
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): November 5, 2020

ZIX CORPORATION

(Exact name of registrant as specified in its charter)

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

**2711 North Haskell Avenue
Suite 2200, LB 36
Dallas, Texas 75204-2960**
(Former name or former address, if changed since last report.)

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:

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

Item 1.01. Entry into a Material Definitive Agreement.

On November 5, 2020, Zix Corporation (the “Company”) entered into the Incremental Amendment No. 1 and First Amendment to Credit Agreement (the “Amendment”), with each of the financial institutions listed on Schedule I thereto under the heading “Incremental Term Lender” and Truist Bank, successor by merger to SunTrust Bank, as the administrative agent. The Amendment modifies the Company’s existing credit agreement dated as of February 20, 2019 to, among other things, borrow an incremental \$35.0 million term loan thereunder (the “Incremental Term Loan”). The Incremental Term Loan has the same interest rate, maturity date, amortization schedule, collateral and other terms as the Company’s existing term loan and delayed draw term loan. The Company used the proceeds of the Incremental Term Loan to fund the Acquisition described in Item 8.01 of this Current Report on Form 8-K, and to repay all existing borrowings under the Company’s revolving credit facility.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment, which is attached as Exhibit 10.1 to this Current Report on Form 8-K and incorporated by reference herein.

Item 2.02. Results of Operations and Financial Condition.

On November 9, 2020, Zix issued a press release announcing financial results for the third quarter ending September 30, 2020. 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 7.01. Regulation FD Disclosure.

As further described below under Item 8.01 and above under Item 1.01, on November 9, 2020, Zix issued a press release announcing that it (i) had acquired CloudAlly Ltd. (“CloudAlly”) and (ii) entered into the Amendment to borrow the Incremental Term Loan and finance such acquisition. A copy of the press release is furnished herewith as Exhibit 99.2.

The information furnished under Item 7.01 of this Current Report on Form 8-K and in the attached Exhibit 99.2 shall be deemed “furnished” and not “filed” for purposes of Section 18 of 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 8.01 Other Events***Acquisition of CloudAlly***

On November 5, 2020, Zix entered into a Share Purchase Agreement (the “Purchase Agreement”) with CloudAlly, and the sellers named therein. Pursuant to the Purchase Agreement, Zix acquired 100% of the equity interests of CloudAlly (the “Acquisition”). The aggregate purchase price is up to \$30 million in cash, subject to a customary working capital adjustment, certain amounts to be held in escrow for indemnification obligations of the sellers, and customary reductions for outstanding indebtedness of CloudAlly and unpaid transaction expenses. The Acquisition is further described in Item 7.01 above and in the press release furnished herewith as Exhibit 99.2.

Non-Plan Equity Awards

Pursuant to Nasdaq Rule 5635(c)(4), on November 9, 2020, Zix issued a press release announcing (i) the grant of certain non-shareholder-approved inducement equity awards to certain employees of CloudAlly who were hired in connection with the Acquisition and (ii) the grant to Mr. Ryan Allphin, the company’s newly appointed Chief Product Officer, of certain non-shareholder-approved inducement equity awards. A copy of this press release is attached as Exhibit 99.3 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
10.1	<u>Incremental Amendment No. 1 and First Amendment to Credit Agreement dated November 5, 2020, by and among Zix Corporation, the financial institutions listed on Schedule I thereto under the heading “Incremental Term Lender” and Truist Bank, successor by merger to SunTrust Bank, as administrative agent.</u>
99.1	<u>Press Release, dated November 9, 2020, titled “Zix Reports Third Quarter 2020 Financial Results”.</u>
99.2	<u>Press Release, dated November 9, 2020, titled “Zix Acquires Leading Cloud-Based Backup and Recovery Provider CloudAlly”.</u>
99.3	<u>Press Release, dated November 9, 2002, titled “Zix Announces Grant of Non-Plan Equity Awards”.</u>
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document

Exhibits 99.1 and 99.2 attached hereto shall be deemed “furnished” and not “filed” for purposes of Section 18 of 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.

SIGNATURE

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

By: /s/ David E. Rockvam _____

David E. Rockvam

Vice President and Chief Financial Officer

Date: November 9, 2020

**INCREMENTAL AMENDMENT NO. 1 AND
FIRST AMENDMENT TO CREDIT AGREEMENT**

INCREMENTAL AMENDMENT NO. 1 AND FIRST AMENDMENT TO CREDIT AGREEMENT, dated as of November 5, 2020 (this "Amendment"), is entered into by and among Zix Corporation, a Texas corporation (the "Borrower"), each of the financial institutions set forth on Schedule I hereto under the heading "Incremental Term Lender" (each, an "Incremental Term Lender" and, collectively, the "Incremental Term Lenders") and Truist Bank, successor by merger to SunTrust Bank, as Administrative Agent (the "Administrative Agent").

WHEREAS, reference is made to that certain Credit Agreement, dated as of February 20, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, the Lenders from time to time party thereto and the Administrative Agent; capitalized terms used in this Amendment but not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement;

WHEREAS, the Borrower intends to acquire, directly or indirectly, 100% of the Equity Interests of each of Chameleon and CloudAlly (each as defined below) as follows: (a) acquisition of 100% of the Equity Interests of Chameleon Holdings Ltd., a company incorporated under the laws of Israel ("Chameleon"), the direct owner of a majority of the Equity Interests of CloudAlly (the "Chameleon Acquisition") and (b) immediately following the Chameleon Acquisition, acquisition via sale to Chameleon of all of the Equity Interests of CloudAlly Ltd., a company incorporated under the laws of Israel ("CloudAlly" and, together with Chameleon and their respective Subsidiaries, the "Target") not owned by Chameleon, in each case, pursuant to that certain Share Purchase Agreement, dated as of the date hereof, among Chameleon, CloudAlly, the Borrower, as buyer, the Founder and the Selling Shareholders (each as defined therein) and the other parties thereto (the "Acquisition Agreement"; such acquisitions pursuant to this clause (b), collectively, the "CloudAlly Acquisition" and, together with the Chameleon Acquisition, the "Acquisitions");

WHEREAS, pursuant to Section 2.20 of the Credit Agreement, the Borrower has requested an Incremental Term Facility (the "Incremental Term Facility") in the form of an increase to the Initial Term Commitments in an aggregate principal amount equal to \$35,000,000 (with such amount to be incurred pursuant to clause (c) of the definition of "Incremental Cap" under the Credit Agreement);

WHEREAS, the Borrower intends to incur the Incremental Term Loans (as defined below), the proceeds of which will be used on the Amendment Effective Date (as defined below), together with cash on hand at the Borrower, (a) to pay the Acquisition Costs (as defined below), (b) to repay all Revolving Loans outstanding as of the Amendment Effective Date and (c) solely to the extent any proceeds remain, for working capital or any other purpose not prohibited by the Credit Agreement;

WHEREAS, the Incremental Term Lenders are willing to provide the requested Incremental Term Facility to the Borrower on the Amendment Effective Date on the terms and subject to the conditions set forth herein;

WHEREAS, the Incremental Term Lenders constitute the "Required Lenders" for purposes of amending the Credit Agreement; and

WHEREAS, this Amendment constitutes an "Incremental Facility Amendment" and a "Loan Document" for all purposes of the Credit Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. General Description of the Acquisitions. Subject to the terms and conditions set forth herein, on the date of this Amendment:

(a) Pursuant to the Acquisition Agreement, the Borrower will directly or indirectly acquire 100% of the Equity Interests of Chameleon and CloudAlly and consummate the Acquisitions.

