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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported):  
August 5, 2021**

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**ZIX CORPORATION**

(Exact name of registrant as specified in its charter)

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**Texas**  
(State or other jurisdiction  
of incorporation)

**0-17995**  
(Commission  
File Number)

**75-2216818**  
(IRS Employer  
Identification No.)

**2711 North Haskell Avenue  
Suite 2300, LB 36  
Dallas, Texas 75204-2960**  
(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code: (214) 370-2000**

**Not Applicable**  
(Former name or former address, if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ZIXI	NASDAQ

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**Item 2.02 Results of Operations and Financial Condition.**

On August 5, 2021, Zix Corporation issued a press release announcing financial results for the second quarter ending June 30, 2021. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K. In accordance with General Instruction B.2 of Form 8-K, the information set forth in this Item 2.02 and in the attached Exhibit 99.1 are deemed “furnished” and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, and shall not be incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Press Release, dated August 5, 2021, titled “Zix Reports Second Quarter 2021 Financial Results”.</a>
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document.

**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 hereunto duly authorized.

ZIX CORPORATION  
(Registrant)

Date: August 5, 2021

By: /s/ David E. Rockvam  
David E. Rockvam  
Vice President and Chief Financial Officer

**Zix Reports Second Quarter 2021 Financial Results**

- *Strong Adoption of Secure Cloud Platform Drives 18% Increase in Revenue and 17% Increase in Annual recurring revenue (ARR)*
- *Generated \$14.7 Million in Cash Flow from Operations, an increase of 212% Compared to Q2 2020*
- *Cash Position Increased \$10.2 Million or 43% to \$33.9 Million Compared to Q1 2021*

**DALLAS — August 5, 2021 — Zix Corporation** (Zix) (NASDAQ: ZIXI), a leading provider of cloud email security, productivity, and compliance solutions, today announced financial results for the second quarter ended June 30, 2021.

**Second Quarter 2021 Financial Highlights (results compared to the same year-ago quarter)**

- Revenue increased 18% to \$62.8 million.
- Annual recurring revenue (ARR) increased 17% to \$252.4 million. Cloud ARR increased 24% to \$225.6 million or 89% of total ARR.
- GAAP net loss totaled (\$2.9) million compared to a year ago net loss of (\$1.9) million.
- GAAP net loss attributable to common stockholders totaled (\$5.3) million compared to a year ago net loss attributable to common stockholders of (\$4.1) million. The company's Q2 2021 net loss attributable to common shareholders includes the effect of a deemed dividend to preferred shareholders of \$2.4 million and acquisition-related expenses of \$0.1million.
- GAAP fully diluted earnings (loss) per share attributable to common stockholders totaled (\$0.10) compared to (\$0.08).
- Non-GAAP adjusted net income before deemed dividends and excluding deferred tax (benefit) expense totaled \$7.9 million compared to \$8.0 million.
- Non-GAAP adjusted net income per share before deemed dividends and excluding deferred tax (benefit) expense totaled \$0.14.
- Adjusted EBITDA increased 5% to \$13.3 million, representing an adjusted EBITDA margin of 21.1%.
- The company ended the quarter with \$33.9 million in cash, an increase of 43% or \$10.2 million compared to the end of the prior quarter.
- Cash flow from operations was \$14.7 million, an increase of 212% or \$10.0 million compared to the prior year period.



### Recent Operational Highlights

- Expanded Global Partner Program in the United Kingdom and Germany, adding solutions and support services to further enhance partner growth and operating capabilities.
- Zix added nearly 75,000 cloud mailboxes in Q2 2021, bringing the total number of productivity mailboxes to nearly 1.4 million.
- Direct customers and MSP partners started nearly 2,900 trials of Advanced Threat Protection, ZixEncrypt, ZixArchive and Secure File Share in Q2 2021.

### Management Commentary

“We demonstrated strong growth in the second quarter which sets the stage for a solid second half,” said David Wagner, Zix’s Chief Executive Officer. “Financially, we delivered 18% total revenue growth, 17% ARR growth and 7% adjusted gross profit dollar growth, while generating \$14.7 million in cash flow from operations. Operationally, we continue to accelerate the adoption of our Secure Cloud platform which is further improving partner/customer experiences and allowing us to layer on more services. CloudAlly is continuing to perform exceedingly well, reflecting cloud backup’s increasingly critical role within a secure modern workplace. We launched Secure Cloud into the German market this quarter, demonstrating both our commitment to the channel and execution on our international expansion plan. Looking ahead, Zix remains well positioned to capitalize on secular market trends of cloud adoption and ensuring that hybrid work environments are productive, secure, compliant and resilient.”

