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, 1999 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 (858) 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 10,590,857 shares outstanding of the registrant's Common Stock as of January 31, 2000.

PART 1: FINANCIAL INFORMATION
MITEK SYSTEMS, INC
CONSOLIDATED BALANCE SHEETS
UNAUDITED

	DECEMBER 31, 1999	SEPTEMBER 30, 1999
ASSETS		
CURRENT ASSETS		
Cash	$ 949,347	$ 1,398,589
Accounts receivable - net	6,048,855	5,006,081
Inventories	50,804	58,082
Prepaid expenses and other assets	134,172	69,232
Total current assets	7,183,178	6,531,984
PROPERTY AND EQUIPMENT - net	291,346	281,571
OTHER ASSETS	645,736	575,298
TOTAL ASSETS	$ 8,120,260	$ 7,388,853
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 663,605	$ 738,195
Accrued payroll and related taxes	516,903	720,300
Unearned income	396,269	203,408
Other accrued liabilities	230,425	53,885
Total current liabilities	1,807,202	1,715,788
LONG-TERM LIABILITIES	48,885	51,040
Total liabilities	1,856,087	1,766,828
COMMITMENTS AND CONTINGENCIES (Note 5)		
STOCKHOLDERS' EQUITY		
Common stock - $.001 par value; 20,000,000 shares authorized, 10,514,541 and 10,438,854 issued and outstanding, respectively	10,515	10,439
Additional paid-in capital	8,559,698	8,507,613
Accumulated deficit	(2,306,040)	(2,896,027)
Total stockholders' equity	6,264,173	5,622,025
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,120,260	$ 7,388,853

See notes to consolidated financial statements

MITEK SYSTEMS, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	THREE MONTHS ENDED DECEMBER 31, 1999	1998
NET SALES	$ 2,725,084	$ 2,210,477
COST OF SALES	380,985	422,653
GROSS MARGIN	2,344,099	1,787,824
COSTS AND EXPENSES:		
Operations	218,149	126,045
General and administrative	437,143	506,569
Research and development	500,191	295,134
Selling and marketing	592,876	495,556
Interest (income) - net	(6,246)	(9,796)
Total costs and expenses	1,742,113	1,413,508
OPERATING INCOME	601,986	374,316
INCOME BEFORE INCOME TAXES	601,986	374,316
PROVISION FOR INCOME TAXES	12,000	0
NET INCOME	$ 589,986	$ 374,316
EARNINGS PER SHARE - BASIC	$ 0.06	$ 0.04
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC	10,485,684	10,420,568
EARNINGS PER SHARE - DILUTED	$ 0.05	$ 0.04
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING - DILUTED	11,295,038	10,572,288

See notes to consolidated financial statements

MITEK SYSTEMS, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	THREE MONTHS ENDED DECEMBER 31, 1999	1998
Net income	$ 589,986	$ 374,316
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	84,958	77,543
Loss on sale of property and equipment	0	1,242
Value of stock options granted to non-employee	1,335	6,511
Changes in assets and liabilities:		
Accounts and notes receivable	(1,042,774)	(728,378)
Inventories, prepaid expenses, and other assets	(178,662)	76,681
Accounts payable, accrued payroll and related taxes, unearned maintenance income, and other accrued liabilities	89,259	(339,512)
Net cash used in operating activities	(455,898)	(531,597)
INVESTING ACTIVITIES		
Proceeds from note receivable	0	56,478
Purchases of property and equipment	(44,170)	(69,436)
Net cash used in investing activities	(44,170)	(12,958)
FINANCING ACTIVITIES		
Repurchase of common stock	0	(14,150)
Proceeds from exercise of stock options and warrants	50,826	0
Net cash provided by (used in) financing activities	50,826	(14,150)
NET (DECREASE) IN CASH	(449,242)	(558,705)
CASH AT BEGINNING OF PERIOD	1,398,589	1,740,760
CASH AT END OF PERIOD	$ 949,347	$ 1,182,055
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	$ 70,000	0
Significant non-cash investing and financing activities:		
591,114 shares of unregistered common stock reacquired pursuant to settlement agreement - see Note 3	0	$ 369,446
763,922 shares of unregistered common stock reacquired pursuant to revised cross investment and licensing agreements - see Note 4	0	$ 477,451

See notes to consolidated financial statements

MITEK SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS

1. 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 months ended December 31, 1999 and 1998 are not necessarily indicative of results which may be reported for any other interim period or for the year as a whole.

