Proofpoint, Inc. Acquires Sendmail, Inc.

Industry-Standard MTA Technology Bolsters Proofpoint’s Leading Position in Enterprise Security and Messaging

SUNNYVALE, CA -- (Marketwired) -- 10/01/13 -- Proofpoint, Inc. (NASDAQ: PFPT), a leading security-as-a-service provider, today announced that it has acquired Silicon Valley based Sendmail, Inc., a leading provider of solutions that simplify business messaging complexity and reduce IT infrastructure costs for enterprises throughout the world. The acquisition brings a unique set of technical talent to the Proofpoint engineering team and strengthens the company's position in enterprise security and messaging. Under the terms of the merger agreement, Proofpoint paid approximately $23.0 million in cash. The acquisition was structured as a simultaneous signing and closing and requires no additional approvals.

"The foundation of the Proofpoint Enterprise Protection™ solution is built on the Sendmail Messaging Transfer Agent (MTA)," said Proofpoint CEO Gary Steele. "Over the many years of its operation, Sendmail has established itself as a leading provider of critical messaging infrastructure throughout the world, both for cloud deployments as well as legacy on-premise solutions. Acquiring Sendmail gives Proofpoint ownership of this definitive industry-standard technology, enabling us to further optimize the solution to meet the evolving demands of public and private cloud architectures and their associated security requirements. We are thrilled to welcome the extraordinary team that built this technology as the newest members of Proofpoint's exceptional team of technical talent, and we look forward to working with Sendmail's enterprise customers to help them meet the challenges of the evolving security threat landscape through deployment of Proofpoint's Targeted Attack Protection™ and our other cloud-based security solutions."

The Sendmail MTA holds a distinguished place in the Internet's history as the first broadly distributed MTA platform supporting simple mail transfer protocol (SMTP). To this day, the Sendmail MTA -- as a commercial product and in its open source version -- is widely used for intranet and Internet messaging. Through this acquisition, Proofpoint plans to further enhance the Sentrion™ MTA platform while also continuing to maintain the open source distribution.

Sendmail brings a global community of open source users and a compelling set of enterprise customers, but little in the way of near-term recurring revenue due to their legacy business model built around the sale of appliances and perpetual licenses. Proofpoint believes that there is a compelling opportunity to better service these customers by continuing to support the open source distribution while moving to a subscription-based model for the proprietary Sentrion version of the platform. We expect this new subscription-based approach to further extend the ongoing proliferation of the Sendmail solution to both new and existing customers while also creating an opportunity to sell Proofpoint's world-class Security, Archiving and Governance solutions to Sendmail's installed base of enterprise customers.

For the fourth quarter of 2013, Proofpoint expects Sendmail to have an immaterial impact on revenue while widening the company's non-GAAP net loss by approximately $2 million or $0.06 per share, as the company takes on the costs associated with this new team and begins to build a recurring revenue stream.

For full year of 2014, the company currently expects Sendmail to contribute approximately $5.0 million in revenue, half of which is from the renewal of legacy maintenance contracts, and the other half being new sales of Proofpoint solutions to these existing customers. Non-GAAP net loss is expected to be impacted by approximately $3 million or $0.08 per share during 2014, with losses during the first half of the year partially offset by expected accretion by the end of the year. Management will provide initial full year 2014 guidance, including the expected financial impact of Sendmail, when it announces third quarter 2013 financial results later this month.

Note that the ongoing sale of the Sendmail solutions to new customers is difficult to estimate at this time and as such is not included in this guidance, and little or no legacy business is expected to be sold in the form of perpetual licenses or hardware sales.

About Proofpoint, Inc.
Proofpoint Inc. (NASDAQ: PFPT) is a leading security-as-a-service provider that focuses on cloud-based solutions for threat protection, compliance, archiving & governance, and secure communications. Organizations around the world depend on Proofpoint's expertise, patented technologies and on-demand delivery system to protect against phishing, malware and spam, safeguard privacy, encrypt sensitive information, and archive and govern messages and critical enterprise information. More information is available at www.proofpoint.com.
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**Forward-looking Statements**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, among other things, the expected financial performance of Proofpoint (including revenue and earnings guidance) resulting from the acquisition. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors, including but not limited to: the potential impact on the business of Sendmail due to the acquisition; general economic conditions; and the ability of Proofpoint to successfully integrate Sendmail's market opportunities, technology, personnel and operations and to achieve expected benefits. These forward-looking statements are based on current expectations and are subject to uncertainties and changes in condition, significance, value and effect as well as other risks detailed in documents filed with the Securities and Exchange Commission, including Proofpoint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, Proofpoint's most current quarterly report on Form 10-Q, and current reports on Form 8-K that Proofpoint may file from time to time, which could cause actual results to vary from expectations. Proofpoint assumes no obligation to, and do not currently intend to, update any such forward-looking statements after the date of this release.

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