Zix’s Chief Financial Officer [Dave Rockvam](#) commented: “The second quarter again demonstrated our ability to continue driving profitable growth. In addition to robust revenue and ARR performances and strong cash flow generation, we delivered a meaningful increase in gross margin dollars in the period, highlighting our success in layering on organic, higher-margin products. Our cloud momentum has us on track to realize our goals for 2021, including revenue growth of 16% and Adjusted EBITDA of approximately \$56.0 million.”



[www.zixcorp.com](http://www.zixcorp.com)

**Second Quarter 2021 Corporate Financial Summary and Other Operational Metrics**

<i>\$ in Millions, except per share data</i>	<u>Q2 2021</u>	<u>Q2 2020</u>	<u>Change</u> <small>(1)</small>
Revenue	\$ 62.8	\$ 53.3	17.8%
GAAP Net Income (Loss)	(\$ 2.9)	(\$ 1.9)	(54.1%)
GAAP Net Income (Loss) Attributable to Common Stockholders	(\$ 5.3)	(\$ 4.1)	(29.4%)
GAAP Net Income (Loss) Per Share Attributable to Common Stockholders – Diluted	(\$ 0.10)	(\$ 0.08)	(28.7%)
Non-GAAP Adjusted Net Income Attributable to Common Stockholders (3)	\$ 5.4	\$ 5.7	(4.8%)
Non-GAAP Adjusted Net Income Per Share Attributable to Common Stockholders – Diluted (3)	\$ 0.10	\$ 0.10	(5.3)%
Non-GAAP Adjusted Net Income Before Deemed Dividends(3)	\$ 8.3	\$ 8.5	(1.9%)
Non-GAAP Adjusted Net Income Per Share Before Deemed Dividends - Diluted(3)	\$ 0.15	\$ 0.16	(2.4%)
Non-GAAP Adjusted Net Income Before Deemed Dividends and Excluding Deferred Tax (Benefit) Expense(3)	\$ 7.9	\$ 8.0	1.2%
Non-GAAP Adjusted Net Income Per Share Before Deemed Dividends and Excluding Deferred Tax (Benefit) Expense(3)	\$ 0.14	\$ 0.15	(6.6%)
EBITDA (2)(3)	\$ 8.3	\$ 7.8	6.8%
EBITDA Margin	13.1%	14.5%	1.4 pts
Adjusted EBITDA (3)	\$ 13.3	\$ 12.7	4.7%
Adjusted EBITDA Margin (3)	21.1%	23.8%	2.7 pts
Total Billings	\$ 60.0	\$ 52.1	15.2%

**Six Month 2021 Corporate Financial Summary and Other Operational Metrics**

<i>\$ in Millions, except per share data</i>	<u>YTD 2021</u>	<u>YTD 2020</u>	<u>Change</u> <small>(1)</small>
Revenue	\$ 122.8	\$ 105.8	16.1%
GAAP Net Income (Loss)	(\$ 5.4)	(\$ 2.8)	(92.9%)
GAAP Net Income (Loss) Attributable to Common Stockholders	(\$ 10.1)	(\$ 7.2)	(40.3%)
GAAP Net Income (Loss) Per Share Attributable to Common Stockholders – Diluted	(\$ 0.18)	(\$ 0.13)	(38.5%)
Non-GAAP Adjusted Net Income Attributable to Common Stockholders (3)	\$ 11.1	\$ 10.2	8.8%
Non-GAAP Adjusted Net Income Per Share Attributable to Common Stockholders – Diluted (3)	\$ 0.20	\$ 0.19	5.3%
Non-GAAP Adjusted Net Income Before Deemed Dividends(3)	\$ 16.5	\$ 15.9	3.8%
Non-GAAP Adjusted Net Income Per Share Before Deemed Dividends - Diluted(3)	\$ 0.30	\$ 0.29	3.4%
Non-GAAP Adjusted Net Income Before Deemed Dividends and Excluding Deferred Tax (Benefit) Expense(3)	\$ 15.8	\$ 14.6	7.7%
Non-GAAP Adjusted Net Income Per Share Before Deemed Dividends and Excluding Deferred Tax (Benefit) Expense(3)	\$ 0.29	\$ 0.27	7.4%
EBITDA (2)(3)	\$ 17.1	\$ 16.5	3.6%
EBITDA Margin	13.9%	15.6%	1.7 pts
Adjusted EBITDA (3)	\$ 26.4	\$ 23.8	11%
Adjusted EBITDA Margin (3)	21.5%	22.5%	1.0 pts

(1) Changes are based on actual numbers versus numbers shown in the columns, which may reflect rounding



- (2) Earnings before interest, taxes, depreciation, and amortization
- (3) A reconciliation of GAAP to non-GAAP results is included in this press release and available on the Zix investor relations website at <http://investor.zixcorp.com>

### Financial Outlook

Zix provides guidance based on current market conditions and expectations. The company emphasizes that its guidance is subject to various important cautionary factors referenced in the section entitled “Forward-Looking Statements” below, including risks and uncertainties associated with the COVID-19 pandemic.