2. Inventories

Inventories are summarized as follows:

	December 31, 1999	December 31, 1998
Raw materials	$ 29,657	$ 18,144
Work in process	0	0
Finished goods	21,147	6,880
Total	$ 50,804	$ 25,024

Inventories are recorded at the lower of cost (on the first-in, first-out basis) or market and are net of a $47,504 and $200,000 reserve for inventory obsolescence for the respective periods.

3. Commitments and contingencies

In the general course of business the Company, at various times, has been named in lawsuits. During fiscal 1998 the Company was involved in a number of legal proceedings. All of these proceedings were resolved in October 1998 and the costs of these settlements were included in the fiscal year ended September 30, 1998 financial statements.

MANAGEMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT'S DISCUSSION

The following cautionary statements are made pursuant to the Private Securities Litigation Reform Act of 1995 in order for the Company to avail itself on the "safe harbor" provisions of that Act. The discussion and information in Management's' Discussion and Analysis of Financial Condition and Result of Operations (the "MD&A") may contain both historical and forward-looking statements. To the extent that MD&A contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements. The Company has attempted to identify, in context, certain of the factors that it currently believes may cause actual future experience and results to differ from the Company's current expectations. The difference may be caused by a variety of factors, including but not limited to adverse economic conditions, general decreases in demand for Company products and services, intense competition, including entry of new competitors, increased or adverse federal, state and local government regulation, inadequate capital, unexpected costs, lower revenues and net income than forecast, price increases for supplies, inability to raise prices, the risk of litigation and administrative proceedings involving the Company and its employees, higher than anticipated labor costs, the possible fluctuation and volatility of the Company's operating results and financial condition, adverse publicity and news coverage, inability to carry out marketing and sales plans, loss of key executives, changes in interest rates, inflationary factors, and other specific risks that may be alluded to in this MD&A.

The Company's strategy for fiscal 2000 continues its focus on the Company's core strengths, and increased sales and marketing efforts to bring the Company's products to new applications and markets. In particular, Mitek is determined to expand into new markets by addressing the needs of new and different types of customers with a variety of application specific solutions. Mitek also sought to broaden the use of its products with current customers by identifying new and innovative applications of its existing technology.

The Company believes that its results for the first quarter of fiscal 2000 ended December 31, 1999 are a result of the successful implementation of that growth strategy. In the three months ending December 31, 1999, revenues were $2,725,000, an increase of $515,000 or 23% over the $2,210,000 revenues in the same period last year. Gross margin for the quarter ended December 31, 1999 was $2,344,000, an increase of $556,000 or 31% over the $1,788,000 gross margin in the same period last year. The Company earned net income of $590,000 or $0.05 per diluted share for the first quarter of fiscal 2000, compared with a net income of $374,000 or $0.04 per diluted share for the first quarter of fiscal 1999.

The Company continued to maintain its cash position in the first quarter of fiscal 2000. At December 31, 1999 the Company had $949,000.in cash and cash equivalents as compared to $1,399,000 on September 30, 1999. The Company retained its $750,000 revolving and $250,000 equipment lines of credit. There were no borrowings under the lines of credit as of December 31, 1999 or September 30, 1999.

During the first quarter of fiscal 2000 Mitek announced a significant relationship with a key customer, BancTec. The agreement is a multiyear license for Mitek's CogniForms(TM) and Doctus(TM) technology products. These products will be integrated into BancTec's document processing solutions family.

The Company is pleased it experienced a growth in revenue and earnings in the first quarter of fiscal 2000 while maintaining a positive cash position with no borrowings against its lines of credit. The Company will continue to work very closely with its customers to meet their needs and the needs of their customers. The Company is looking for a continued upward trend in the second quarter of fiscal 2000, with growth in most areas of the Company.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

Comparison of Three Months Ended December 31, 1999 and 1998

NET SALES. Net sales for the three month period ended December 31, 1999 was $2,725,000, compared to $2,210,000 for the same period in 1998, an increase of $515,000, or 23%. The increase was primarily attributable to penetrating the forms processing market with the Company's CogniForms(TM) and Doctus(TM) technology products and successfully executing the Company's growth plan.

GROSS MARGIN. Gross margin for the three month period ended December 31, 1999 was $2,344,000, compared to $1,788,000 for the same period in 1998, an increase of $556,000 or 31%. Stated as a percentage of net sales, gross margin increased to 86% for the three month period ended December 31, 1999 compared to 81% for the same period in 1998. Goodwill and license amortization charged to cost of sales was $51,000 (2% of net sales) for the three month period ended December 31, 1999 and $50,000 (2% of net sales) for the same period in 1998. The increase in both gross margin and as a percentage of net sales resulted primarily from increased sales and product mix.

