,431,553	1,342,714
TOTAL	$ 3,015,920	$ 2,864,300

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

	Three Months Ended December 31, 1995	1994
NET SALES	$1,825,452	$1,892,421
COST OF GOODS SOLD	740,061	1,031,033
GROSS MARGIN	1,085,391	861,388
COSTS AND EXPENSES:		
General and administrative	355,016	230,594
Research and development	267,763	288,866
Selling and marketing	303,554	306,270
Interest	48,231	18,628
Total costs and expenses	974,564	844,358
INCOME BEFORE INCOME TAXES	110,827	17,030
PROVISION FOR INCOME TAXES	22,165	3,406
NET INCOME	$ 88,662	$ 13,624
EARNINGS PER SHARE	$.01	$.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	7,835,458	7,009,980

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

	Three Months Ended December 31, 1995	1994
CASH PROVIDED FROM OPERATING ACTIVITIES:		
Net income	$ 88,662	$ 13,624
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	109,960	105,542
Increase in deferred rent		2,212
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(390,692)	137,559
Decrease (increase) in inventory and prepaid expense	6,523	(161,799)
Decrease in accounts payable and accrued expenses	(50,572)	(194,244)
Cash used in operating activities	(236,119)	(97,106)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(12,726)	(3,467)
Net cash used in investing activities	(12,726)	(35,767)
FINANCING ACTIVITIES:		
Proceeds from new-bank debt	549,435	390,000
Repayment of debt	(436,082)	(315,473)
Proceeds from note receivable	95,406	
Proceeds from exercise of stock options	177	2,371
Net cash provided by financing activities	208,936	76,898
NET DECREASE IN CASH	(39,909)	(23,675)
CASH AT BEGINNING OF PERIOD	103,895	99,976
CASH AT END OF PERIOD	$ 63,986	$ 76,301

MITEK SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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 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 quarter ended December 31, 1995 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:

	December 31, 1995	September 30, 1995
Raw materials	$ 31,824	$ 36,929
Work in process	32,909	42,970
Finished goods	75,843	52,030
Total	$140,576	$131,929

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 number of common and common equivalent shares outstanding during the periods which include any dilutive stock options.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<u>NET SALES</u> Sales for the first quarter of Fiscal 1996, ended December 31, 1995, decreased $67,000 or 4.5% compared with the same period of Fiscal 1995. The reduction in sales was the result of the sale of the TEMPEST business segment in March, 1995, offset by the increase in sales of ADR products. In the first quarter of Fiscal 1995, the Companys revenue from TEMPEST products totaled $821,000. Revenue of ADR products increased $753,000, or 70.3% in the first quarter of Fiscal 1996 compared to the first quarter of Fiscal 1995.

The backlog of orders was $1,488,000 at December 31, 1995 compared with a backlog of $2,590,000 at December 31, 1994. The reduction in the backlog is consistent with the sale of the TEMPEST business segment.

<u>COST OF GOODS SOLD</u> Cost of goods sold as percentage of sales for the quarter ended December 31, 1995, was 40.5% compared to 54.5% a year earlier. The decrease, as a percent to sales, reflects the sale of the TEMPEST business segment, which carried an unusually high cost of sales. In addition, the sale of the business segment resulted in the reduction of the Companys required overhead, primarily in the areas of facilities and personnel.

<u>COSTS AND EXPENSES (Excluding Interest)</u> Operating expenses increased $100,600 or 12.2% in the first quarter of Fiscal 1996 as compared to the same period one year earlier. The increase was primarily the result of a bad debt recovery of $60,000 in Fiscal 1995 versus an increase of $42,000 in the bad debt reserve in Fiscal 1996. These transactions were (credited) / charged to General and administrative expenses. Operating costs related to research and development and sales and marketing in Fiscal 1996 were essentially equal to the prior year. The company anticipates the overall spending levels to increase in the ensuing quarterly periods due to the costs of developing, introducing and marketing new products.

INTEREST Interest costs increased $29,600, or 158.9%, for the quarter ended
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December 31, 1995, compared with the same quarter a year earlier, due to increased net borrowings, along with the increase in cost of funds due to the factoring agreement.

NET INCOME As a result of the aforementioned sales decreases, gross margin increases, increased borrowings and cost of borrowing, the Company had net income of $88,700 for the quarter ended December 31, 1995, compared to the prior year net income of $13,600.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1995, stockholders' equity was $1,431,600, an increase of $88,800 from September 30, 1995. The Company's working capital and current ratio was $744,800 and 1.47 at December 31, 1995, compared to $601,800 and 1.41 at September 30, 1995, respectively. At December 31, 1995, total liabilities to equity ratio was 1.11 to 1 compared to 1.13 to 1 at September 30, 1995. As of December 31, 1995, the Company's total liabilities were $62,800 more than September 30, 1995.

Components of working capital with significant changes during the quarter ended December 31, 1995 were accounts receivable; accounts payable; amounts payable under factoring agreement; and other accrued liabilities. Compared to September 30, 1995, these components of working capital changed as follows:

Accounts receivable - increased $390,700 due to the timing of shipments (late in the Fiscal quarter).

Accounts payable - decreased $215,500 due the reduction of royalties payable, and increased borrowings.

Other accrued liabilities - increased due to the increases in unearned revenue, warranty reserves, and Federal income taxes payable.

The Company has a $650,000 credit facility with a financial institution which expires in March, 1996. The Company anticipates that a new credit facility will be obtained prior to the expiration of its current facility.

The Company believes it will have sufficient cash flow from operations and available borrowings under bank lines of credit to meet its operational needs in the coming year.

PART II - OTHER INFORMATION

Item 6. Exhibits

a. Exhibit on form 8-K: 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: January 22, 1996

/s/ John F. Kessler

John F. Kessler, President and
Chief Executive Officer

Date: January 22, 1996

/s/ Gerald Farmer

Gerald Farmer, Executive Vice President
Assistant Treasurer

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SEP-30-1996
OCT-01-1995
DEC-31-1995
63,986
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140,576
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88,662
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