For the third quarter of 2021, the company forecasts revenue to range between \$64.0 million and \$64.4 million. Zix’s revenue forecast for the third quarter of 2021 implies a 17% growth rate compared to the same year-ago quarter. The company forecasts fully diluted GAAP earnings (loss) per share (attributable to common stockholders) to be in the range of (\$0.09) and (\$0.08), and fully diluted non-GAAP adjusted earnings per share (attributable to common stockholders) before deemed dividends and excluding deferred tax (benefit) expense to be \$0.15 for the third quarter of 2021. The company forecasts adjusted EBITDA to be approximately 22% of forecast revenue for Q3 2021. The per share guidance figures are based on an approximate basic share count of 56.9 million for Q3 2021.

Based on management’s current visibility, the company increased its revenue guidance for fiscal 2021 to range between \$253.1 million and \$253.9 million, representing an increase of between 16% and 16.2% compared to fiscal year 2020. The company also expects fully diluted GAAP earnings (loss) per share (attributable to common stockholders) to range between (\$0.38) and (\$0.36) and fully diluted non-GAAP adjusted earnings per share (attributable to common stockholders) before deemed dividends and excluding deferred tax (benefit) expense to range between \$0.58 to \$0.60 for fiscal year 2021. The company forecasts adjusted EBITDA to be approximately \$56.0 million (or approximately 22% of



forecast revenue) for 2021, representing a year-over-year increase of approximately 10% compared to fiscal year 2020. The per share figures are based on an approximate basic average share count of 55.5 million for 2021.

### Conference Call Information

Management will discuss these financial results and outlook on a conference call today (August 5, 2021) at 8:30 a.m. ET (5:30 a.m. PT).

A live webcast of the conference call will be available in the investor relations section of Zix's website [here](#). Alternatively, participants can access the conference call by dialing 1-855-853-6940 (U.S. toll-free) or 1-720-634-2906 (international) at least 15 minutes before the call and entering access code 2482089. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 1-949-574-3860.

An audio replay can be accessed for seven days by dialing 1-855-859-2056 (U.S. toll-free) or 1-404-537-3406 (international) and entering the access code 2482089. An archive of the webcast will also be available on the Zix investor relations website.

### About Zix Corporation

Zix Corporation (Zix) is a leader in email security. Trusted by the nation's most influential institutions in healthcare, finance, and government, Zix delivers a superior experience and easy-to-use solutions for email encryption and data loss prevention, advanced threat protection, unified information archiving and bring your own device (BYOD) mobile security. Focusing on the protection of business communication, Zix enables its customers to better secure data and meet compliance needs. Zix is publicly traded on the Nasdaq Global Market under the symbol ZIXI. For more information, visit [www.zixcorp.com](http://www.zixcorp.com).

### Zix Company Contact

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### Zix Investor Contact

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### Forward-Looking Statements

As more fully described in Zix's Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on March 5, 2021, the company has been actively monitoring the COVID-19 situation and its impact on both the company and the



world in which we operate. The impact of COVID-19 and unprecedented measures to prevent its spread are affecting our business in various ways such as causing volatility in demand for our products, changes in customer behavior, including their spending and payment patterns, disruptions in the operations of our third-party suppliers and business partners, labor market conditions and limitations on our employees' and partners ability to work and travel. We expect the ultimate significance of the impact of the foregoing on our financial and operational results will be dictated by the length of time that these circumstances continue, which will depend on the currently unknowable extent and duration of the COVID-19 pandemic, or any variants thereof, and governmental and public actions taken in response. These factors also make it more challenging for management to estimate the future performance of our business, particularly over the near term.

Statements in this release that are not purely historical facts or that necessarily depend upon future events, including statements about forecasts of sales, revenue, annual recurring revenue, EBITDA, EBITDA margin, earnings or earnings per share, potential benefits of acquisitions and strategic relationships, or other statements about anticipations, beliefs, expectations, hopes, intentions or strategies for the future, may be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Readers are cautioned not to place undue reliance on forward-looking statements. All forward-looking statements are based upon information available to Zix on the date this release was issued. Zix undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements, including but not limited to, risks or uncertainties related to the completion and integration of acquisitions, the effects of our debt and equity financing transactions, year-end adjustments to previously reported preliminary unaudited financial information, market acceptance of both existing and new Zix solutions, changing market dynamics resulting from technological change, innovation and continuing customer migration to the cloud, changes in the competitive ecosystem, how privacy and data security laws may affect demand for Zix data protection solutions, and business disruptions, uncertainty and market instability stemming from the COVID-19 pandemic and governmental actions related thereto. Zix may not succeed in addressing these and other risks. Further information regarding factors that could affect Zix's business and its financial and other results can be found in the risk factors section of Zix's most recent annual report on Form 10-K and quarterly report on Form 10-Q, each as filed with the Securities and Exchange Commission, as those risk factors may be supplemented in subsequent filings.

