UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 10, 2020

RED VIOLET, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**001-38407**	**82-2408531**
(State or other jurisdiction of incorporation or organization)	**(Commission File Number)**	**(I.R.S. Employer Identification Number)**

2650 North Military Trail, Suite 300, Boca Raton, FL 33431
(Address of principal executive offices)

561-757-4000
(Registrant's telephone number, including area code)

Not Applicable
(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 (see General Instruction A.2. below):

☐ 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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	RDVT	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company 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. ☐

Item 2.02 Results of Operations and Financial Condition

On November 10, 2020, Red Violet, Inc., a Delaware corporation (the “Company”), issued a press release announcing its financial results for the third quarter ended September 30, 2020 (the “Earnings Release”). A copy of the Earnings Release is furnished herewith as Exhibit 99.1.

Also on November 10, 2020, following the issuance of the Earnings Release, the Company conducted a conference call to discuss the reported financial results for the third quarter ended September 30, 2020. The Company had issued a press release on November 2, 2020 to announce the scheduling of the conference call. A copy of the transcript of the conference call is furnished herewith as Exhibit 99.2.

The information included herein and in Exhibit 99.1 and Exhibit 99.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (“Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

99.1	Press Release dated November 10, 2020.
99.2	November 10, 2020 conference call transcript.
104	Cover page Interactive Data File (embedded within the inline XBRL file).

SIGNATURES

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.

		Red Violet, Inc.
Date: November 16, 2020	By:	/s/ Derek Dubner
		Derek Dubner
		Chief Executive Officer (Principal Executive Officer)

Exhibit 99.1

red violet Announces Third Quarter 2020 Financial Results

Strong Sequential Revenue Growth Fuels Record Gross Profit

BOCA RATON, Fla. – November 10, 2020 – Red Violet, Inc. (NASDAQ: RDVT), a leading analytics and information solutions provider, today announced financial results for the quarter ended September 30, 2020.

"We delivered another strong quarter during an incredibly challenging time, further demonstrating the applicability of our technology and solutions across diverse markets and industries, as well as the necessity of integrating our solutions to enable better data-driven decisioning," stated Derek Dubner, red violet's CEO. "The momentum we experienced exiting the second quarter continued throughout the third quarter, generating a 31% sequential increase in revenue to $9.3 million and 130% sequential increase in adjusted EBITDA to a record $2.1 million. I am extremely proud of the performance of our team and remain optimistic in our ability to continue to drive growth for the foreseeable future."

Third Quarter Financial Results

For the three months ended September 30, 2020 as compared to the three months ended September 30, 2019:

- Total revenue increased 12% to $9.3 million. Platform revenue increased 27% to $9.0 million. Services revenue decreased 75% to $0.3 million.
- Net loss narrowed 7% to $0.9 million.
- Adjusted EBITDA increased 84% to $2.1 million.
- Gross profit increased 24% to $5.5 million. Gross margin increased to 59% from 54%.
- Adjusted gross profit increased 28% to $6.6 million. Adjusted gross margin increased to 71% from 62%.
- Generated $1.7 million in cash from operating activities in the third quarter.
- Cash and cash equivalents were $12.4 million as of September 30, 2020.

Third Quarter and Recent Business Highlights

- Our high-margin, platform revenue demonstrated accelerated growth throughout the third quarter. As a result, we generated a record 71% adjusted gross margin, producing a record adjusted gross profit of $6.6 million. Adjusted EBITDA increased 84% over prior year and increased 130% on a sequential quarter basis to $2.1 million.
- Increased customer adoption of idiCORE™ with over 380 new customers added to the platform in the third quarter.
- FOREWARN®, our subscription app-based real estate solution, added over 4,000 users in the third quarter.
- Strong revenue growth from existing customer expansion. Growth revenue from existing customers increased 116% over prior year and 151% on a sequential quarter basis.

Use of Non-GAAP Financial Measures

Management evaluates the financial performance of our business on a variety of key indicators, including non-GAAP metrics of adjusted EBITDA, adjusted gross profit and adjusted gross margin. Adjusted EBITDA is a financial measure equal to net loss, the most directly comparable financial measure based on GAAP, excluding interest expense (income), net, depreciation and amortization, share-based compensation expense, and write-off of long-lived assets and others. We define adjusted gross profit as revenue less cost of revenue (exclusive of depreciation and amortization), and adjusted gross margin as adjusted gross profit as a percentage of revenue.