OPERATIONS. Operations expenses for the three month period ended December 31, 1999 were $218,000, compared to $126,000 for the same period in 1998, an increase of $92,000 or 73%. Stated as a percentage of net sales, operations expenses increased to 8% for the three month period ended December 31, 1999, compared to 6% for the same period in 1998. The increase in expenses and the percentage of net sales is primarily attributable to staff additions.

GENERAL AND ADMINISTRATIVE. General and administrative expenses for the three month period ended December 31, 1999 were $437,000, compared to $507,000 for the same period in 1998, a decrease of $70,000 or 14%. Stated as a percentage of net sales, general and administrative expenses decreased to 16% for the three month period ended December 31, 1999, compared to 23% for the same period in 1998. The decrease in expenses and as a percentage of net sales for the three month period is primarily attributable to costs associated with outside professional services and legal fees.

RESEARCH AND DEVELOPMENT. Research and development expenses for the three month period ended December 31, 1999 were $500,000 compared to $295,000 for the same period in 1998, an increase of $205,000 or 69%. Stated as a percentage of net sales, research and development expenses increased to 18% for the three month period ended December 31, 1999, compared to 14% for the same period in 1998. The increase in expenses and as a percentage of net sales for the three month period is the result of engineering staff additions.

SELLING AND MARKETING. Selling and marketing expenses for the three month period ended December 31, 1999 were $593,000, compared to $496,000 for the same period in 1998, an increase of $97,000 or 20%. Stated as a percentage of net sales, selling and marketing expenses remained at 22% from 22% for the same period in 1998. The increase in expenses are primarily attributable to staff additions, while maintaining the same percentage of net sales is primarily related to the increase in revenues.

INTEREST INCOME -NET. Net interest income for the three month period ended December 31, 1999 was $6,000, compared to net interest income of $10,000 for the same period in 1998, a decrease of $4,000 or 40%. Stated as a percentage of net sales, net interest income for the corresponding periods were 1% and 1%, respectively. The decrease in net interest income for the period ended December 31, 1999 is primarily the result of lower invested funds during the period.

LIQUIDITY AND CAPITAL

The Company has financed its cash needs primarily from increased profits during fiscal 1999 and the first uarter of fiscal 2000, collection of accounts and notes receivable, and execution of operations within budget.

Net cash used by operating activities during the year ended December 31, 1999 was $456,000. The primary use of cash from operating activities was an increase in accounts receivable of $1,043,000 and an increase in inventories, prepaids and other assets of $179,000. The primary source of cash from operating activities was net income of $590,000 plus depreciation and amortization of $85,000 and an increase in accounts payable of $89,000. Higher receivables resulted primarily from increased sales.

The Company's working capital and current ratio was $5,376,000 and 3.97 at December 31, 1999, and $4,816,000 and 3.81 at September 30, 1999. At December 31, 1999, total liabilities to equity ratio was .30 to 1 compared to .31 to 1 at September 30, 1999. As of December 31, 1999, total liabilities were greater by $89,000 than on September 30, 1999 .

In June 1999, the Company renewed its working capital line of credit of $750,000. The line of credit expires on June 8, 2000 and interest is payable at prime plus 1.5 percentage points. In addition, the Company renewed its equipment credit line in the amount of $250,000 under similar terms and conditions. There were no borrowings under the working capital or equipment lines of credit as of December 31, 1999 or September 30, 1999. The Company believes that together with existing cash, credit available under the credit lines, and cash generated from operations, funds will be sufficient to finance its operations for the next twelve months. All cash in excess of working capital requirements will be kept in short term, investment grade securities.

YEAR 2000

Historically, most computer databases, as well as embedded microprocessors in computer systems and industrial equipment, were designed with date data fields which used only two digits of the year. Most computer programs, computers, and embedded microprocessors controlling equipment were programmed to assume that all two digit dates were preceded by "19", causing "00" to be interpreted as the year 1900. This formerly common practice now could result in a computer system or embedded microprocessor which fails to recognize properly a year that begins with "20", rather than "19". This in turn could result in computer system miscalculations or failures, as well as failures of equipment controlled by date-sensitive microprocessors, and is generally referred to as the "Year 2000 problem."

1. The Company's State of Year 2000 Readiness. In 1997 the Company began to formulate a plan to address its year 2000 issues. The Company's Year 2000 plan now contemplates five phases: AWARENESS, ASSESSMENT, REMEDIATION, TESTING, and IMPLEMENTATION.