(b) The Borrower will obtain the Incremental Term Facility.

(c) All of the existing third party indebtedness for borrowed money of the Target (other than certain existing indebtedness and Liens, if any, expressly permitted to be assumed under the Credit Agreement and acceptable to Truist Securities, Inc. (the "Lead Arranger")) will be refinanced and/or repaid in full and any and all commitments, guarantees and liens (other than those described in the preceding parenthetical) on the assets of the Target will be terminated and/or released and all fees, costs and expenses incurred in connection therewith shall be paid (the "Refinancing").

(d) The proceeds of the Incremental Term Facility, together with cash on hand at the Borrower, will be applied on the Amendment Effective Date (i) to pay the consideration in connection with the Acquisitions (including the funding of the deferred purchase price escrow account as contemplated by the Acquisition Agreement), (ii) to pay (or reimburse) fees, costs and expenses incurred in connection with the Transactions (as defined below), (iii) to pay for the Refinancing (the amounts set forth in clauses (i) through (iii) above, collectively, the "Acquisition Costs") and (iv) to repay all Revolving Loans outstanding as of the Amendment Effective Date.

The transactions described above (including the payment of Acquisition Costs) are collectively referred to herein as the "Transactions".

SECTION 2. Incremental Term Loans.

(a) Each Incremental Term Lender agrees, severally and not jointly, to make an Incremental Term Loan (the "Incremental Term Loans") to the Borrower on the Amendment Effective Date in an aggregate principal amount equal to the amount set forth opposite such Incremental Term Lender's name on Schedule I hereto (such amount for such Incremental Term Lender, its "Incremental Term Commitment" and all such amounts for all Incremental Term Lenders, collectively, the "Incremental Term Commitments"), on the terms set forth herein and in the Credit Agreement (as amended hereby) and subject to the conditions set forth herein. The proceeds of the Incremental Term Loans shall be used by the Borrower for the purposes set forth in the recitals to this Amendment.

(b) The Incremental Term Loans shall constitute, and be considered to be part of, the same Class of Term Loans as the Initial Term Loans for all purposes of the Loan Documents and shall be treated the same, on the exact same terms (including with respect to interest rates and Section 2.11 of the Credit Agreement) and pursuant to the exact same documentation, as the Initial Term Loans under the Credit Agreement and the other Loan Documents. On and after the Amendment Effective Date, (i) each reference in the Loan Documents to the "Term Commitments" and the "Commitments" shall be deemed to include and be a reference to the Incremental Term Commitments, (ii) each reference in the Loan Documents to the "Term Loans" and the "Loans" shall be deemed to include and be a reference to the Incremental Term Loans and (iii) each reference in the Loan Documents to the "Term Lenders" or the "Lenders" shall be deemed to include and be a reference to the Incremental Term Lenders.

(c) The Incremental Term Loans shall be made as a single borrowing on the Amendment Effective Date. Amounts repaid or prepaid in respect of the Incremental Term Loans may not be reborrowed. Each Incremental Term Lender's Incremental Term Commitment shall terminate automatically upon the funding of such Incremental Term Lender's Incremental Term Loans on the Amendment Effective Date.

(d) The Term Maturity Date for the Incremental Term Loans shall be the Term Maturity Date for the Initial Term Loans. The Incremental Term Loans shall have an initial Interest Period that commences on the Amendment Effective Date and ends on the last day of the Interest Period then in effect for the Initial Term Loans immediately prior to the Amendment Effective Date.

(e) Each scheduled amortization payment required to be made pursuant to the first sentence of Section 2.10(a)(i) of the Credit Agreement after the Amendment Effective Date shall be adjusted from and after the Amendment Effective Date as follows in order to provide for the "fungibility" for all commercial purposes of the Incremental Term Loans with the existing Term Loans. From and after the Amendment Effective Date, subject to adjustment by the application of any prepayment pursuant to Section 2.10(c) or Section 2.11 of the Credit Agreement, the Borrower shall repay the aggregate outstanding principal amount of the Initial Term Loans and the Incremental Term Loans in equal quarterly installments on the last day of each March, June, September and December (commencing on December 31, 2020) in an amount for each such installment equal to \$526,332.49.

(f) This Amendment shall satisfy the requirements of Section 2.20(a) of the Credit Agreement regarding the delivery of a request with respect to the Incremental Term Loans contemplated by this Amendment.

SECTION 3. Additional Amendments to Credit Agreement.

(a) Section 1.01 of the Credit Agreement is hereby amended by adding the following new defined term thereto in appropriate alphabetical order:

"Chameleon Acquisition" shall have the meaning assigned to such term in that certain Incremental Amendment No. 1 and First Amendment to Credit Agreement, dated as of November 5, 2020, among the Borrower, the Lenders party thereto, and the Administrative Agent.

"CloudAlly Acquisition" shall have the meaning assigned to such term in that certain Incremental Amendment No. 1 and First Amendment to Credit Agreement, dated as of November 5, 2020, among the Borrower, the Lenders party thereto, and the Administrative Agent.

(b) Section 6.04(h) of the Credit Agreement is hereby amended so that it reads, in its entirety, as follows:

(h) Permitted Acquisitions; provided that the aggregate amount of consideration paid by the Borrower or any other Loan Party after the Effective Date in reliance on this Section 6.04(h) (together with any Investments made in Subsidiaries that are not Loan Parties pursuant to Section 6.04(c)(iii)(A)) for Permitted Acquisitions (other than the Chameleon Acquisition and the CloudAlly Acquisition) for any Restricted Subsidiary that shall not be, or, after giving effect to such Permitted Acquisition, shall not become, a Loan Party and for any assets that shall not be, or, after giving effect to such Permitted Acquisition, shall not become, Collateral, shall not at any time exceed the Non-Loan Party Investment Amount;

(c) Article IX of the Credit Agreement is hereby amended by adding the following as a new Section 9.21:

Section 9.21 Electronic Signatures. The words “execution,” “execute,” “signed,” “signature,” and words of like import in or related to this Agreement or any other document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

SECTION 4. Representations and Warranties. To induce the Incremental Term Lenders and the Administrative Agent to enter into this Amendment and to induce the Incremental Term Lenders to make the Incremental Term Loans, the Borrower represents and warrants to the Incremental Term Lenders and the Administrative Agent as of the Amendment Effective Date as follows:

(a) The execution, delivery and performance by the Borrower of its obligations under this Amendment have been duly authorized by all necessary corporate or other action of the Borrower. This Amendment has been duly executed and delivered by the Borrower. This Amendment constitutes a legal, valid and binding obligation of the Borrower, enforceable against each the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) All representations and warranties of each Loan Party set forth in the Loan Documents are true and correct in all material respects (provided that, to the extent that any such representations and warranties specifically refer to an earlier date, they are true and correct in all material respects as of such earlier date; provided further that any such representation and warranty that is qualified as to “materiality,” “Material Adverse Effect” or similar language is true and correct in all respects). In connection with this Section 4(b), solely for purposes of Section 3.11(a) of the Credit Agreement, the defined term “Transactions” shall refer to the Transactions (as defined herein).

