

ZIX CORP
Form 10-Q
August 07, 2017

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 June 30, 2017

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) 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 August 3, 2017
Common Stock, par value \$0.01 per share	55,222,192

INDEX

	Page
	Number
PART I — FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Balance Sheets at June 30, 2017 (unaudited) and December 31, 2016</u>	3
<u>Condensed Consolidated Statements of Income (unaudited) for the three and six months ended June 30, 2017 and 2016</u>	4
<u>Condensed Consolidated Statement of Stockholders' Equity (unaudited) for the six months ended June 30, 2017</u>	5
<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2017 and 2016</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	20
Item 4. <u>Controls and Procedures</u>	20
PART II — OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	20
Item 1A. <u>Risk Factors</u>	21
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	21
Item 3. <u>Defaults Upon Senior Securities</u>	21
Item 4. <u>Mine Safety Disclosures</u>	21
Item 5. <u>Other Information</u>	21
Item 6. <u>Exhibits</u>	22

ZIX CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30,	December 31,
(In thousands, except share and par value data)	2017	2016
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 29,508	\$ 26,457
Receivables, net	993	1,209
Prepaid and other current assets	2,845	2,829
Total current assets	33,346	30,495
Property and equipment, net	4,308	3,976
Intangible assets, net	4,934	—
Goodwill	6,488	2,161
Deferred tax assets	41,886	45,726
Total assets	\$ 90,962	\$ 82,358
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 730	\$ 355
Accrued expenses	4,726	4,365
Deferred revenue	25,738	25,773
Total current liabilities	31,194	30,493
Long-term liabilities:		
Deferred revenue	1,606	1,448
Deferred rent	1,270	1,347
Total long-term liabilities	2,876	2,795
Total liabilities	34,070	33,288
Commitments and contingencies (see Note 7)		
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; 80,634,210 issued		
and 55,267,157 outstanding in 2017 and 78,913,266 issued and 53,643,139		
outstanding in 2016	778	769
Additional paid-in capital	379,784	374,386
Treasury stock, at cost; 25,367,053 common shares in 2017 and 25,270,127 common		
shares in 2016	(98,269)	(97,770)
Accumulated deficit	(225,401)	(228,315)
Total stockholders' equity	56,892	49,070
Total liabilities and stockholders' equity	\$ 90,962	\$ 82,358

See notes to condensed consolidated financial statements.

3

ZIX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except share and per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 16,378	\$ 14,930	\$ 32,271	\$ 29,258
Cost of revenues	3,247	2,635	6,070	5,172
Gross margin	13,131	12,295	26,201	24,086
Operating expenses:				
Research and development	2,708	2,321	5,131	4,500
Selling, general and administrative	7,783	9,028	15,768	16,172
Total operating expenses	10,491	11,349	20,899	20,672
Operating income	2,640	946	5,302	3,414
Other income, net	66	50	145	109
Income before income taxes	2,706	996	5,447	3,523
Income tax expense	(1,567)	(437)	(2,533)	(1,394)
Net income	\$ 1,139	\$ 559	\$ 2,914	\$ 2,129