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ZixIt Announces Financial Results for Fourth Quarter and Year End 2000

Chairman of the Board Jeff Papows Updates Business Outlook

DALLAS – Feb. 27, 2001 – ZixIt Corporation (Nasdaq: ZIXI), premier provider of products and services that bring privacy and security to Internet communications, announced today financial results for the fourth quarter and full year ended December 31, 2000. The company reported a fourth quarter net loss of \$12,333,000, or \$0.73 per share, and a full year net loss of \$48,881,000, or \$3.00 per share, as compared to net losses of \$8,257,000, or \$0.54 per share, and \$34,352,000, or \$2.25 per share, respectively, for the corresponding periods in 1999.

Jeff Papows, chairman of the board of ZixIt Corporation, commented, "I am pleased with the progress we have made. We are just where I thought we would be at this point in our transition from a development stage company to an operating company. The fundamental work has now been done: we began in 2001 the process of charging for our services; we have brought on a new senior sales executive, who is undertaking a number of new sales and marketing initiatives; we are on schedule for the release of the ZixMail™ plug-in for Lotus® Notes® early in the second quarter; and we have completed a number of significant strategic alliances. All of these were important goals for ZixIt during the last 180 days. In addition, the cash used by operations in the fourth quarter of 2000 totaled \$5.7 million, which was less than we had planned, giving us more flexibility to spend as needed for sales and marketing in 2001. I am very enthusiastic about the direction we are taking the company."

The fourth quarter net loss of \$12,333,000, down from the previous quarter's net loss of \$15,956,000, includes advertising costs of \$1,120,000 and non-cash charges of \$6,997,000 for depreciation and amortization, stock-based compensation and a write-down of marketable equity

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securities. Non-cash charges represent 47%, or \$22,930,000, of the net loss for the year ended December 31, 2000, and 46%, or \$15,791,000, of the net loss for the year ended December 31, 1999.

The company's net working capital position at December 31, 2000, is \$48,685,000, including cash and marketable securities of \$50,290,000. Net cash used by continuing operations during 2000 was \$26,382,000, which includes discretionary advertising costs of \$10,267,000.

Investments in property and equipment declined from \$23,165,000 in 1999 to \$7,625,000 in 2000.

Business Outlook

Mr. Papows continued, "Needless to say, it is always difficult to predict what the rate of market acceptance will ultimately prove to be for a new product in a new market. However, the public's increasing attention to security and privacy concerns makes me believe that the environment is ripe for ZixIt's products and services.

"I am extremely positive about the company's outlook going forward. Given the early stage of our new sales and marketing initiatives, it is too early for all of the work going on behind the scenes with trial users, early adopters, and other small, medium, and large businesses to have materialized into first-quarter revenues. However, the quality of the pipeline is very encouraging, and the nature of the conversations that we are having with our target customers has been very positive. We are working with each corporate client individually to achieve the broadest possible implementation within each customer's operations and with our strategic marketing partners, such as IT Factory and Entrust Technologies, to complete the appropriate integration work for each platform, allowing us to leverage these additional sales efforts as quickly as possible. These efforts may require a sales cycle of several months, depending upon the customer. Finally, it is our belief that the consumer will ultimately follow the lead of the corporate world."

Mr. Papows further noted, "Based upon our anticipated cost structure, we currently estimate that the company can become cash flow positive from operations in any period in which we receive annual subscription fees up front from an average of 150,000 or more new subscribers per month.

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This is a lower level of subscribers required to break even than previously anticipated. Confirming the time frame we projected earlier, we continue to believe that it is possible for the company to attain such levels sometime in the first half of 2002. Once a base of 1.8 million subscribers is attained, the company will create great financial leverage, generated by our recurring revenues and our relatively stable cost structure, which will result in a very favorable cash flow scenario, as new subscribers are added.