SECTION 5. Effectiveness. This Amendment, and each Incremental Term Lender’s obligation to provide an Incremental Term Loan pursuant to this Amendment, shall become effective as of the date hereof, upon satisfaction (or waiver by the Lead Arranger) of the following conditions (the “Amendment Effective Date”):

(a) The Administrative Agent shall have received from (i) the Borrower, (ii) each Incremental Term Lender, (iii) Lenders constituting the Required Lenders and (iv) the Administrative Agent either (x) a counterpart of this Amendment signed on behalf of such party or (y) written evidence satisfactory to the Administrative Agent (which may include facsimile or other electronic transmission of a signed counterpart of this Amendment) that such party has signed a counterpart of this Amendment.

(b) The Administrative Agent shall have received a copy of the Consent, Reaffirmation, and Agreement, dated as of the Amendment Effective Date, executed by each Guarantor (as defined in the Guarantee Agreement), in form and substance reasonably satisfactory to the Administrative Agent.

(c) The Administrative Agent shall have received a certificate the Borrower, dated as of the Amendment Effective Date, in form and substance reasonably satisfactory to the Administrative Agent, with appropriate insertions, executed by any Responsible Officer of the Borrower, and including or attaching the documents referred to in subclauses (i)-(iii) of clause (d) of this Section 5.

(d) The Administrative Agent shall have received (i) either (x) a copy of each Organizational Document of the Borrower certified, to the extent applicable, as of a recent date by the applicable Governmental Authority or (y) written certification by a Responsible Officer of the Borrower that the Organizational Documents of the Borrower most recently certified and delivered to the Administrative Agent prior to the Amendment Effective Date pursuant to the Credit Agreement remain in full force and effect on the Amendment Effective Date without modification or amendment since the date of such prior delivery, (ii) either (x) signature and incumbency certificates of the Responsible Officers of the Borrower executing this Amendment or (y) written certification by a Responsible Officer of the Borrower that the signature and incumbency certificates of the Borrower most recently delivered to the Administrative Agent prior to the Amendment Effective Date pursuant to the Credit Agreement remain true and correct as of the Amendment Effective Date, (iii) a copy of resolutions of the Board of Directors of the Borrower approving and authorizing the execution, delivery and performance of this Amendment, certified as of the Amendment Effective Date by its secretary, an assistant secretary or a Responsible Officer as being in full force and effect without modification or amendment, and (iv) a copy of a good standing certificate (to the extent such concept exists) from the applicable Governmental Authority of the Borrower's jurisdiction of incorporation, organization or formation.

(e) The Administrative Agent shall have received a customary written opinion (addressed to the Administrative Agent and the Incremental Term Lenders and dated the Amendment Effective Date) of Baker Botts, New York and Texas counsel for the Loan Parties, in form and substance reasonably satisfactory to the Administrative Agent (the Borrower hereby requests such counsel to deliver such opinion).

(f) The Administrative Agent shall have received a Borrowing Request in accordance with the requirements of Section 2.03 of the Credit Agreement.

(g) The Administrative Agent shall have received a solvency certificate, dated as of the Amendment Effective Date, substantially in the form attached to the Credit Agreement as Exhibit F from a Financial Officer of the Borrower and its Subsidiaries on a consolidated basis after giving effect to the Transactions.

(h) The Lead Arranger shall have received the audited consolidated balance sheets, statements of income and statements of cash flows for the Target, as of and for the fiscal years ended December 31, 2017, December 31, 2018 and December 31, 2019 and a quality of earnings report with respect to the Target from Ernst & Young.

(i) The Acquisitions shall be consummated substantially simultaneously with the borrowings under the Incremental Term Facility in accordance with the terms of the Acquisition Agreement.

(j) At the time the Acquisitions are consummated, the representations and warranties in the Acquisition Agreement shall be true and correct in all material respects (provided that, to the extent that

any such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided further that any such representation and warranty that is qualified as to “materiality,” “material adverse effect” or similar language shall be true and correct in all respects).

(k) The Refinancing shall be consummated substantially simultaneously with the borrowings under the Incremental Term Facility.

(l) At the time that the Incremental Term Facility is established and immediately after giving effect to the effectiveness of this Amendment, no Event of Default shall have occurred and be continuing.

(m) At the time that the Incremental Term Facility is established and immediately after giving effect to the effectiveness of this Amendment, all representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct in all material respects (provided that, to the extent that any such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided further that any such representation and warranty that is qualified as to “materiality,” “Material Adverse Effect” or similar language shall be true and correct in all respects). In connection with this Section 5(m), solely for purposes of Section 3.11(a) of the Credit Agreement, the defined term “Transactions” shall refer to the Transactions (as defined herein).

(n) At the time that the Incremental Term Facility is established and immediately after giving effect to the effectiveness of this Amendment, the Borrower shall be in Pro Forma Compliance with the Financial Performance Covenant, immediately after giving effect to the use of proceeds of the Incremental Term Loans and all appropriate pro forma adjustments related thereto (but calculated without including the cash proceeds of the Incremental Term Loans in the amount of unrestricted cash and Permitted Investments to be netted in the calculation of Total Net Leverage Ratio), recomputed as of the last day of the most recent fiscal quarter for which financial statements have been delivered under the Credit Agreement and for the Test Period ending on such date.

(o) After giving effect to the Incremental Term Facility, the aggregate amount of the Incremental Facilities incurred shall not exceed the Incremental Cap.

(p) The Lead Arranger shall have received at least three (3) Business Days prior to the Amendment Effective Date all documentation and other information concerning the Target as has been reasonably requested in writing at least ten (10) Business Days prior to the Amendment Effective Date by the Administrative Agent or the Lead Arranger that is required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the PATRIOT Act.

(q) All fees required to be paid on the Amendment Effective Date pursuant to the engagement letter related to the Incremental Term Facility, and reasonable out-of-pocket expenses required to be paid on the Amendment Effective Date pursuant to Section 9.03(a) of the Credit Agreement shall, upon the borrowing under the Incremental Term Facility, have been paid to the extent (in the case of expenses) invoiced at least three (3) Business Days prior to the Amendment Effective Date or such shorter period as the Borrower may agree.

SECTION 6. Effect on Credit Agreement; Reaffirmation. Except as expressly set forth herein, this Amendment (a) shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders, the Administrative Agent, the Borrower or any other Loan Party under the Credit Agreement or any other Loan Document and (b) shall not alter, modify,

amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. The Borrower acknowledges that it expects to receive substantial direct and indirect benefits as a result of this Amendment and the transactions contemplated hereby and (i) reaffirms its obligations under the Credit Agreement and each other Loan Document to which it is a party, in each case, as modified by this Amendment, (ii) reaffirms all Liens on the Collateral which have been granted by it in favor of the Administrative Agent pursuant to the Loan Documents, (iii) acknowledges and agrees that the grants of security interests by and the guarantees of the Loan Parties contained in the Loan Documents are, and shall remain, in full force and effect immediately after giving effect to this Amendment, and (iv) acknowledges that, from and after the Amendment Effective Date, the Incremental Term Loans shall constitute Secured Obligations. This Amendment shall constitute an "Incremental Facility Amendment" and a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents.

SECTION 7. Post-Closing Obligations. Notwithstanding anything to the contrary set forth in the Credit Agreement or any other Loan Document, no later than 30 days following the Amendment Effective Date (or such longer period as the Administrative Agent may agree in its reasonable discretion), the Borrower shall deliver, or cause to be delivered, to the Administrative Agent all certificates or other instruments representing the Equity Interests of Chameleon (other than any Equity Interests constituting Excluded Assets), together with undated stock powers or other instruments of transfer, in each case in form and substance reasonably satisfactory to the Administrative Agent, with respect thereto endorsed in blank.

