

SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 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, 1996 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 No

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There were 7,746,959 shares outstanding of the registrant's Common Stock as of April 12, 1996.

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

	March 31, 1996	September 30, 1995
	-----	-----
ASSETS		

CURRENT ASSETS:		
Cash	\$ 301,190	\$ 103,895
Accounts receivable-net	1,895,858	1,619,886
Note receivable	0	158,335
Inventories	280,163	131,929
Prepaid expenses	50,785	52,777
	-----	-----
Total current assets	2,527,996	2,066,822
	-----	-----
PROPERTY AND EQUIPMENT-at cost	1,108,247	1,170,634
Less accumulated depreciation and amortization	1,017,395	1,039,549
	-----	-----
Property and equipment-net	90,852	131,085
	-----	-----
PREPAID LICENSE AND OTHER ASSETS	517,141	666,393
	-----	-----
TOTAL	\$ 3,135,989	\$ 2,864,300
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Note payable - Bank	\$ 201,676	\$ 0
Current portion of long-term liabilities	8,362	267,927
Amount payable under factoring agreement	0	195,545
Accounts payable	523,279	722,955
Accrued payroll and related taxes	230,312	163,789
Other accrued liabilities	471,611	114,803
	-----	-----
Total current liabilities	1,435,240	1,465,019
	-----	-----
LONG-TERM LIABILITIES	10,543	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; 7,732,959 issued and outstanding, respectively	7,733	7,728
Additional paid-in capital	3,426,595	3,423,072
Accumulated deficit	(1,744,122)	(2,088,086)
	-----	-----
Total stockholders' equity	1,690,206	1,342,714
	-----	-----
TOTAL	\$ 3,135,989	\$ 2,864,300
	=====	=====

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	March 31,		March 31,	
	1996	1995	1996	1995
	-----	-----	-----	-----
NET SALES	\$1,923,829	\$1,435,852	\$3,749,282	\$3,328,273
COST OF GOODS SOLD	736,367	689,902	1,476,429	1,720,935
GROSS MARGIN	----- 1,187,462	----- 745,950	----- 2,272,853	----- 1,607,338
COSTS AND EXPENSES:				
Selling and marketing	283,029	398,270	586,583	704,539
General and administrative	258,172	237,952	613,188	468,546
Research and development	319,482	286,997	587,245	575,863
Interest	33,476	20,652	81,707	39,280
Total costs and expenses	----- 894,159	----- 943,871	----- 1,868,723	----- 1,788,228
OPERATING INCOME (LOSS)	----- 293,303	----- (197,921)	----- 404,130	----- (180,890)
OTHER INCOME (Note D)	0	204,853	0	204,853
INCOME (loss) BEFORE INCOME TAXES	----- 293,303	----- 6,932	----- 404,130	----- 23,963
PROVISION FOR INCOME TAXES	38,000	800	60,165	4,206
NET INCOME	----- \$ 255,303	----- \$ 6,132	----- \$ 343,965	----- \$ 19,757
EARNINGS PER SHARE:				
Common and Common equivalent shares	----- \$.03	----- \$.00	----- \$.04	----- \$.00
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES	----- 7,952,297	----- 7,029,079	----- 7,898,307	----- 7,019,981

See notes to financial statements.

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

	Six Months Ended 1996	March 31, 1995
	-----	-----
OPERATING ACTIVITIES:		
Net income	\$ 343,965	\$ 19,757
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	218,650	212,387
Gain on sale of TEMPEST	(204,853)	
Gain on sale of property and equipment		(6,045)
Change in operating assets and liabilities		
Income tax receivable	238,950	
Increase (decrease) in accounts receivable	(275,972)	172,067
Increase in inventory and prepaid expense	(146,242)	(180,193)
Increase (decrease) in accounts payable and accrued expenses	223,655	(306,559)
	-----	-----
Cash provided by (used in) operating activities	364,056	(54,489)
	-----	-----
INVESTING ACTIVITIES:		
Purchases of property and equipment	(29,166)	(10,118)
Proceeds from sale of property and equipment		6,045
Proceeds from sale of TEMPEST		50,000
	-----	-----
Cash provided by (used in) investing activities	(29,166)	45,927
	-----	-----
FINANCING ACTIVITIES:		
Proceeds from bank debt	1,506,816	390,000
Repayment of debt	(1,806,274)	(483,764)
Proceeds from note receivable	158,335	
Proceeds from exercise of stock options	3,528	26,060
Proceeds from sale of stock		153,896
	-----	-----
Net cash provided by financing activities	(137,595)	86,192
	-----	-----
NET INCREASE IN CASH	197,295	77,630
CASH AT BEGINNING OF PERIOD	103,895	99,976
	-----	-----
CASH AT END OF PERIOD	\$ 301,190	\$ 177,606
	=====	=====

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, 1996 and 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:

	March 31, 1996	September 30, 1995
	-----	-----
Raw materials	\$ 110,610	\$ 36,929
Work in process	68,202	42,970
Finished goods	101,351	52,030
	-----	-----
Total	\$ 280,163	\$ 131,929
	=====	=====

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

C. Earning Per Share

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

D. Sale of TEMPEST business

In the prior year, other income consisted of the gain on the sale of the TEMPEST business, and was 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

In the prior year, the Company undertook a private placement stock offering during the reporting 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 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 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 September 30:

1996	\$ 86,167
1997	97,965
1998	58,457

Total	\$242,589
	=====

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

SALES Sales for the second quarter of fiscal 1996 ended March 31, 1996,

increased \$488,000 compared with the same period of fiscal 1995. Sales for the six months ended March 31, 1996 increased \$421,000 or 12.65% compared with the first six months of fiscal 1995. The backlog of new orders increased to \$2,284,000 compared to \$1,979,000 at March 31, 1995.

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

three and six months ended March 31, 1996 were 38.3% and 39.4%, respectively. In the prior year, cost of goods sold as a percentage of sales for the three and six months ended March 31, 1995 were 48% and 51.7%, respectively. The prior year's sales consisted of a mix of ADR and TEMPEST products. The current year's sales consisted primarily of ADR products which produces a higher yield in gross margins, therefore causing a reduction in cost of goods sold.

OPERATING EXPENSES (Excluding Interest) Operating expenses increased

\$38,000 or 2.2% for six months ended March 31, 1996, while operating expenses decreased by \$62,500 or 68.8% for the quarter ended March 31, 1996 as compared to the same quarter in the prior year. The minimal changes reflects the Company's continued efforts to control and minimize cost.

INTEREST Interest expense increased \$13,000, or 62.1% and \$42,000 or 108%

for the three and six months ended March 31, 1996, compared with the same periods a year earlier. The increase reflects borrowings charged with an interest rate of 3% per month.

INCOME TAXES The charge for income taxes is approximately 13% of income

before taxes.

OTHER INCOME Other income in the prior year consisted of the gain on the

sale of the TEMPEST business, and was 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 The Company netted income of \$255,000 and \$344,000 for the three

and six months ended March 31, 1996, respectively, compared with the net income of \$6,000 and \$20,000 for the same periods a year earlier. The income increases reflects the results of gross margins achieved with primarily ADR software products sold as compared to low margin yields in TEMPEST products sold in the prior years.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1996, stockholders' equity was \$1,690,00, an increase of \$347,000 from September 30, 1995. The Company's working capital and current ratio was \$1,093,000 and 1.76 to 1 at March 31, 1996 compared to \$602,000 and 1.41 to 1 at Sep tember 30, 1995, respectively.

At March 31, 1996, the total liabilities to equity ratio was 0.86 to 1 compared to 1.13 to 1 at September 30, 1995. As of March 31, 1996, the Company's total liabilities were \$76,000 less than September 30, 1995.

Components of working capital with significant changes during the six months ended March 31, 1996 were: Accounts Receivable, Notes Receivable, Inventory, and Other Accrued Liabilities. Compared to September 30, 1995, the components changed as follows:

Accounts Receivable - Increased \$276,000 due to the increase in sales.

Notes Receivable - Decreased \$158,000 due to expiration and collection of the note.

Inventory - Increased \$148,000 due to the procurement of materials to support shipments backlog.

Other Accrued Liabilities - Increased \$357,000 primarily because of unearned income on shipments billed for evaluation of products. Effective with the third quarter of fiscal 1996, the Company will be shipping these evaluation sales at no charge.

In August, 1995 the Company obtained a six month interim credit facility of \$650,000 with a financial institution while seeking conventional credit facilities. In March, 1996 the Company achieved a line of credit financing with a bank in the amount of \$400,000, with interest rate charges of 2.5% over prime lending rates. As of March 31, 1996, \$34,000 of the line of credit was in use.

The Company believes it will have sufficient cash flow generated from operations and existing credit facilities to meet its operational needs in the coming year.

PART II - OTHER INFORMATION

Item 4. The annual meeting of stockholders was held on February 14, 1996. Brought to vote were the election of Directors for the ensuing year. With With 87.48% of shares represented at the meeting, all Directors from the prior year were re-elected. They are: John M. Thornton, Chairman, John F. Kessler, Daniel E. Steimle, James B.DeBello, Gerald I. Farmer and Sally B. Thornton.

Item 6. Exhibits and Reports on Form 8-K

- a. The exhibits are on Form 8-K: None
- b. Reports on Form 8-K: Sales 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 10, 1996

/s/ JOHN KESSLER

John Kessler, President and
Chief Executive Officer

Date: May 10, 1996

/s/ GERALD I. FARMER

Gerald I. Farmer, Executive Vice President
and Assistant Treasurer

3-MOS

SEP-30-1996
JAN-01-1995
MAR-31-1995
301,190
0
1,895,858
0
280,163
2,527,996
1,108,247
1,017,395
3,135,989
1,435,240
10,543
0
0
7,733
0
3,135,989
1,923,829
1,923,829
736,367
860,683
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255,303
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