“For financial accounting purposes, annual subscription fees, which are list-priced at \$24 per year per email address and expected to be collected up front, will be recognized as revenue on a prorated basis over the length of the subscription period. As a result of this spreading of revenues over the applicable service period, much of our sales and marketing success in 2001 will not show up on the scorecard this year. When coupled with the company’s significant levels of non-cash expenses, this method of recognizing revenue makes it likely that we will incur a substantial net loss in 2001. However, as was the case in 2000, the anticipated drain on the company’s cash resources in 2001 will be substantially less than the net loss shown on the bottom line of this year’s statement of operations. Furthermore, the deferred income generated this year will provide us with additional cash and a predictable base of revenue leading into 2002.”

About ZixIt Corp.

ZixIt Corporation (Nasdaq: ZIXI) is an innovative provider of affordable, easy-to-use products and services that bring privacy and security to Internet communications. ZixIt’s flagship product is ZixMail™, a secure document delivery and private email service that enables users to easily send encrypted, certified, and digitally signed communications to anyone using their existing email systems. For further information, visit www.zixit.com or contact investor relations at (214) 515-7357.

Safe Harbor Statement

The following is a “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995. The “Business Outlook” section of this release contains forward-looking statements. These forward-looking statements are not guarantees of future performance

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and involve risks and uncertainties, and actual results may differ materially from those projected in the forward-looking statements. These risks and uncertainties include, but are not limited to, the following: the limited operating history of the company in the Internet arena; the rapid development of competition in the Internet arena; the company's ability to successfully and timely develop its products and execute its business strategy; and the company's ability to achieve broad market acceptance for its products and services. Further details on such risks and uncertainties may be found in the company's public filings with the SEC.

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ZIXIT CORPORATION
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)
(Unaudited)

| | Three Months Ended | | Twelve Months Ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2000 | December 31, 1999 | December 31, 2000 | December 31, 1999 |
| Revenues | \$ 107 | \$ 99 | \$ 394 | \$ 99 |
| Research and development expenses | (1,899) | (4,371) | (8,661) | (23,548) |
| Operating costs and general corporate expenses | (10,302) | (6,111) | (42,983) | (16,696) |
| Investment income (loss) (1) | <u>(306)</u> | <u>659</u> | <u>1,928</u> | <u>3,533</u> |
| Loss from continuing operations before income taxes | (12,400) | (9,724) | (49,322) | (36,612) |
| Income taxes | <u>-</u> | <u>622</u> | <u>-</u> | <u>807</u> |
| Loss from continuing operations | (12,400) | (9,102) | (49,322) | (35,805) |
| Discontinued operations | <u>67</u> | <u>845</u> | <u>441</u> | <u>1,453</u> |
| Net loss | <u>\$ (12,333)</u> | <u>\$ (8,257)</u> | <u>\$ (48,881)</u> | <u>\$ (34,352)</u> |
| Basic and diluted earnings (loss) per common share: | | | | |
| Continuing operations | \$ (0.73) | \$ (0.60) | \$ (3.03) | \$ (2.35) |
| Discontinued operations | <u>0.00</u> | <u>0.06</u> | <u>0.03</u> | <u>0.10</u> |
| Net loss | <u>\$ (0.73)</u> | <u>\$ (0.54)</u> | <u>\$ (3.00)</u> | <u>\$ (2.25)</u> |
| Weighted average shares outstanding | 16,819 | 15,319 | 16,266 | 15,244 |

(1) Includes a fourth quarter 2000 write-down of marketable equity securities of \$1.2 million.

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ZIXIT CORPORATION
(A Development Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

| | December 31, 2000 | December 31, 1999 |
|---|----------------------|----------------------|
| | <hr/> | <hr/> |
| ASSETS | | |
| Cash and marketable securities | \$ 50,290 | \$ 39,784 |
| Due from sale of discontinued operations | - | 581 |
| Property and equipment, net | 19,400 | 21,006 |
| Other assets | 8,987 | 5,152 |
| | <hr/> | <hr/> |
| | \$ 78,677 | \$ 66,523 |
| | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable and accrued expenses | \$ 3,547 | \$ 3,629 |
| Stockholders' equity | 75,130 | 62,894 |
| | <hr/> | <hr/> |
| | \$ 78,677 | \$ 66,523 |
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