SECTION 8. Governing Law; Submission to Jurisdiction and Waivers; Waiver of Jury Trial.

(a) This Amendment shall be construed in accordance with and governed by the laws of the State of New York. Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York sitting in New York County, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amendment, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amendment shall affect any right that the Administrative Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Amendment against the Borrower or its properties in the courts of any jurisdiction.

(b) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9. Counterparts; Integration; Effectiveness; Amendment. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Amendment, the Credit Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent, the Lead Arranger or any Lenders constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Amendment shall become effective in accordance with the terms of Section 5 hereof and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment. This Amendment may not be amended nor may any provision hereof be waived except in accordance with Section 9.02 of the Credit Agreement.

SECTION 10. Severability. Any provision of this Amendment held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 11. Fees and Expenses. The Borrower agrees to pay, on the Amendment Effective Date, to the Administrative Agent, the Lead Arranger and/or the Incremental Term Lenders (a) all reasonable and documented out-of-pocket expenses required to be paid by the Loan Parties pursuant to Section 9.03 of the Credit Agreement and (b) any fees separately agreed between the Borrower and the Administrative Agent, the Lead Arranger and/or the Incremental Term Lenders to be paid in connection with the funding of the Incremental Term Loans hereunder.

SECTION 12. Headings. Article and Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

ZIX CORPORATION, as Borrower

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

Truist/Zix – Incremental Amendment No. 1

TRUIST BANK,
as Administrative Agent and a Lender

By: /s/ Brian M. Lewis

Name: Brian M. Lewis

Title: Managing Director

Truist/Zix – Incremental Amendment No. 1

KEYBANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Jeff Kalinowski

Name: Jeff Kalinowski

Title: Senior Vice President

Truist/Zix – Incremental Amendment No. 1

REGIONS BANK,
as a Lender

By: /s/ Neel Patel

Name: Neel Patel

Title: Vice President

Truist/Zix – Incremental Amendment No. 1

Capital One, National Association
as a Lender

By: /s/ Charlie Trisiripisal
Duly Authorized Signatory

Truist/Zix – Incremental Amendment No. 1

JPMORGAN CHASE BANK, N.A.
as a Lender

By: /s/ Ting Ting Liu

Name: Ting Ting Liu

Title: Authorized Officer

Truist/Zix – Incremental Amendment No. 1

CIT Bank, N.A.,
as a Lender

By: /s/ Sherryn Reckin

Name: Sherryn Reckin

Title: Director

Truist/Zix – Incremental Amendment No. 1

BANCALLIANCE INC.,
By: Alliance Partners, LLC, its attorney-in-fact
as a Lender

By: /s/ John Gray

Name: John Gray

Title: EVP

Truist/Zix – Incremental Amendment No. 1

SCHEDULE I

	<u>Incremental Term Lender</u>	<u>Incremental Term Commitment</u>
Truist Bank		\$ 6,166,666.67
KeyBank National Association		\$ 5,500,000.00
Regions Bank		\$ 5,500,000.00
Capital One, National Association		\$ 5,500,000.00
J.P. Morgan Chase, N.A.		\$ 4,944,444.45
CIT Bank, N.A.		\$ 3,944,444.45
BancAlliance Inc.		\$ 3,444,444.43
TOTAL:		\$ 35,000,000.00



Zix Reports Third Quarter 2020 Financial Results

***Secure Cloud Adoption Drives 15% Revenue Growth to \$54.8 Million and 19% Cloud ARR Growth
Along with Strong Cash From Operations of \$15.1 Million***

DALLAS — November 9, 2020 — Zix Corporation (Zix) (NASDAQ: ZIXI), a leading provider of cloud email security, productivity and compliance solutions, today announced financial results for the third quarter ended September 30, 2020.

Third Quarter 2020 Financial Highlights (results compared to the same year-ago quarter)

- Revenue increased 15% to \$54.8 million.
- Annual recurring revenue (ARR) increased 11% to \$222.3 million. Cloud ARR increased 19% to \$190.3 million or 86% of total ARR.
- GAAP net loss totaled (\$0.7) million compared to a year ago net loss of (\$1.6) million.
- GAAP net loss attributable to common stockholders totaled (\$3.0) million compared to a year ago net loss attributable to common stockholders of (\$3.7) million. The company's Q3 2020 net loss attributable to common shareholders includes the effect of a deemed dividend to preferred shareholders of \$2.3 million and acquisition-related expenses of \$1.1 million.
- GAAP fully diluted earnings (loss) per share attributable to common stockholders totaled (\$0.05) compared to (\$0.07).
- Non-GAAP adjusted net income before deemed dividends and acquisition related expenses and excluding deferred tax (benefit) expense totaled \$9.2 million compared to \$6.7 million.
- Non-GAAP adjusted net income per share before deemed dividends and excluding deferred tax (benefit) expense increased 34% to \$0.17.
- Adjusted EBITDA increased 20% or \$2.3 million to \$13.8 million, representing an adjusted EBITDA margin of 25%.
- The company ended the quarter with \$23.7 million in cash, an increase of 68% or \$9.6 million from \$14.1 million at the end of the prior sequential quarter. Cash flow from operations was \$15.1 million, an increase of 78% or \$8.5 million compared to the same year-ago quarter.



www.zixcorp.com

Recent Operational Highlights

- 95% of all new customers in Q3 2020 were brought onto the new Zix Secure Cloud platform.
- Zix added 50,276 cloud mailboxes in Q3 2020, bringing the total number of productivity mailboxes to over 1.1 million.
- AppRiver direct customers and Managed Service Provider partners (MSPs) started 3,038 trials of SecureTide, ZixEncrypt and ZixArchive in Q3 2020.
- Appointed former McAfee technology veteran Ryan Allphin to the new position of Chief Product Officer (CPO) in November, further strengthening the leadership team to drive growth.

Management Commentary

“Our solid third quarter results demonstrate both our team’s continued commitment to driving profitable growth as well as our partners’ and customers’ adoption of our Secure Cloud platform,” said David Wagner, Zix’s Chief Executive Officer. “With 15% revenue growth and 25% adjusted EBITDA margins in the quarter, we are seeing clear feedback for the growing value Zix is providing our partners with our Secure Cloud platform by delivering comprehensive digital productivity, security and compliance solutions for businesses globally. Additionally, through our recently announced acquisition of CloudAlly, we’re now able to offer cloud-based data backup, enabling us to further expand our product suite and also address a clear demand from our partners for an integrated cloud backup offering. Cloud data back-up is a critical component of a secure modern workplace, and we believe it will further improve our standing with current and potential partners as we enable them to navigate and thrive in an increasingly work-from-anywhere world. Our continued, efficient rate of new customer acquisition and the rapid adoption of our Secure Cloud platform both underscore our early success on this long-term secular market trend.”

Zix’s Chief Financial Officer Dave Rockvam commented: “In the third quarter we delivered on our commitment to drive revenue growth as well as adjusted gross margin and adjusted EBITDA increases on an absolute basis, the latter two of which were up \$0.3 million and \$1.1 million from Q2 2020, respectively. We also produced strong cash flow from operations, generating \$15.1 million in the third quarter and \$24.2 million on a year-to-date basis. During the quarter we also added \$9.6 million of cash and ended the quarter with \$23.7 million. Our strengthening balance sheet, coupled with our unlevered free cash flow generation capabilities, will reliably allow us to service our debt obligations and execute our growth strategy.”