We monitor ARR as an operating metric, which we define as the aggregate annualized contract value attributable to recurring revenue contracts as of the end of the applicable reporting period. We calculate ARR by determining the annual or monthly revenue of subscription agreements that are active as of the end of the applicable period and multiplying by 1 or 12. We monitor this metric to aid in determining to what extent individual customer relationships, considered in the aggregate, are growing or declining in financial magnitude. ARR is an operating metric derived as of the date of determination, and should be viewed independently of revenue, unearned revenue and any other GAAP financial measure over any period.





**ZIX CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2021 (unaudited)	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 33,901,000	\$ 21,362,000
Receivables, net	18,153,000	16,831,000
Prepaid and other current assets	5,741,000	5,430,000
Total current assets	<u>57,795,000</u>	<u>43,623,000</u>
Property and equipment, net	6,182,000	7,345,000
Operating lease assets	12,011,000	14,259,000
Other assets and deferred costs	12,954,000	12,767,000
Intangible Assets, Net	134,927,000	144,163,000
Goodwill	195,688,000	195,013,000
Deferred tax assets	33,410,000	32,554,000
Total assets	<u>\$452,967,000</u>	<u>\$449,724,000</u>
<b>EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 33,684,000	\$ 30,382,000
Deferred revenue	43,271,000	40,447,000
Other current liabilities	8,068,000	7,963,000
Total current liabilities	<u>85,023,000</u>	<u>78,792,000</u>
Long-term liabilities:		
Deferred revenue	756,000	1,079,000
Operating and finance lease liabilities	7,568,000	10,208,000
Debt	209,095,000	209,658,000
Total long-term liabilities	<u>217,419,000</u>	<u>220,945,000</u>
Total liabilities	<u>302,442,000</u>	<u>299,737,000</u>
Total preferred stock	120,274,000	115,552,000
Total stockholders' equity	30,251,000	34,435,000
Total liabilities, preferred stock and stockholders' equity	<u>\$452,967,000</u>	<u>\$449,724,000</u>

**ZIX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue	\$62,829,000	\$53,337,000	\$122,844,000	\$105,771,000
Cost of revenue	34,604,000	28,258,000	67,742,000	54,337,000
Gross profit	28,225,000	25,079,000	55,102,000	51,434,000
Operating expenses:				
Research and development	6,882,000	5,820,000	12,942,000	11,206,000
Selling, general and administrative	22,391,000	19,216,000	43,688,000	39,245,000
Total operating expenses	29,273,000	25,036,000	56,630,000	50,451,000
Operating income	(1,048,000)	43,000	(1,528,000)	983,000
Operating margin	-2%	0%	-1%	1%
Other income (expense)				
Investment and other income (expense)	(48,000)	(7,000)	(5,000)	(22,000)
Interest expense	(2,187,000)	(2,508,000)	(4,313,000)	(5,155,000)
Total other income (expense)	(2,235,000)	(2,515,000)	(4,318,000)	(5,177,000)
Income before income taxes	(3,283,000)	(2,472,000)	(5,846,000)	(4,194,000)
Income tax benefit (expense)	352,000	570,000	455,000	1,440,000
Net (loss) income	<u>\$ (2,931,000)</u>	<u>\$ (1,902,000)</u>	<u>\$ (5,391,000)</u>	<u>\$ (2,754,000)</u>
Deemed and accrued dividends on preferred stock	(2,399,000)	(2,218,000)	(4,722,000)	(4,447,000)
Net (loss) income attributable to common shareholders	<u>\$ (5,330,000)</u>	<u>\$ (4,120,000)</u>	<u>\$ (10,113,000)</u>	<u>\$ (7,201,000)</u>
Basic (loss) income per share attributable to common shareholders:	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>	<u>\$ (0.18)</u>	<u>\$ (0.13)</u>
Diluted (loss) income per share attributable to common shareholders:	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>	<u>\$ (0.18)</u>	<u>\$ (0.13)</u>
Shares used in per share calculation - basic	55,075,242	54,788,858	54,806,858	53,770,821
Shares used in per share calculation - diluted	55,075,242	54,788,858	54,806,858	53,770,821
Other Comprehensive income, net of tax:				
Foreign currency translation adjustments	1,463,000	294,000	201,000	(611,000)
Comprehensive (loss) income	<u>\$ (1,468,000)</u>	<u>\$ (1,608,000)</u>	<u>\$ (5,190,000)</u>	<u>\$ (3,365,000)</u>