Conference Call

In conjunction with this release, red violet will host a conference call and webcast today at 4:30pm ET to discuss its quarterly results and provide a business update. To listen to the call, please dial (877) 665-6635 for domestic callers or (602) 563-8608 for international callers, using the passcode 1356743. To access the live audio webcast, visit the Investors section of the red violet website at www.redviolet.com. Please login at least 15 minutes prior to the start of the call to ensure adequate time for any downloads that may be required. Following the completion of the conference call, a replay will be available for approximately one week by dialing

(855) 859-2056 or (404) 537-3406 with the replay passcode 1356743. An archived webcast of the conference call will be available on the Investors section of the red violet website at www.redviolet.com.

About red violet®

At red violet, we believe that time is your most valuable asset. Through powerful analytics, we transform data into intelligence, in a fast and efficient manner, so that our clients can spend their time on what matters most - running their organizations with confidence. Through leading-edge, proprietary technology and a massive data repository, our analytics and information solutions harness the power of data fusion, uncovering the relevance of disparate data points and converting them into comprehensive and insightful views of people, businesses, assets and their interrelationships. We empower clients across markets and industries to better execute all aspects of their business, from managing risk, recovering debt, identifying fraud and abuse, and ensuring legislative compliance, to identifying and acquiring customers. At red violet, we are dedicated to making the world a safer place and reducing the cost of doing business. For more information, please visit www.redviolet.com.

FORWARD-LOOKING STATEMENTS

This press release contains "forward-looking statements," as that term is defined under the Private Securities Litigation Reform Act of 1995 (PSLRA), which statements may be identified by words such as "expects," "plans," "projects," "will," "may," "anticipate," "believes," "should," "intends," "estimates," and other words of similar meaning. Such forward looking statements are subject to risks and uncertainties that are often difficult to predict, are beyond our control and which may cause results to differ materially from expectations, including the impact of the Covid-19 pandemic on our current and future results of operations and whether we will continue to drive growth for the foreseeable future. Readers are cautioned not to place undue reliance on these forward-looking statements, which are based on our expectations as of the date of this press release and speak only as of the date of this press release and are advised to consider the factors listed above together with the additional factors under the heading "Forward-Looking Statements" and "Risk Factors" in red violet's Form 10-K for the year ended December 31, 2019 filed on March 12, 2020, as may be supplemented or amended by the Company's other SEC filings. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

RED VIOLET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)
(unaudited)

	September 30, 2020	December 31, 2019
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 12,441	$ 11,776
Accounts receivable, net of allowance for doubtful accounts of $20 and $40 as of September 30, 2020 and December 31, 2019, respectively	2,920	3,543
Prepaid expenses and other current assets	616	722
Total current assets	15,977	16,041
Property and equipment, net	555	660
Intangible assets, net	26,977	24,034
Goodwill	5,227	5,227
Right-of-use assets	2,279	2,620
Other noncurrent assets	93	289
Total assets	$ 51,108	$ 48,871
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 2,199	$ 2,138
Accrued expenses and other current liabilities	775	1,571
Current portion of operating lease liabilities	536	491
Current portion of long-term loan	1,059	-
Deferred revenue	180	128
Total current liabilities	4,749	4,328
Noncurrent operating lease liabilities	2,052	2,459
Long-term loan	1,093	-
Total liabilities	7,894	6,787
Shareholders' equity:		
Preferred stock—$0.001 par value, 10,000,000 shares authorized, and 0 shares issued and outstanding, as of September 30, 2020 and December 31, 2019	-	-
Common stock—$0.001 par value, 200,000,000 shares authorized, 12,371,665 and 11,657,912 shares issued, 12,146,910 and 11,554,765 shares outstanding, as of September 30, 2020 and December 31, 2019	13	12
Treasury stock, at cost, 224,755 and 103,147 shares as of September 30, 2020 and December 31, 2019	(3,083)	(1,255)
Additional paid-in capital	67,082	59,187
Accumulated deficit	(20,798)	(15,860)
Total shareholders' equity	43,214	42,084
Total liabilities and shareholders' equity	$ 51,108	$ 48,871