Third Quarter 2020 Corporate Financial Summary and Other Operational Metrics

<i>\$ in Millions, except per share data</i>	Q3 2020	Q3 2019	Change (1)
Revenue	\$ 54.8	\$ 47.8	14.6%
GAAP Net Income (Loss)	(\$ 0.7)	(\$ 1.6)	54.6%
GAAP Net Income (Loss) Per Share Attributable to Common Stockholders – Diluted	(\$ 0.05)	(\$ 0.07)	21.6%
Non-GAAP Adjusted Net Income Attributable to Common Stockholders (3)	\$ 6.9	\$ 4.6	52.1%
Non-GAAP Adjusted Net Income Per Share Attributable to Common Stockholders – Diluted (3)	\$ 0.13	\$ 0.09	43.6%
Non-GAAP Adjusted Net Income Before Deemed Dividends(3)	\$ 8.1	\$ 6.8	19.7%
Non-GAAP Adjusted Net Income Per Share Before Deemed Dividends and Acquisition-Related Expenses - Diluted(3)	\$ 0.15	\$ 0.13	15.6%
Non-GAAP Adjusted Net Income Before Deemed Dividends and Acquisition-Related Expenses but Excluding Deferred Tax (Benefit) Expense(3)	\$ 9.2	\$ 6.7	38.4%
Non-GAAP Adjusted Net Income Per Share Before Deemed Dividends Excluding Deferred Tax (Benefit) Expense(3)	\$ 0.17	\$ 0.13	33.7%
EBITDA (2)(3)	\$ 10.6	\$ 7.9	33.8%
EBITDA Margin	19.3%	16.6%	2.8 pts
Adjusted EBITDA (3)	\$ 13.8	\$ 11.5	19.9%
Adjusted EBITDA Margin (3)	25.1%	24.0%	1.1 pts
Total Billings	\$ 54.6	\$ 46.2	18.3%

(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 the 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 fourth quarter of 2020, the company forecasts revenue to range between \$56.4 million and \$57.4 million, which includes approximately \$1.0 million of contribution from the company’s acquisition



of CloudAlly on November 5, 2020 and takes into account the GAAP required deferred revenue discount. Zix's revenue forecast for the fourth quarter of 2020 implies a 12% to 14% 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 in the range of \$0.16 and \$0.17 for the fourth quarter of 2020. The company forecasts adjusted EBITDA to be approximately 25% of forecast revenue for Q4 2020. The per share guidance figures are based on an approximate basic share count of 55.5 million for Q4 2020.

Based on management's current visibility, the company has updated its revenue range for the full fiscal year of 2020 to reflect the currently anticipated impact of the COVID-19 pandemic and related factors on its operations. The company now forecasts revenue to range between \$217 million and \$218 million, representing an increase of between 25% and 26% compared to fiscal year 2019. The company also expects fully diluted GAAP earnings (loss) per share (attributable to common stockholders) to range between (\$0.28) and (\$0.27) 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 \$0.60 to \$0.61 for fiscal year 2020. The company forecasts adjusted EBITDA to be in the range of \$51.2 million and \$51.8 million (or approximately 24% of forecast revenue) for 2020, representing a year-over-year increase of between 30% and 31% compared to fiscal year 2019. The per share figures are based on an approximate basic average share count of 54.0 million for 2020.

Conference Call Information

Management will discuss these financial results and outlook on a conference call today (November 9, 2020) at 5:00 p.m. ET (2:00 p.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 9573805. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 1-949-574-3860.



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An audio replay of the conference will be available for seven days by dialing 1-855-859-2056 (U.S. toll-free) or 1-404-537-3406 (international) and entering the access code 9573805. 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.

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Forward-Looking Statements

As more fully described in Zix's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, which is expected to be filed with the SEC by November 9, 2020, 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, and limitations on our employees' ability to work and travel. We expect the ultimate significance of the impact 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 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.



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ZIX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,662,000	\$ 13,349,000
Receivables, net	15,328,000	10,081,000
Prepaid and other current assets	3,966,000	4,984,000
Total current assets	<u>42,956,000</u>	<u>28,414,000</u>
Property and equipment, net	7,852,000	8,591,000
Operating lease assets	8,332,000	10,128,000
Other assets and deferred costs	12,461,000	11,968,000
Intangible Assets, Net	137,367,000	145,876,000
Goodwill	170,930,000	171,209,000
Deferred tax assets	36,689,000	36,535,000
Total assets	<u>\$416,587,000</u>	<u>\$412,721,000</u>
EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 29,190,000	\$ 28,132,000
Deferred revenue	41,095,000	40,757,000
Other current liabilities	4,825,000	6,135,000
Total current liabilities	<u>75,110,000</u>	<u>75,024,000</u>
Long-term liabilities:		
Deferred revenue	1,263,000	2,524,000
Operating and finance lease liabilities	7,301,000	9,105,000
Debt	<u>183,830,000</u>	<u>178,250,000</u>
Total long-term liabilities	<u>192,394,000</u>	<u>189,879,000</u>
Total liabilities	<u>267,504,000</u>	<u>264,903,000</u>
Total preferred stock	113,241,000	106,527,000
Total stockholders' equity	<u>35,842,000</u>	<u>41,291,000</u>
Total liabilities, preferred stock and stockholders' equity	<u>\$416,587,000</u>	<u>\$412,721,000</u>

ZIX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2020	2019	2020	2019
Revenue	\$ 54,840,000	\$ 47,833,000	\$160,611,000	\$123,049,000
Cost of revenue	27,928,000	21,422,000	82,265,000	52,865,000
Gross profit	26,912,000	26,411,000	78,346,000	70,184,000
Operating expenses:				
Research and development	5,720,000	5,590,000	16,926,000	15,048,000
Selling, general and administrative	18,813,000	19,592,000	58,058,000	61,729,000
Total operating expenses	24,533,000	25,182,000	74,984,000	76,777,000
Operating income	2,379,000	1,229,000	3,362,000	(6,593,000)
Operating margin	4%	3%	2%	-5%
Other income (expense)				
Investment and other income (expense)	127,000	14,000	104,000	115,000
Interest expense and other expense	(2,035,000)	(2,973,000)	(7,190,000)	(7,398,000)
Total other income (expense)	(1,908,000)	(2,959,000)	(7,086,000)	(7,283,000)
Income before income taxes	471,000	(1,730,000)	(3,724,000)	(13,876,000)
Income tax benefit (expense)	(1,196,000)	133,000	244,000	2,308,000
Net (loss) income	<u>\$ (725,000)</u>	<u>\$ (1,597,000)</u>	<u>\$ (3,480,000)</u>	<u>\$ (11,568,000)</u>
Deemed and accrued dividends on preferred stock	(2,267,000)	(2,090,000)	(6,714,000)	(7,894,000)
Net (loss) income attributable to common shareholders	<u>\$ (2,992,000)</u>	<u>\$ (3,687,000)</u>	<u>\$ (10,194,000)</u>	<u>\$ (19,462,000)</u>
Basic (loss) income per share attributable to common shareholders:	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	<u>\$ (0.19)</u>	<u>\$ (0.37)</u>
shareholders:	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	<u>\$ (0.19)</u>	<u>\$ (0.37)</u>
Shares used in per share calculation - basic	<u>54,999,114</u>	<u>53,148,078</u>	<u>53,933,721</u>	<u>52,965,163</u>
Shares used in per share calculation - diluted	<u>54,999,114</u>	<u>53,148,078</u>	<u>53,933,721</u>	<u>52,965,163</u>
Other Comprehensive income, net of tax: Foreign currency translation adjustments	493,000	35,000	(118,000)	(52,000)
Comprehensive (loss) income	<u>\$ (232,000)</u>	<u>\$ (1,562,000)</u>	<u>\$ (3,598,000)</u>	<u>\$ (11,620,000)</u>