**ZIX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<b>Operating activities:</b>		
Net (loss) income	\$ (5,391,000)	\$ (2,754,000)
Non-cash items in net income	28,825,000	21,723,000
Changes in operating assets and liabilities	1,922,000	(9,849,000)
Net cash provided by operating activities	25,356,000	9,120,000
<b>Investing activities:</b>		
Purchases of property and equipment and capitalized software	(8,667,000)	(9,316,000)
Acquisition of business, net of cash acquired	(339,000)	—
Net cash used in investing activities	(9,006,000)	(9,316,000)
<b>Financing activities:</b>		
Proceeds from exercise of stock options	251,000	334,000
Proceeds from long term debt	—	6,000,000
Repayment of long term debt	(1,103,000)	(925,000)
Repayment of finance lease obligations	(363,000)	(746,000)
Payment of acquisition-related contingent consideration	—	(1,125,000)
Purchase of treasury stock	(2,423,000)	(2,582,000)
Net cash provided used in financing activities	(3,638,000)	956,000
Effect of exchange rate changes on cash	(173,000)	(52,000)
(Decrease) Increase in cash and cash equivalents	12,539,000	708,000
Cash and cash equivalents, beginning of period	21,362,000	13,349,000
Cash and cash equivalents, end of period	<u>\$33,901,000</u>	<u>\$14,057,000</u>

**ZIX CORPORATION**  
**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**  
(Unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
<b>Revenue:</b>					
GAAP revenue		\$62,829,000	\$53,337,000	\$122,844,000	\$105,771,000
<b>Cost of revenue</b>					
GAAP cost of revenue		\$34,604,000	\$28,258,000	\$ 67,742,000	\$ 54,337,000
Stock-based compensation charges (1)	(A)	(123,000)	(836,000)	(391,000)	(1,008,000)
Strategic consulting and litigation costs (2)	(B)	(8,000)	(56,000)	(9,000)	(115,000)
Intangible Amortization (3)	(C)	(2,916,000)	(2,339,000)	(5,839,000)	(4,946,000)
Corporate separation payment (4)	(D)	(52,000)	(867,000)	(52,000)	(867,000)
Non-GAAP adjusted cost of revenue		<u>\$31,505,000</u>	<u>\$24,160,000</u>	<u>\$ 61,451,000</u>	<u>\$ 47,401,000</u>
<b>Gross profit:</b>					
GAAP gross profit		\$28,225,000	\$25,079,000	\$ 55,102,000	\$ 51,434,000
Stock-based compensation charges (1)	(A)	123,000	836,000	391,000	1,008,000
Strategic consulting and litigation costs (2)	(B)	8,000	56,000	9,000	115,000
Intangible Amortization (3)	(C)	2,916,000	2,339,000	5,839,000	4,946,000
Corporate separation payment (4)	(D)	52,000	867,000	52,000	867,000
Non-GAAP adjusted gross profit		<u>\$31,324,000</u>	<u>\$29,177,000</u>	<u>\$ 61,393,000</u>	<u>\$ 58,370,000</u>
<b>Research and development expense</b>					
GAAP research and development expense		\$ 6,882,000	\$ 5,820,000	\$ 12,942,000	\$ 11,206,000
Stock-based compensation charges (1)	(A)	(963,000)	(414,000)	(1,576,000)	(752,000)
Strategic consulting and litigation costs (2)	(B)	(17,000)	(26,000)	(33,000)	(132,000)
Intangible Amortization (3)	(C)	(76,000)	(76,000)	(151,000)	(152,000)
Corporate separation payment (4)	(D)	(167,000)	(128,000)	(167,000)	(128,000)
Non-GAAP adjusted research and development expense		<u>\$ 5,659,000</u>	<u>\$ 5,176,000</u>	<u>\$ 11,015,000</u>	<u>\$ 10,042,000</u>
<b>Selling and marketing expense</b>					
GAAP selling and marketing expense		\$15,646,000	\$14,458,000	\$ 30,568,000	\$ 28,799,000