RED VIOLET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share data)
(unaudited)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenue	$ 9,267	$ 8,257	$ 25,623	$ 21,236
Costs and expenses(1):				
Cost of revenue (exclusive of depreciation and amortization)	2,703	3,122	8,582	8,843
Sales and marketing expenses	2,217	1,925	6,139	5,428
General and administrative expenses	4,147	3,498	12,844	11,259
Depreciation and amortization	1,118	750	3,020	2,049
Total costs and expenses	10,185	9,295	30,585	27,579
Loss from operations	(918)	(1,038)	(4,962)	(6,343)
Interest (expense) income, net	(7)	46	24	123
Loss before income taxes	(925)	(992)	(4,938)	(6,220)
Income taxes	-	-	-	-
Net loss	$ (925)	$ (992)	$ (4,938)	$ (6,220)
Loss per share:				
Basic and diluted	$ (0.08)	$ (0.09)	$ (0.42)	$ (0.59)
Weighted average number of shares outstanding:				
Basic and diluted	12,072,716	10,917,673	11,758,907	10,497,036

(1) Share-based compensation expense in each category:

Sales and marketing expenses	$ 151	$ 114	$ 460	$ 290
General and administrative expenses	1,702	1,293	5,956	5,000
Total	$ 1,853	$ 1,407	$ 6,416	$ 5,290

RED VIOLET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,938)	$ (6,220)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,020	2,049
Share-based compensation expense	6,416	5,290
Write-off of long-lived assets	117	30
Provision for bad debts	360	398
Noncash lease expenses	341	313
Interest expense	7	-
Changes in assets and liabilities:		
Accounts receivable	263	(1,458)
Prepaid expenses and other current assets	106	40
Other noncurrent assets	109	254
Accounts payable	61	235
Accrued expenses and other current liabilities	(803)	(183)
Deferred revenue	52	9
Operating lease liabilities	(362)	(322)
Net cash provided by operating activities	4,749	435
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(98)	(71)
Capitalized costs included in intangible assets	(4,310)	(4,413)
Net cash used in investing activities	(4,408)	(4,484)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares, net of issuance costs	-	7,436
Proceeds from long-term loan	2,152	-
Taxes paid related to net share settlement of vesting of restricted stock units	(1,828)	-
Net cash provided by financing activities	324	7,436
Net increase in cash and cash equivalents	$ 665	$ 3,387
Cash and cash equivalents at beginning of period	11,776	9,950
Cash and cash equivalents at end of period	$ 12,441	$ 13,337
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Share-based compensation capitalized in intangible assets	$ 1,480	$ 526
Right-of-use assets obtained in exchange of operating lease liabilities	$ -	$ 3,042
Operating lease liabilities arising from obtaining right-of-use assets	$ -	$ 3,387

Use and Reconciliation of Non-GAAP Financial Measures

Management evaluates the financial performance of our business on a variety of key indicators, including non-GAAP metrics of adjusted EBITDA, adjusted gross profit and adjusted gross margin. Adjusted EBITDA is a financial measure equal to net loss, the most directly comparable financial measure based on GAAP, excluding interest expense (income), net, depreciation and amortization, share-based compensation expense, and write-off of long-lived assets and others, as noted in the tables below. We define adjusted gross profit as revenue less cost of revenue (exclusive of depreciation and amortization), and adjusted gross margin as adjusted gross profit as a percentage of revenue.

	Three Months Ended September 30,		Three Months Ended	Nine Months Ended September 30,	
(In thousands)	2020	2019	June 30, 2020	2020	2019
Net loss	$ (925)	$ (992)	$ (2,532)	$ (4,938)	$ (6,220)
Interest expense (income), net	7	(46)	-	(24)	(123)
Depreciation and amortization	1,118	750	992	3,020	2,049
Share-based compensation expense	1,853	1,407	2,342	6,416	5,290
Write-off of long-lived assets and others	35	18	106	252	95
Adjusted EBITDA	$ 2,088	$ 1,137	$ 908	$ 4,726	$ 1,091

The following is a reconciliation of gross profit, the most directly comparable GAAP financial measure, to adjusted gross profit:

	Three Months Ended September 30,		Three Months Ended	Nine Months Ended September 30,	
(In thousands)	2020	2019	June 30, 2020	2020	2019
Revenue	$ 9,267	$ 8,257	$ 7,056	$ 25,623	$ 21,236
Cost of revenue (exclusive of depreciation and amortization)	(2,703)	(3,122)	(2,587)	(8,582)	(8,843)
Depreciation and amortization of intangible assets	(1,063)	(689)	(934)	(2,847)	(1,860)
Gross profit	5,501	4,446	3,535	14,194	10,533
Depreciation and amortization of intangible assets	1,063	689	934	2,847	1,860
Adjusted gross profit	$ 6,564	$ 5,135	$ 4,469	$ 17,041	$ 12,393
Gross margin	59%	54%	50%	55%	50%
Adjusted gross margin	71%	62%	63%	67%	58%