AWARENESS involves ensuring that employees who deal with the Company's computer assets, and all managers, executives and directors, understand the nature of the Year 2000 problem and the adverse effects on the business operations of the Company that would result from the failure to become and remain Year 2000 ready. ASSESSMENT involves the identification and inventorying of all computer assets of the Company (both information technology systems and embedded microprocessors) and the determination as to whether such assets will properly recognize a year that begins with "20", rather than "19". Computer hardware, software and firmware, and embedded microprocessors, that, among other things, properly recognize a year beginning with "20" are said to be "Year 2000 ready". REMEDIATION involves the repair or replacement of computer assets that are not Year 2000 ready. TESTING involves the validation of the actions taken in the remediation phase. IMPLEMENTATION is the installation and integration of remediated and tested computer assets into an overall information technology and embedded microprocessor system that is Year 2000 ready.

These phases have substantial overlap. The Company has completed Awareness phases (4th Quarter 1998) Assessment phases (4th Quarter 1998) Remediation phases (4th Quarter 1998) Testing (2nd Quarter 1999) and Implementation (3rd Quarter 1999) phases. The Company has assigned Noel Flynn, Vice President of Operations/Customer Support, the responsibility for overseeing the timely completion of each phase of the Company's Year 2000 plan.

The Company believes that all employees who deal with the Company's computer assets, and all levels of the Company's management appreciate the importance of Year 2000 readiness, and understand that achieving such readiness is primarily a business problem, not merely a technology problem. The Company has also communicated directly with its vendors of goods and services in an attempt to assure that its key vendors are aware of the importance the Company places on Year 2000 readiness.

The Company began its assessment of its internal computer systems in 1997. Computers and applications were identified, assessed and ranked for critical importance to the operations of the Company. Since then, the Company has modified and tested such applications and replaced the one system that was not Year 2000 compliant. The Company has addressed all computer systems that are critical to its operations as of September 1999.

The Company has completed its assessment of the potential for Year 2000 problems with embedded microprocessors in its equipment, and has remedied all non-compliant equipment as of September 1999.

The Company has mailed information concerning Year 2000 readiness to vendors of goods and services. The Company is not presently dependent upon any single source and supply for critical components or services for its products, and believes it can acquire such products from a number of suppliers. The Company had on-going discussions with all of its vendors of goods and services during 1999 to ensure the uninterrupted supply of such goods and services and to develop contingency plans in the event of the failure of any vendors to become and remain Year 2000 ready.

The total cost of completing all five phases of its Year 2000 plan did not exceed $50,000.

2. The Risks of the Company's Year 2000 Issues. If any computer hardware, software applications, or embedded microprocessors critical to the Company's operations have been overlooked in the assessment or remediation

phases, if any of the Company's remediated or replaced internal computer systems fail the testing phase, there could be a material adverse effect on the Company's results of operations, liquidity and financial condition of a magnitude which the Company has not yet fully analyzed.

In addition, the Company has not yet been assured that (1) the computer systems of all of its "key" or "mission critical" vendors of goods and services will be Year 2000 ready in a timely manner or that (2) the computer systems of third parties with which the Company's computer systems exchange data will be Year 2000 ready both in a timely manner and in a manner compatible with continued data exchange with the Company's computer systems.

If the vendors of the Company's most important goods and services, or the suppliers of the Company's necessary energy, telecommunications and transportation needs, fail to provide the Company with (1) the materials and services which are necessary to produce, distribute and sell its product, (2) the electrical power and other utilities necessary to sustain its operations, or (3) reliable means of transporting supplies to its customers, such failure could have a material adverse effect on the results of operations, liquidity and financial condition of the Company.

The Company's customers are primarily banks and financial institutions or entities that provide financial services to those industries. The banking industry has indicated it may experience severe problems associated with the Year 2000 problem. Banks and other financial institutions are spending significant capital resources to remedy their own Year 2000 issues. These expenditures may reduce budgeted funds that would otherwise be available to acquire new technologies and systems from the Company and other suppliers. To the extent that those customers experience or continue to experience significant capital costs for Year 2000 compliance, the demand for the Company's products may be reduced because of budgetary constraints.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits: None

b. Reports on Form 8-K:

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.

Date: February 11, 2000

/s/ John Thornton

John Thornton, Chairman, President and Chief Executive Officer

9-MOS
SEP-30-2000
OCT-01-1999
DEC-31-1999
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6,327,766
278,911
50,804
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