Stock-based compensation charges (1)	(A)	(1,256,000)	(767,000)	(2,338,000)	(1,311,000)
Strategic consulting and litigation costs (2)	(B)	(1,000)	(13,000)	(2,000)	(52,000)
Intangible Amortization (3)	(C)	(3,348,000)	(3,108,000)	(6,675,000)	(6,227,000)
Corporate separation payment (4)	(D)	(131,000)	(439,000)	(174,000)	(439,000)
Non-GAAP adjusted selling and marketing expense		<u>\$10,910,000</u>	<u>\$10,131,000</u>	<u>\$ 21,379,000</u>	<u>\$ 20,770,000</u>
<b>General and administrative expense</b>					
GAAP general and administrative expense		\$ 6,745,000	\$ 4,758,000	\$ 13,120,000	\$ 10,446,000
Stock-based compensation charges (1)	(A)	(2,117,000)	(1,233,000)	(3,959,000)	(2,170,000)
Strategic consulting and litigation costs (2)	(B)	(89,000)	(26,000)	(492,000)	(202,000)
Corporate separation payment (4)	(D)	(45,000)	(109,000)	(45,000)	(109,000)
Non-GAAP adjusted general and administrative expense		<u>\$ 4,494,000</u>	<u>\$ 3,390,000</u>	<u>\$ 8,624,000</u>	<u>\$ 7,965,000</u>
<b>Operating income:</b>					
GAAP operating income		\$ (1,048,000)	\$ 43,000	\$ (1,528,000)	\$ 983,000
Stock-based compensation charges (1)	(A)	4,459,000	3,250,000	8,264,000	5,241,000
Strategic consulting and litigation costs (2)	(B)	115,000	121,000	536,000	501,000
Intangible Amortization (3)	(C)	6,340,000	5,523,000	12,665,000	11,325,000
Corporate separation payment (4)	(D)	395,000	1,543,000	438,000	1,543,000
Non-GAAP adjusted operating income		<u>\$10,261,000</u>	<u>\$10,480,000</u>	<u>\$ 20,375,000</u>	<u>\$ 19,593,000</u>
Adjusted Operating Margin		16.3%	19.6%	16.6%	18.5%
<b>Net income:</b>					
GAAP net (loss) income		\$ (2,931,000)	\$ (1,902,000)	\$ (5,391,000)	\$ (2,754,000)
Stock-based compensation charges (1)	(A)	4,459,000	3,250,000	8,264,000	5,241,000
Strategic consulting and litigation costs (2)	(B)	115,000	121,000	536,000	501,000
Intangible Amortization (3)	(C)	6,340,000	5,523,000	12,665,000	11,325,000
Corporate separation payment (4)	(D)	395,000	1,543,000	438,000	1,543,000
Non-GAAP adjusted net income		<u>\$ 8,378,000</u>	<u>\$ 8,535,000</u>	<u>\$ 16,512,000</u>	<u>\$ 15,856,000</u>
Deferred tax (benefit) expense		(510,000)	(574,000)	(732,000)	(1,207,000)
Non-GAAP adjusted net income excluding deferred tax (benefit) expense		<u>\$ 7,868,000</u>	<u>\$ 7,961,000</u>	<u>\$ 15,780,000</u>	<u>\$ 14,649,000</u>
Deemed and accrued dividends on preferred stock		(2,399,000)	(2,218,000)	(4,722,000)	(4,447,000)
Adjusted Net income attributable to common stockholders		<u>\$ 5,469,000</u>	<u>\$ 5,743,000</u>	<u>\$ 11,058,000</u>	<u>\$ 10,202,000</u>
<b>Diluted net income per common share:</b>					
GAAP net income per share before deemed dividends		\$ (0.05)	\$ (0.03)	\$ (0.10)	\$ (0.05)
Adjustments per share	(A-D)	\$ 0.20	\$ 0.19	\$ 0.40	\$ 0.34
Non-GAAP adjusted net income per share before deemed dividends		<u>\$ 0.15</u>	<u>\$ 0.16</u>	<u>\$ 0.30</u>	<u>\$ 0.29</u>
Deferred tax (benefit) expense impact to Non-GAAP adjusted net income before deemed dividends per share	(E)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Non-GAAP adjusted net income before deemed dividends per share excluding deferred tax (benefit) expense		<u>\$ 0.14</u>	<u>\$ 0.15</u>	<u>\$ 0.29</u>	<u>\$ 0.27</u>

Deemed dividends per share impact to Non-GAAP adjusted  
net income

\$ (0.04) \$ (0.04) \$ (0.09) \$ (0.08)

Adjusted Net income per share attributable to  
common stockholders

\$ 0.10 \$ 0.10 \$ 0.20 \$ 0.19

Shares used to compute Non-GAAP adjusted net income per share -  
diluted

55,075,242 54,788,858 54,806,858 53,770,821

**ZIX CORPORATION**  
**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**  
(Unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
<b>Reconciliation of Net income to EBITDA and Adjusted EBITDA:</b>					
Net income	(F)	\$ (2,931,000)	\$ (1,902,000)	\$ (5,391,000)	\$ (2,754,000)
Income tax provision		(352,000)	(570,000)	(455,000)	(1,440,000)
Interest expense		2,187,000	2,508,000	4,313,000	5,155,000
Depreciation		1,059,000	1,285,000	2,207,000	2,597,000
Amortization		8,323,000	6,436,000	16,475,000	12,917,000
<b>EBITDA</b>		<b>8,286,000</b>	<b>7,757,000</b>	<b>17,149,000</b>	<b>16,475,000</b>
<b>Adjustments:</b>					
Stock-based compensation charges (1)	(A)	4,459,000	3,250,000	8,264,000	5,241,000
Strategic consulting and litigation costs (2)	(B)	115,000	121,000	536,000	501,000
Corporate separation payment (4)	(D)	395,000	1,543,000	438,000	1,543,000
<b>Adjusted EBITDA</b>		<b>\$13,255,000</b>	<b>\$12,671,000</b>	<b>\$26,387,000</b>	<b>\$23,760,000</b>
Adjusted EBITDA margin		21.1%	23.8%	21.5%	22.5%
(1) Stock-based compensation charges are included as follows:					
Cost of revenues		\$ 123,000	\$ 836,000	\$ 391,000	\$ 1,008,000
Research and development		963,000	414,000	1,576,000	752,000
Selling and marketing		1,256,000	767,000	2,338,000	1,311,000
General and administrative		2,117,000	1,233,000	3,959,000	2,170,000
		<u>\$ 4,459,000</u>	<u>\$ 3,250,000</u>	<u>\$ 8,264,000</u>	<u>\$ 5,241,000</u>
(2) Strategic consulting, acquisition, integration and litigation costs are included as follows:					
Cost of revenues		8,000	56,000	9,000	115,000
Research and development		17,000	26,000	33,000	132,000
Selling and marketing		1,000	13,000	2,000	52,000
General and administrative		89,000	26,000	492,000	202,000
		<u>\$ 115,000</u>	<u>\$ 121,000</u>	<u>\$ 536,000</u>	<u>\$ 501,000</u>
(3) Intangible Amortization is included as follows:					
Cost of revenues		2,916,000	2,339,000	5,839,000	4,946,000
Research and development		76,000	76,000	151,000	152,000
Selling and marketing		3,348,000	3,108,000	6,675,000	6,227,000
		<u>\$ 6,340,000</u>	<u>\$ 5,523,000</u>	<u>\$12,665,000</u>	<u>\$11,325,000</u>
(4) Corporate separation payment is included as follows:					
Cost of revenues		52,000	867,000	52,000	867,000
Research and development		167,000	128,000	167,000	128,000
Selling and marketing		131,000	439,000	174,000	439,000
General and administrative		45,000	109,000	45,000	109,000
		<u>\$ 395,000</u>	<u>\$ 1,543,000</u>	<u>\$ 438,000</u>	<u>\$ 1,543,000</u>
(5) Net Income tax components:					
Current tax (benefit)/expense		157,000	4,000	277,000	(233,000)
Deferred tax (benefit)/expense		(510,000)	(574,000)	(732,000)	(1,207,000)
		<u>\$ (353,000)</u>	<u>\$ (570,000)</u>	<u>\$ (455,000)</u>	<u>\$ (1,440,000)</u>

This presentation includes Non-GAAP measures. Our Non-GAAP measures, including “Non-GAAP adjusted net income and net income per share excluding deferred tax expense” are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. For a detailed explanation of the adjustments made to comparable GAAP measures, the reasons why management uses these measures, the usefulness of these measures and the material limitations of these measures, see Notes to Reconciliation of GAAP to Non-GAAP Financial Measures on the next page.

**ZIX CORPORATION**  
**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES OUTLOOK**

	LOW Three Months Ended 30-Sep 2021	HIGH Three Months Ended 30-Sep 2021	LOW Twelve Months Ended 31-Dec 2021	HIGH Twelve Months Ended 31-Dec 2021
<b>Revenue:</b>				
GAAP revenue	\$ 64,000,000	\$ 64,400,000	\$ 253,100,000	\$ 253,900,000
<b>Diluted net income per common share:</b>				
GAAP net income	\$ (0.04)	\$ (0.05)	\$ (0.19)	\$ (0.20)
Stock-based compensation charges	\$ 0.07	\$ 0.08	\$ 0.29	\$ 0.31
Strategic consulting, acquisition and litigation costs	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.02
Intangible Amortization	\$ 0.11	\$ 0.12	\$ 0.46	\$ 0.47
Corporate separation payment	\$ —	\$ —	\$ 0.01	\$ 0.01
Non-GAAP adjusted net income per share	\$ 0.14	\$ 0.15	\$ 0.58	\$ 0.61
Deferred tax (benefit) expense	\$ 0.00	\$ (0.00)	\$ —	\$ (0.01)
Non-GAAP adjusted net income before deemed dividends per share excluding deferred tax (benefit) expense	\$ 0.15	\$ 0.15	\$ 0.58	\$ 0.60
Deemed dividends per share impact to Non-GAAP adjusted net income	\$ (0.04)	\$ (0.04)	\$ (0.18)	\$ (0.18)
Adjusted Net income per share attributable to common stockholders	\$ 0.10	\$ 0.10	\$ 0.41	\$ 0.42
GAAP fully diluted earnings (loss) per share attributable to common stockholders	\$ (0.08)	\$ (0.09)	\$ (0.36)	\$ (0.38)
Shares used to compute Non-GAAP adjusted net income per share - diluted	56,900,000	56,900,000	55,500,000	55,500,000

This presentation includes Non-GAAP measures. Our Non-GAAP measures, including “Non-GAAP adjusted net income per share excluding deferred tax expense” are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. For a detailed explanation of the adjustments made to comparable GAAP measures, the reasons why management uses these measures, the usefulness of these measures and the material limitations of these measures, see Notes to Reconciliation of GAAP to Non-GAAP Financial Measures on the next page.

**ZIX CORPORATION**  
**NOTES TO RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**

**USE OF NON-GAAP FINANCIAL INFORMATION**

The Company occasionally utilizes financial measures and terms not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”) in order to provide investors with an alternative method for assessing our operating results in a manner that enables investors to more thoroughly evaluate our current performance as compared to past performance. We also believe these Non-GAAP measures provide investors with a more informed baseline for modeling the Company’s future financial performance. Management uses these Non-GAAP financial measures to make operational and investment decisions, to evaluate the Company’s performance, to forecast and to determine compensation. Further, management utilizes these performance measures for purposes of comparison with its business plan and individual operating budgets and allocation of resources. We believe that our investors should have access to, and that we are obligated to provide, the same set of tools that we use in analyzing our results. These Non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. We have provided definitions below for certain Non-GAAP financial measures, together with an explanation of why management uses these measures and why management believes that these Non-GAAP financial measures are useful to investors. In addition, in our earnings release we have provided tables to reconcile the Non-GAAP financial measures utilized to GAAP financial measures.

**ADJUSTED NON-GAAP MEASURES**

Our Non-GAAP measures adjust GAAP Cost of revenue, Gross profit, Research and development expense, Selling and marketing expense, General and administrative expense, Operating income, Net income, Net Income excluding deferred tax (benefit) expense, Net income per share - diluted, Net income per share - diluted excluding deferred tax (benefit) expense, and EBITDA for non-cash stock-based compensation expense, and strategic consulting and litigation costs to derive Non-GAAP adjusted Cost of revenue, adjusted Gross profit, adjusted Research and development expense, adjusted Selling and marketing expense, adjusted General and administrative expense, adjusted Operating income, adjusted Net income, adjusted Net income per share - diluted and adjusted EBITDA. We provide a reconciliation of these adjusted Non-GAAP measures to GAAP Gross profit, Operating income, Net income, Net income per share - diluted and EBITDA.

Our forward-looking adjusted Non-GAAP earnings per share information consistently excludes non-cash stock-based compensation expense. Additionally, the adjusted Non-GAAP earnings per share will consistently exclude litigation expenses and non-recurring items that impact our ongoing business. See items (A) through (E) below for further information on the current quarter’s reconciling items.

Items (A) through (F) on the “Reconciliation of GAAP to Non-GAAP Financial Measures” table are listed to the right of certain categories under “Gross profit,” “Operating income,” “Net income,” “Net income excluding deferred tax (benefit) expense,” “Net income per share - diluted,” “Net income per share excluding deferred tax (benefit) expense- diluted,” and “EBITDA” and correspond to the categories explained in further detail below under (A) through (F).

(A) Non-cash stock-based compensation charges relating to stock option grants, restricted stock, and restricted stock units awarded to and accounted for in accordance with Share-Based Payment accounting guidance. See (1) on previous page for breakdown of stock-based compensation. Because of varying valuation methodologies, subjective assumptions and varying award types, the Company believes that the exclusion of stock-based compensation charges provides for more accurate comparisons to our peer companies and for a more accurate comparison of our financial results to previous periods. Additionally, the Company believes it is useful to investors to understand the specific impact of non-cash stock-based compensation charges on our operating results.

(B) Strategic consulting, acquisition integration and litigation costs. See item (2) on previous page. The Company’s management excludes certain board-directed consulting costs and litigation expenses when evaluating its ongoing performance and/or predicting its earnings trends and therefore excludes these charges on our adjusted operating results.

(C) Intangible amortization costs. See item (3) on previous page. The Company’s management excludes amortization expenses associated with the acquisition of intangible assets when evaluating its ongoing performance and/or predicting its earnings trends and therefore excludes these charges on our adjusted operating results.

(D) Corporate separation payment relating to employment termination benefits agreement. See item (4) on previous page. The Company’s management excludes these costs when evaluating its ongoing performance and/or predicting its earnings trends and therefore excludes these charges on our adjusted operating results.

(E) Deferred tax expense represents the non-cash tax expense included in the GAAP tax provision, including the current period utilization of deferred tax assets created in previous periods. The remaining provision for income taxes represents expected cash taxes to be paid.

(F) EBITDA represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA adds back stock-based compensation charges and litigation expenses.