In order to assist readers of our condensed consolidated financial statements in understanding the operating results that management uses to evaluate the business and for financial planning purposes, we present non-GAAP measures of adjusted EBITDA, adjusted gross profit and adjusted gross margin as supplemental measures of our operating performance. We believe they provide useful information to our investors as they eliminate the impact of certain items that we do not consider indicative of our cash operations and ongoing operating performance. In addition, we use them as an integral part of our internal reporting to measure the performance and operating strength of our business.

We believe adjusted EBITDA, adjusted gross profit and adjusted gross margin are relevant and provide useful information frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies similar to ours and are indicators of the operational strength of our business. We believe adjusted EBITDA eliminates the uneven effect of considerable amounts of non-cash depreciation and amortization, share-based compensation expense and the impact of other non-recurring items, providing useful comparisons versus prior periods or forecasts. Our adjusted gross profit is a measure used by management in evaluating the business's current operating performance by excluding the impact of prior historical costs of assets that are expensed systematically and allocated over the estimated useful lives of the assets, which may not be indicative of the current operating activity. Our adjusted gross profit is calculated by using revenue, less cost of revenue (exclusive of depreciation and amortization). We believe adjusted gross profit provides useful information to our investors by eliminating the impact of non-cash depreciation and amortization, and specifically the amortization of software developed for internal use, providing a baseline of our core operating results that allow for analyzing trends in our underlying business consistently over multiple periods. Adjusted gross margin is calculated as adjusted gross profit as a percentage of revenue.

Adjusted EBITDA, adjusted gross profit and adjusted gross margin are not intended to be performance measures that should be regarded as an alternative to, or more meaningful than, financial measures presented in accordance with GAAP. The way we measure adjusted EBITDA, adjusted gross profit and adjusted gross margin may not be comparable to similarly titled measures presented by other companies, and may not be identical to corresponding measures used in our various agreements.

SUPPLEMENTAL METRICS

The following metrics are intended as a supplement to the financial statements found in this release and other information furnished or filed with the SEC. These supplemental metrics are not necessarily derived from any underlying financial statement amounts. We believe these supplemental metrics help investors understand trends within our business and evaluate the performance of such trends quickly and effectively. In the event of discrepancies between amounts in these tables and the Company's historical disclosures or financial statements, readers should rely on the Company's filings with the SEC and financial statements in the Company's most recent earnings release.

We intend to periodically review and refine the definition, methodology and appropriateness of each of these supplemental metrics. As a result, metrics are subject to removal and/or changes, and such changes could be material.

	(Unaudited)							
(Dollars in thousands)	**Q4'18**	**Q1'19**	**Q2'19**	**Q3'19**	**Q4'19**	**Q1'20**	**Q2'20**	**Q3'20**
Customer metrics								
idiCORE - billable customers(1)	3,627	4,020	4,370	4,781	5,064	5,326	5,375	5,758
FOREWARN - users(2)	11,397	15,444	19,721	23,853	30,577	36,506	40,857	44,927
Revenue metrics								
Contractual revenue %(3)	66%	67%	62%	66%	66%	69%	79%	68%
Revenue attrition %(4)	5%	5%	5%	6%	6%	8%	11%	10%
Revenue from new customers(5)	$ 1,096	$ 1,285	$ 1,596	$ 1,406	$ 1,018	$ 1,417	$ 916	$ 726
Base revenue from existing customers(6)	$ 3,127	$ 3,593	$ 4,480	$ 5,578	$ 6,690	$ 6,629	$ 5,047	$ 5,797
Growth revenue from existing customers(7)	$ 485	$ 856	$ 1,169	$ 1,273	$ 1,342	$ 1,254	$ 1,093	$ 2,744
Platform financial metrics								
Platform revenue(8)	$ 4,112	$ 4,894	$ 6,153	$ 7,085	$ 7,652	$ 8,108	$ 6,857	$ 8,968
Cost of revenue (exclusive of depreciation and amortization)	$ 1,883	$ 2,069	$ 2,287	$ 2,286	$ 2,431	$ 2,498	$ 2,427	$ 2,489
Adjusted gross margin	54%	58%	63%	68%	68%	69%	65%	72%
Services financial metrics								
Services revenue(9)	$ 595	$ 839	$ 1,093	$ 1,171	$ 1,399	$ 1,191	$ 200	$ 299
Cost of revenue (exclusive of depreciation and amortization)	$ 421	$ 600	$ 765	$ 836	$ 983	$ 794	$ 159	$ 214
Adjusted gross margin	29%	29%	30%	29%	30%	33%	20%	28%
Other metrics								
Employees - sales and marketing	46	47	48	48	51	51	53	52
Employees - support	6	6	7	8	7	8	8	9
Employees - infrastructure	11	12	12	13	11	13	12	12
Employees - engineering	21	20	20	25	23	26	27	27
Employees - administration	14	14	14	13	16	15	14	15

