

MITEK SYSTEMS INC
Form 10-Q
August 12, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 0-15235

MITEK SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

87-0418827
(I.R.S. Employer Identification No.)

8911 Balboa Ave., Suite B
San Diego, California
(Address of principal executive offices)

92123
(Zip Code)

Registrant's telephone number: (858) 503-7810

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act Check one):

Large Accelerated Filer

Accelerated Filer

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Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

There were 23,978,561 shares outstanding of the registrant's common stock as of August 9, 2011.

MITEK SYSTEMS, INC.

FORM 10-Q

For the quarterly period ended June 30, 2011

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In this report, unless the context indicates otherwise, the terms "Mitek," "Company," "we," "us," and "our" refer to Mitek Systems, Inc., a Delaware corporation.

Special Note About Forward-Looking Statements

We make forward-looking statements in this report, particularly in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in the documents that are incorporated by reference into this report, if any. These forward-looking statements relate to Mitek's outlook or expectations for earnings, revenues, expenses, asset quality or other future financial or business performance, strategies or expectations, or the impact of legal, regulatory or supervisory matters on Mitek's business, results of operations or financial condition. Specifically, forward looking statements used in this report may include statements relating to future business prospects, revenue, income and financial condition of Mitek.

Forward-looking statements can be identified by the use of words such as "estimate," "may," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target" or similar expressions. These statements reflect Mitek's judgment based on currently available information at June 30, 2011 and involve a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements.

In addition to those factors discussed under the heading "Risk Factors" in Part II, Item 1A of this report, and in Mitek's other public filings with the Securities and Exchange Commission, important factors could cause actual results to differ materially from our expectations. These factors include, but are not limited to:

- adverse economic conditions;
- general decreases in demand for Mitek products and services;
- intense competition (including entry of new competitors), including among competitors with substantially greater resources than Mitek;
 - increased or adverse federal, state and local government regulation;
 - inadequate capital;
 - unexpected costs;
 - lower revenues and net income than forecast;
 - the risk of litigation;
- the possible fluctuation and volatility of operating results and financial condition;
 - adverse publicity and news coverage;
- inability to carry out marketing and sales plans; and
- loss of key employees and executives.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date hereof, or in the case of a document incorporated by reference, as of the date of that document. Except as required by law, we undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

The above list is not intended to be exhaustive and there may be other factors that would preclude us from realizing the predictions made in the forward-looking statement. We operate in a continually changing business environment and new factors emerge from time to time. We cannot predict such factors or assess the impact, if any, of such factors on their respective financial positions or results of operations.

(ii)

PART I - FINANCIAL INFORMATION

ITEM FINANCIAL STATEMENTS

1.

MITEK SYSTEMS, INC.
BALANCE SHEETS

	June 30, 2011 (Unaudited)	September 30, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$14,024,308	\$ 1,305,049
Short-term investments	2,411,469	-
Accounts receivable including related party of \$1,249 and \$3,705, respectively, net of allowance of \$38,020 and \$6,003, respectively	3,045,886	1,221,599
Deferred maintenance fees	160,628	93,337
Inventory, prepaid expenses and other current assets	142,502	87,335
Total current assets	19,784,793	2,707,320
PROPERTY AND EQUIPMENT, net	113,212	34,293
SOFTWARE DEVELOPMENT COSTS, net	125,728	228,596
OTHER LONG-TERM ASSETS	29,465	38,247
TOTAL ASSETS	\$20,053,198	\$ 3,008,456
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Line of credit	\$105,000	\$ -
Accounts payable	518,446	228,514
Accrued payroll and related taxes	439,383	196,531
Deferred revenue	1,027,287	831,372
Deferred rent, current	9,193	9,193
Other accrued liabilities	70,026	21,870
Total current liabilities	2,169,335	1,287,480
Deferred rent, non-current	27,735	39,716
Convertible debt	-	679,801
TOTAL LIABILITIES	2,197,070	2,006,997
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001 par value, 40,000,000 shares authorized, 23,978,561 and 17,816,249 issued and outstanding, respectively	23,979	17,816
Additional paid-in capital	33,232,253	16,477,981

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Accumulated other comprehensive income	(89)	-
Accumulated deficit	(15,400,015)	(15,494,338)
Total stockholders' equity	17,856,128	1,001,459
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$20,053,198	\$ 3,008,456

The accompanying notes form an integral part of these financial statements.

MITEK SYSTEMS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
SALES:				
Software	\$2,375,049	\$370,464	\$5,653,916	\$2,076,220
Maintenance and professional services	578,869	452,026	1,571,920	1,422,246
Total sales	2,953,918	822,490	7,225,836	3,498,466
COSTS AND EXPENSES:				
Cost of sales-software	377,274	139,713	709,928	562,090
Cost of sales-maintenance and professional services	60,422	63,531	191,541	176,433
Selling and marketing	667,793	224,772	1,632,001	620,611
Research and development	738,368	491,619	1,970,687	1,505,443
General and administrative	784,573	458,184	2,242,009	1,289,969
Total costs and expenses	2,628,430	1,377,819	6,746,166	4,154,546
OPERATING INCOME (LOSS)	325,488	(555,329)	479,670	(656,080)
OTHER INCOME (EXPENSE):				
Interest and other expense (See Note 6)	(2,693)	(91,782)	(387,067)	(205,337)
Interest income	2,316	547	4,212	1,218
Total other income (expense), net	(377)	(91,235)	(382,855)	(204,119)
INCOME (LOSS) BEFORE INCOME TAXES	325,111	(646,564)	96,815	(860,199)
PROVISION FOR INCOME TAXES	-	-	(2,492)	(2,338)
NET INCOME (LOSS)	\$325,111	\$(646,564)	\$94,323	\$(862,537)
NET INCOME (LOSS) PER SHARE - BASIC	\$0.01	\$(0.04)	\$0.00	\$(0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING - BASIC				
	22,574,421	16,867,236	20,648,090	16,791,705
NET INCOME (LOSS) PER SHARE - DILUTED	\$0.01	\$(0.04)	\$0.00	\$(0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING - DILUTED				
	24,818,674	16,867,236	22,795,676	16,791,705

The accompanying notes form an integral part of these financial statements.

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

	For the nine months ended June 30,	
	2011	2010
OPERATING ACTIVITIES		
Net income (loss)	\$94,323	\$(862,537)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation expense	891,347	291,229
Non-cash interest expense on convertible debt	384,124	202,425
Depreciation and amortization	130,228	130,408
Amortization of capitalized debt issuance costs	53,945	25,091
Provision for bad debts	32,016	(18,265)
Changes in assets and liabilities:		
Accounts receivable	(1,856,303)	(175,321)
Deferred maintenance fees	(67,291)	(38,670)
Inventory, prepaid expenses and other current assets	(100,330)	4,358
Accounts payable	289,932	(21,051)
Accrued payroll and related taxes	242,852	23,912
Deferred revenue	195,915	108,383
Deferred rent	(11,981)	(116,563)
Other accrued liabilities	48,156	(3,376)
Net cash provided by (used in) operating activities	326,933	(449,977)
INVESTING ACTIVITIES		
Purchases of short-term investments	(2,411,558)	-
Purchases of property and equipment	(106,279)	(6,733)