ZIX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Operating activities:		
Net (loss) income	\$ (3,480,000)	\$ (11,568,000)
Non-cash items in net income	33,958,000	19,170,000
Changes in operating assets and liabilities	(6,233,000)	349,000
Net cash provided by operating activities	<u>24,245,000</u>	<u>7,951,000</u>
Investing activities:		
Purchases of property and equipment and capitalized software	(13,992,000)	(7,860,000)
Acquisition of business, net of cash acquired	—	(284,590,000)
Net cash used in investing activities	<u>(13,992,000)</u>	<u>(292,450,000)</u>
Financing activities:		
Proceeds from issuance of series A preferred stock, net of offering costs	—	96,588,000
Proceeds from exercise of stock options	334,000	251,000
Proceeds from long term debt	6,000,000	185,000,000
Debt issuance costs	—	(6,443,000)
Repayment of long term debt	(1,388,000)	(900,000)
Repayment of finance lease obligations	(1,086,000)	(1,277,000)
Payment of acquisition-related contingent consideration	(1,125,000)	(3,843,000)
Purchase of treasury stock	(2,717,000)	(1,881,000)
Net cash provided used in financing activities	<u>18,000</u>	<u>267,495,000</u>
Effect of exchange rate changes on cash	<u>42,000</u>	<u>(39,000)</u>
(Decrease) Increase in cash and cash equivalents	10,313,000	(17,043,000)
Cash and cash equivalents, beginning of period	<u>13,349,000</u>	<u>27,109,000</u>
Cash and cash equivalents, end of period	<u>\$ 23,662,000</u>	<u>\$ 10,066,000</u>

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

		Three Months Ended		Nine Months Ended	
		September 30,	September 30,	September 30,	September 30,
		2020	2019	2020	2019
Revenue:					
GAAP revenue		\$54,840,000	\$47,833,000	\$160,611,000	\$123,049,000
Cost of revenue					
GAAP cost of revenue		\$27,928,000	\$21,422,000	\$ 82,265,000	\$ 52,865,000
Stock-based compensation charges (1)	(A)	(97,000)	(154,000)	(1,105,000)	(422,000)
Strategic consulting and litigation costs (2)	(B)	—	(21,000)	(115,000)	(293,000)
Intangible Amortization (3)	(C)	(2,486,000)	(1,943,000)	(7,432,000)	(4,472,000)
Corporate separation payment (4)	(D)	—	—	(867,000)	(52,000)
Non-GAAP adjusted cost of revenue		\$25,345,000	\$19,304,000	\$ 72,746,000	\$ 47,626,000
Gross profit:					
GAAP gross profit		\$26,912,000	\$26,411,000	\$ 78,346,000	\$ 70,184,000
Stock-based compensation charges (1)	(A)	97,000	154,000	1,105,000	422,000
Strategic consulting and litigation costs (2)	(B)	—	21,000	115,000	293,000
Intangible Amortization (3)	(C)	2,486,000	1,943,000	7,432,000	4,472,000
Corporate separation payment (4)	(D)	—	—	867,000	52,000
Non-GAAP adjusted gross profit		\$29,495,000	\$28,529,000	\$ 87,865,000	\$ 75,423,000
Research and development expense					
GAAP research and development expense		\$ 5,720,000	\$ 5,590,000	\$ 16,926,000	\$ 15,048,000
Stock-based compensation charges (1)	(A)	(433,000)	(295,000)	(1,184,000)	(765,000)
Strategic consulting and litigation costs (2)	(B)	—	(459,000)	(132,000)	(795,000)
Intangible Amortization (3)	(C)	(76,000)	(76,000)	(227,000)	(227,000)
Non-GAAP adjusted research and development expense		\$ 5,211,000	\$ 4,760,000	\$ 15,255,000	\$ 13,025,000
Selling and marketing expense					
GAAP selling and marketing expense		\$13,489,000	\$13,312,000	\$ 42,288,000	\$ 37,323,000
Stock-based compensation charges (1)	(A)	(565,000)	(473,000)	(1,877,000)	(1,590,000)
Strategic consulting and litigation costs (2)	(B)	(160,000)	(511,000)	(212,000)	(1,253,000)
Intangible Amortization (3)	(C)	(3,106,000)	(2,794,000)	(9,333,000)	(7,045,000)
Non-GAAP adjusted selling and marketing expense		\$ 9,658,000	\$ 9,534,000	\$ 30,427,000	\$ 26,796,000
General and administrative expense					
GAAP general and administrative expense		\$ 5,324,000	\$ 6,280,000	\$ 15,770,000	\$ 24,406,000
Stock-based compensation charges (1)	(A)	(1,013,000)	(711,000)	(3,183,000)	(2,049,000)
Strategic consulting and litigation costs (2)	(B)	(923,000)	(958,000)	(1,125,000)	(9,427,000)
Corporate separation payment (4)	(D)	—	—	(109,000)	(689,000)
Non-GAAP adjusted general and administrative expense		\$ 3,388,000	\$ 4,611,000	\$ 11,353,000	\$ 12,241,000
Operating income:					
GAAP operating income		\$ 2,379,000	\$ 1,229,000	\$ 3,362,000	\$ (6,593,000)
Stock-based compensation charges (1)	(A)	2,108,000	1,633,000	7,349,000	4,826,000
Strategic consulting and litigation costs (2)	(B)	1,083,000	1,949,000	1,584,000	11,768,000
Intangible Amortization (3)	(C)	5,668,000	4,813,000	16,992,000	11,744,000
Corporate separation payment (4)	(D)	—	—	1,543,000	1,616,000
Non-GAAP adjusted operating income		\$11,238,000	\$ 9,624,000	\$ 30,830,000	\$ 23,361,000
Adjusted Operating Margin		20.5%	20.1%	19.2%	19.0%
Net income:					
GAAP net (loss) income		\$ (725,000)	\$ (1,597,000)	\$ (3,480,000)	\$ (11,568,000)
Stock-based compensation charges (1)	(A)	2,108,000	1,633,000	7,349,000	4,826,000
Strategic consulting and litigation costs (2)	(B)	1,083,000	1,949,000	1,584,000	11,768,000
Intangible Amortization (3)	(C)	5,668,000	4,813,000	16,992,000	11,744,000
Corporate separation payment (4)	(D)	—	—	1,543,000	1,616,000
Non-GAAP adjusted net income		\$ 8,134,000	\$ 6,798,000	\$ 23,988,000	\$ 18,386,000
Deferred tax (benefit) expense		1,077,000	(142,000)	(129,000)	(2,151,000)
Non-GAAP adjusted net income excluding deferred tax (benefit) expense		\$ 9,211,000	\$ 6,656,000	\$ 23,859,000	\$ 16,235,000
Deemed and accrued dividends on preferred stock		(2,267,000)	(2,090,000)	(6,714,000)	(7,894,000)
Adjusted Net income attributable to common stockholders		\$ 6,944,000	\$ 4,566,000	\$ 17,145,000	\$ 8,341,000
Diluted net income per common share:					
GAAP net income per share before deemed dividends		\$ (0.01)	\$ (0.03)	\$ (0.06)	\$ (0.22)
Adjustments per share	(A-D)	\$ 0.16	\$ 0.16	\$ 0.51	\$ 0.57
Non-GAAP adjusted net income per share before deemed dividends		\$ 0.15	\$ 0.13	\$ 0.44	\$ 0.35
Deferred tax (benefit) expense impact to Non-GAAP adjusted net income before deemed dividends per share	(E)	\$ 0.02	\$ (0.00)	\$ (0.00)	\$ (0.04)
Non-GAAP adjusted net income before deemed dividends per share excluding deferred tax (benefit) expense		\$ 0.17	\$ 0.13	\$ 0.44	\$ 0.31
Deemed dividends per share impact to Non-GAAP adjusted net income		\$ (0.04)	\$ (0.04)	\$ (0.12)	\$ (0.15)

Adjusted Net income per share attributable to common stockholders	<u>\$ 0.13</u>	<u>\$ 0.09</u>	<u>\$ 0.32</u>	<u>\$ 0.16</u>
Shares used to compute Non-GAAP adjusted net income per share - diluted	<u>54,999,114</u>	<u>53,148,078</u>	<u>53,933,721</u>	<u>52,965,163</u>

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Reconciliation of Net income to EBITDA and Adjusted EBITDA:					
Net income	(F)	\$ (725,000)	\$ (1,597,000)	\$ (3,480,000)	\$ (11,568,000)
Income tax provision		1,196,000	(133,000)	(244,000)	(2,308,000)
Interest expense		2,035,000	2,973,000	7,190,000	7,398,000
Depreciation		1,204,000	1,402,000	3,801,000	3,637,000
Amortization		6,887,000	5,274,000	19,804,000	12,665,000
EBITDA		10,597,000	7,919,000	27,071,000	9,824,000
Adjustments:					
Stock-based compensation charges (1)	(A)	2,108,000	1,633,000	7,349,000	4,826,000
Strategic consulting and litigation costs (2)	(B)	1,083,000	1,949,000	1,584,000	11,768,000
Corporate separation payment (4)	(D)	—	—	1,543,000	1,616,000
Adjusted EBITDA		\$13,788,000	\$11,501,000	\$37,547,000	\$ 28,034,000
Adjusted EBITDA margin		25.1%	24.0%	23.4%	22.8%
(1) Stock-based compensation charges are included as follows:					
Cost of revenues		\$ 97,000	\$ 154,000	\$ 1,105,000	\$ 422,000
Research and development		433,000	295,000	1,184,000	765,000
Selling and marketing		565,000	473,000	1,877,000	1,590,000
General and administrative		1,013,000	711,000	3,183,000	2,049,000
		<u>\$ 2,108,000</u>	<u>\$ 1,633,000</u>	<u>\$ 7,349,000</u>	<u>\$ 4,826,000</u>
(2) Strategic consulting, acquisition, integration and litigation costs are included as follows:					
Cost of revenues		—	21,000	115,000	293,000
Research and development		—	459,000	132,000	795,000
Selling and marketing		160,000	511,000	212,000	1,253,000
General and administrative		923,000	958,000	1,125,000	9,427,000
		<u>\$ 1,083,000</u>	<u>\$ 1,949,000</u>	<u>\$ 1,584,000</u>	<u>\$ 11,768,000</u>
(3) Intangible Amortization is included as follows:					
Cost of revenues		2,486,000	1,943,000	7,432,000	4,472,000
Research and development		76,000	76,000	227,000	227,000
Selling and marketing		3,106,000	2,794,000	9,333,000	7,045,000
		<u>\$ 5,668,000</u>	<u>\$ 4,813,000</u>	<u>\$16,992,000</u>	<u>\$ 11,744,000</u>
(4) Corporate separation payment is included as follows:					
Cost of revenues		—	—	867,000	52,000
Research and development		—	—	128,000	236,000
Selling and marketing		—	—	439,000	639,000
General and administrative		—	—	109,000	689,000
		<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,543,000</u>	<u>\$ 1,616,000</u>
(5) Net Income tax components:					
Current tax (benefit)/expense		119,000	9,000	(115,000)	(157,000)
Deferred tax (benefit)/expense		1,077,000	(142,000)	(129,000)	(2,151,000)
		<u>\$ 1,196,000</u>	<u>\$ (133,000)</u>	<u>\$ (244,000)</u>	<u>\$ (2,308,000)</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

	<u>LOW</u> <u>Three Months Ended</u> <u>December 31,</u> <u>2020</u>	<u>HIGH</u> <u>Three Months Ended</u> <u>December 31,</u> <u>2020</u>	<u>LOW</u> <u>Twelve Months Ended</u> <u>December 31,</u> <u>2020</u>	<u>HIGH</u> <u>Twelve Months Ended</u> <u>December 31,</u> <u>2020</u>
Revenue:				
GAAP revenue	\$ 56,400,000	\$ 57,400,000	\$ 217,000,000	\$ 218,000,000
Diluted net income per common share:				
GAAP net income	\$ (0.04)	\$ (0.04)	\$ (0.10)	\$ (0.10)
Stock-based compensation charges	\$ 0.05	\$ 0.05	\$ 0.18	\$ 0.19
Strategic consulting, acquisition and litigation costs	\$ 0.04	\$ 0.04	\$ 0.07	\$ 0.07
Intangible Amortization	\$ 0.11	\$ 0.11	\$ 0.43	\$ 0.43
Corporate separation payment	\$ —	\$ —	\$ 0.03	\$ 0.03
Non-GAAP adjusted net income per share	\$ 0.16	\$ 0.17	\$ 0.60	\$ 0.62
Deferred tax (benefit) expense	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.01)
Non-GAAP adjusted net income before deemed dividends per share excluding deferred tax (benefit) expense	\$ 0.16	\$ 0.17	\$ 0.60	\$ 0.61
Deemed dividends per share impact to Non-GAAP adjusted net income	\$ (0.04)	\$ (0.05)	\$ (0.17)	\$ (0.18)
Adjusted Net income per share attributable to common stockholders	\$ 0.12	\$ 0.12	\$ 0.44	\$ 0.43
GAAP fully diluted earnings (loss) per share attributable to common stockholders	\$ (0.08)	\$ (0.09)	\$ (0.27)	\$ (0.28)
Shares used to compute Non-GAAP adjusted net income per share - diluted	55,500,000	55,500,000	54,000,000	54,000,000

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.

Zix Acquires Leading Cloud-Based Backup and Recovery Provider CloudAlly

DALLAS — November 9, 2020 — Zix Corporation (Zix), (Nasdaq: ZIXI), a leading provider of cloud email security, productivity and compliance solutions, has acquired privately-held CloudAlly Ltd., an industry leader in cloud-based data backup and recovery for business.

CloudAlly Overview

Founded in 2011, Israel based CloudAlly is a pioneer of enterprise-grade, software-as-a-service (SaaS) cloud backup and recovery solutions. The company offers a robust suite of award-winning, ISO 27001 certified and GDPR/HIPAA compliant solutions for Microsoft Office 365, Google Workspace (formerly G Suite), SharePoint, OneDrive, Salesforce, Box and Dropbox. CloudAlly is a channel-first provider, serving more than 5,000 customers, 250,000 users and supported by 600 Managed Service Provider (MSP) partners. For the fiscal year ending December 31, 2020, CloudAlly is projecting to generate on a standalone basis approximately \$8.0 million in Annual Recurring Revenue (ARR).

Acquisition Summary and Rationale

- CloudAlly expands Zix’s product suite into Microsoft Office 365 backup, filling growing demand from AppRiver’s MSP channel and Zix’s value-added reseller and direct channels.
- Complementary and synergistic go-to-market motions and end markets with no overlap in the companies’ MSP partner bases.
- CloudAlly enables Zix to enter the cloud backup and recovery market. MarketsandMarkets estimates the cloud back up market as a \$1.3 billion market growing 25%.

“Our acquisition of CloudAlly greatly enhances the Zix suite of solutions and will provide our partners and customers with another robust tool to drive further cloud adoption in their digital transformation journeys,” said David Wagner, Zix’s Chief Executive Officer. “With CloudAlly, we can now directly address the growing demand we’ve seen from partners, customers and prospects alike for an enterprise-grade cloud backup offering with a best-in-class solution. In fact, through a recent survey of our MSP partner base, we found that at least 45% confirmed they would purchase a backup solution from Zix if it became available. Cloud backup being our number one product adjacency, coupled with our proven success attaching additional products to our customer base, gives us a high level of confidence that we can leverage CloudAlly to become a greater business than just the sum of its parts. With CloudAlly, we can greatly



enhance our Secure Cloud platform and also mitigate concerns around ransomware which has become a large industry focus. With this transaction completed, Zix will be better positioned for profitable growth, higher attach rates, scaled customer retention, and with the opportunity to capture a greater share of the multi-billion-dollar business communications market.”

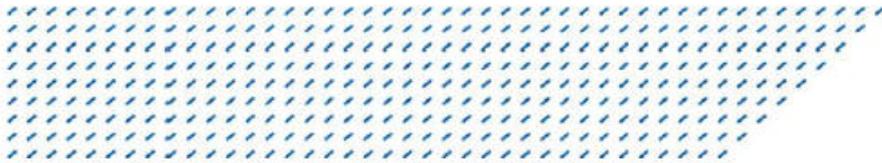
Avinoam Katz, CloudAlly’s Chief Executive Officer, commented: “A comprehensive data protection plan is more important than ever as companies around the world are focusing on cybersecurity for their remote workforce. We’re extremely excited to join forces with Zix at this time, and feel that our industry leading cloud backup service will be a complementary and valuable addition to their recently announced Secure Cloud Platform, an integrated suite of productivity, security and compliance services. This suite of services will give our rapidly growing combined customer and partner base around the world the tools they need to protect their critical cloud assets across an evolving distributed workforce.”

Financing Terms

In connection with the acquisition, Zix modified its existing senior secured term loan led by Truist Bank by adding additional borrowings of \$35.0 million, bringing the total outstanding amount of the term loan to \$212.2 million. The maturity date remains February 20, 2024 and carries the same interest rate (currently LIBOR plus 3.25%), which is subject to future step-downs as Zix’s leverage reduces. Additionally, Zix intends to use a portion of the additional term loan borrowing to repay all existing draws under its revolving credit facility, which will leave Zix with \$25.0 million of capacity under its revolver.

On a pro forma basis, taking into effect the CloudAlly acquisition, as of December 31, 2020, Zix expects to have over \$20.0 million of cash and cash equivalents and total long-term debt of \$212.1 million.

“Beyond the direct benefits from an operational standpoint, our acquisition of CloudAlly should also be highly accretive from a financial perspective,” said Dave Rockvam, Zix’s Chief Financial Officer. “Its 100% subscription business and favorable profitability profile provide us with predictable adjusted EBITDA and cash flow to augment our already-robust financial base. We sought out CloudAlly because of the strong, born-in-the-cloud business they have today, but we believe that what it could be in the future represents an even more attractive ROI for Zix. Longer-term, our strong, unlevered free cash flow generation capabilities, aided by CloudAlly, have us on solid footing to comfortably service our debt obligations over time.”



Zix management will provide additional details on the CloudAlly acquisition and the company's outlook on its third quarter 2020 conference call scheduled for today, Monday, November 9, 2020 at 5:00 p.m. Eastern time.

Transaction Advisors

Baker Botts and Gornitzky & Co. acted as legal advisors to Zix. Clairfield International acted as financial advisor and Gross Kleinhendler Hodak acted as legal advisor to CloudAlly.

About CloudAlly

Founded in 2011, CloudAlly provides ISO 27001 certified and GDPR/HIPAA compliant SaaS backup and recovery solutions. CloudAlly comprehensively protects Microsoft Office 365, Google Workspace (formerly G Suite), Salesforce, Dropbox, and Box SaaS data with secure automated cloud-to-cloud backup and easy recovery from any point-in-time with unlimited data retention. Additionally, CloudAlly offers unlimited storage and tier-one customer service. For more information, visit www.cloudally.com.

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.

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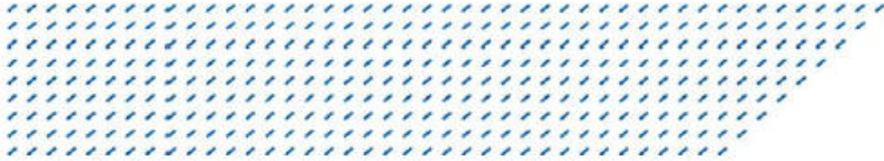
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Forward-Looking Statements

Statements in this release that are not purely historical facts or that necessarily depend upon future events, including projections of CloudAlly's future standalone financial performance, statements about future business combination and/or related financing transactions, forecasts of sales, revenue, EBITDA, ARR, earnings, earnings per share or similar financial measures, potential benefits of future business combination transactions or 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 acquisition and integration of newly acquired companies and businesses, the company's taking on new indebtedness, market acceptance of both existing and new Zix solutions, changing market dynamics resulting from technological change and innovation as well as ongoing customer migration of IT solutions to the "cloud", how privacy and data security laws may affect demand for Zix data protection solutions and 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 financial and other results can be found in the risk factors section of Zix's most recent annual report on Form 10-K filed with the Securities and Exchange Commission, as those risk factors may be supplemented in subsequent quarterly reports on Form 10-Q.



www.zixcorp.com



Zix Announces Grant of Non-Plan Equity Awards

DALLAS — November 9, 2020 — Zix Corporation (Zix), (Nasdaq: ZIXI), a leading provider of cloud email security, productivity and compliance solutions, today announced that, in connection with its recent acquisition of CloudAlly Ltd., its board authorized a new, non-shareholder-approved equity plan under Nasdaq rules that permit the grant of “inducement” equity awards to employees of CloudAlly who joined Zix as part of the acquisition. Subject to compliance with applicable Israeli legal and tax requirements, the board authorized the issuance to 16 CloudAlly employees of inducement awards under the new plan consisting of up to 400,000 restricted shares of Zix common stock (not all 400,000 restricted shares are currently allocated). These restricted shares generally will vest based on a combination of the passage of time and/or Zix’s achievement of certain financial performance metrics.

Zix also announced today that Ryan Allphin joined the company as its Chief Product Officer on November 9, 2020. In connection with Mr. Allphin’s joining the company, Zix’s board authorized non-shareholder-approved “inducement” equity awards to him consisting of (a) 100,000 shares of restricted stock, which will vest over four years, (b) 50,000 shares of restricted stock, which will vest in accordance with Zix’s achievement of certain financial performance metrics in 2021 and 2022, and (c) options to acquire 100,000 shares of Zix common stock, which will vest over four years.

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.

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