(1) We define a billable customer of idiCORE as a single entity that generated revenue in the last month of the period. Billable customers are typically corporate organizations. In most cases, corporate organizations will have multiple users and/or departments purchasing our solutions, however, we count the entire organization as a discrete customer.

(2) We define a user of FOREWARN as a unique person that has a subscription to use the FOREWARN service as of the last day of the period. A unique person can only have one user account.

(3) Contractual revenue % represents revenue generated from customers pursuant to pricing contracts containing a monthly fee and any additional overage divided by total revenue. Pricing contracts are generally annual contracts or longer, with auto renewal.

(4) Revenue attrition is defined as the revenue lost as a result of customer attrition, net of reinstated customer revenue. It excludes expansion revenue and revenue from FOREWARN. Revenue is measured once a customer has generated revenue for six consecutive months. Revenue is considered lost when all revenue from a customer ceases for three consecutive months; revenue generated by a customer after the three-month loss period is defined as reinstated revenue. Revenue attrition percentage is calculated on a trailing twelve-month basis, the numerator of which is the revenue lost during the period due to attrition, net of reinstated revenue, and the denominator of which is total revenue based on an average of total revenue at the beginning of each month during the period.

(5) Revenue from new customers represents the total monthly revenue generated from new customers in a given period. A customer is defined as a new customer during the first six months of revenue generation.

(6) Base revenue from existing customers represents the total monthly revenue generated from existing customers in a given period that does not exceed the customers' trailing six-month average revenue. A customer is defined as an existing customer six months after their initial month of revenue.

(7) Growth revenue from existing customers represents the total monthly revenue generated from existing customers in a given period in excess of the customers' trailing six-month average revenue.

(8) Platform revenue consists of both contractual and transactional revenue generated from our data fusion technology platform, CORE. It includes all revenue generated through our idiCORE and FOREWARN solutions. The cost of revenue, which consists primarily of data acquisition costs, remains relatively fixed irrespective of revenue generation.

(9) Services revenue consists of transactional revenue generated from our idiVERIFIED service. The cost of revenue, which consists primarily of third-party servicer costs, is variable.

Investor Relations Contact:
Camilo Ramirez
Red Violet, Inc.
561-757-4500
ir@redviolet.com

Exhibit 99.2

Red Violet, Inc. (NASDAQ: RDVT)

Third Quarter 2020 Earnings Results Conference Call – November 10, 2020 4:30PM

Company Participants:

Camilo Ramirez, Director of Finance and Investor Relations

Derek Dubner, Chairman and Chief Executive Officer

Dan MacLachlan, Chief Financial Officer

Operator:

Good day ladies and gentlemen, and welcome to red violet's third quarter 2020 earnings conference call. At this time, all participants are in a listen only mode. Later we will conduct a question and answer session and instructions will follow at that time. If anyone should require operator assistance, please press star then zero on your touch tone telephone.

As a reminder this call is being recorded.

I would now like to introduce your host for today's conference Camilo Ramirez, Director of Finance and Investor Relations. Please go ahead.

Camilo Ramirez:

Good afternoon and welcome. Thank you for joining us today to discuss our third quarter 2020 financial results. With me today is Derek Dubner, our Chairman and Chief Executive Officer, and Dan MacLachlan, our Chief Financial Officer. Our call today will begin with comments from Derek and Dan, followed by a question and answer session.

I would like to remind you that this call is being webcast live and recorded. A replay of the event will be available following the call on our website. To access the webcast, please visit our Investors page on our website www.redviolet.com.

Before we begin, I would like to advise listeners that certain information discussed by management during this conference call are forward-looking statements covered under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those stated or implied by our forward-looking statements due to risks and uncertainties associated with the company's business. The company undertakes no obligation to update the information provided on this call. For a discussion of risks and uncertainties associated with red violet's business, I encourage you to review the company's filings with the Securities and Exchange Commission, including the most recent Annual Report on Form 10-K and the subsequent 10-Qs.

During the call, we may present certain non-GAAP financial information relating to adjusted gross profit, adjusted gross margin and adjusted EBITDA. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measure are provided in the earnings press release issued earlier today. In addition, certain supplemental metrics that are not necessarily derived from any underlying financial statement amounts may be discussed and these metrics and their definitions can also be found in the earnings press release issued earlier today.

With that, I am pleased to introduce red violet's Chairman and Chief Executive Officer, Derek Dubner.

Derek Dubner

Thanks Camilo, and good afternoon to those joining us today to discuss our third quarter 2020 results. We sincerely hope that you and your loved ones are safe and healthy during this time. We are pleased to report today another strong quarter during an incredibly challenging time. These strong results demonstrate the applicability of our technology and solutions across diverse markets and industries, as well as the need of organizations to integrate our solutions to enable their workflow and better data-driven decisioning. The momentum we experienced exiting the second quarter continued throughout the third quarter, generating a 31% sequential increase in revenue to $9.3 million and a 130% sequential increase in adjusted EBITDA to a record $2.1 million. Further, the third quarter proved to be one of our best quarters to date with record platform revenue of $9.0 million driving record adjusted gross margin of 71%.

Given the current state of the pandemic, I would like to take a moment to reflect on the path we have travelled since the start of the crisis. In the second quarter, businesses faced unprecedented challenges to their survival as a result of pandemic-related events, including a government mandated stay-at-home order, which created significant uncertainty. These impacts caused many customers to retract, causing certain parts of our business, such as our collections vertical, to experience reduced transactional volume.

As a reminder, we cited in our last earnings call that in the face of these challenges, we maintained our long-term view and implemented a multi-prong strategy, including, among other things, assisting our customers, focusing on the health and well-being of our team members, gaining market share, and the continued advancement of our technology and solutions.

At the onset of the crisis, we committed to what we termed our "partnership approach" to assisting our customers through the economic downturn. We knew that ensuring the survival and health of our customers' businesses would in turn ensure the future health of our business. We worked with customers in a variety of ways, strengthening the enduring relationships that we have built over time. What became obvious to most businesses is that to survive the downturn, one must adapt to the current circumstance. As part of the adaptation process, we worked with our customers to understand their objectives and needs, and we demonstrated the utility and efficiency of our products and solutions, especially given the competitive advantage of our cloud-native platform. This exercise proved to be fruitful as our customers appreciated the goodwill and they were able to fine-tune their processes for better outcomes. Their reliance on our solutions is evidenced by the increase in our base revenue from existing customers to $5.8 million, 15% sequentially, and growth revenue from existing customers to $2.7 million, 151% sequentially. We are very proud of these metrics as, put simply, they show that customers prefer our solutions and are finding ways to utilize them more.

Turning now to our team, I want to thank each and every one of them as their execution against our planned strategy laid the groundwork for the acceleration of the business that we are experiencing. Today, most of our Seattle team members are working remotely as are a handful of personnel in our South Florida offices. The rest of the team is working in office and has been since June. With the significant precautions that we implemented prior to our return to office, we have managed to safely adapt while facilitating a highly productive in-office work environment. While we continue to monitor business conditions given the unpredictable environment sustained by the continued spread of the virus, we are actively recruiting for various growth positions across the organization, including in the areas of product development, sales, and infrastructure to solidify various teams as we drive the expansion of our business.

Another facet of our strategy was to use the crisis as an opportunity to increase our market share. We posited early on that in order to cope with the economic downturn, businesses would seek to cut costs immediately and identify greater efficiencies to implement into their workflow to offset the negative financial impacts to their business. We focused on these prospects who, as a result of the downturn, exhibited a greater propensity to entertain switching providers. We made great strides in this area adding over 380 customers to idiCORE in the quarter. This metric has always been a leading indicator of increasing revenues over the next six to nine months. And we believe the impact of the crisis on customers' psyches resulting in heightened focus on cost efficiencies will be long-lasting and will provide a tailwind to providers of solutions who address that need, as we do.

Finally, I would like to speak to the continued advancement of our technology and solutions. