

ZIX CORP
Form 10-Q
November 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

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

For the transition period from to

Commission File Number: 0-17995

ZIX CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Texas 75-2216818
(State of Incorporation) (I.R.S. Employer Identification Number)

2711 North Haskell Avenue

Suite 2200, LB 36

Dallas, Texas 75204-2960

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(Address of Principal Executive Offices)

(214) 370-2000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicated 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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 5, 2018
Common Stock, par value \$0.01 per share	54,197,628

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ZIX CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30,	December 31,
(In thousands, except share and par value data)	2018	2017
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,977	\$ 33,009
Receivables, net	3,222	1,389
Prepaid and other current assets	2,826	3,222
Total current assets	30,025	37,620
Property and equipment, net	4,058	4,048
Other assets and deferred costs	8,647	—
Intangible assets, net	14,640	5,524
Goodwill	13,494	8,469
Deferred tax assets	21,371	25,647
Total assets	\$ 92,235	\$ 81,308
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 584	\$ 1,053
Accrued expenses	8,016	6,101
Deferred revenue	29,425	28,362
Total current liabilities	38,025	35,516
Long-term liabilities:		
Deferred revenue	2,392	1,087
Deferred rent	1,054	1,185
Total long-term liabilities	3,446	2,272
Total liabilities	41,471	37,788
Commitments and contingencies (see Note 8)		
Stockholders' equity:		
Preferred stock, \$1 par value, 10,000,000 shares authorized; none issued and		
outstanding	—	—
Common stock, \$0.01 par value, 175,000,000 shares authorized; 81,722,748		
issued and 54,194,512 outstanding in 2018 and 80,709,970 issued and 54,542,612		
outstanding in 2017	779	778
Additional paid-in capital	383,990	381,457
Treasury stock, at cost; 27,528,236 common shares in 2018 and 26,167,358		
common shares in 2017	(108,385)	(102,343)
Accumulated deficit	(225,620)	(236,372)
Total stockholders' equity	50,764	43,520

Total liabilities and stockholders' equity	\$ 92,235	\$ 81,308
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See notes to condensed consolidated financial statements.

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ZIX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues	\$ 17,876	\$ 16,592	\$ 52,029	\$ 48,863
Cost of revenues	3,870	3,272	11,189	9,342
Gross margin	14,006	13,320	40,840	39,521
Operating expenses:				
Research and development	2,764	2,916	8,720	8,047
Selling, general and administrative	8,025	7,514	24,139	23,282
Total operating expenses	10,789	10,430	32,859	31,329
Operating income	3,217	2,890	7,981	8,192
Other income, net	183	86	662	230
Income before income taxes	3,400	2,976	8,643	8,422
Income tax expense	(945)	(1,070)	(2,455)	(3,603)
Net income	\$ 2,455	\$ 1,906		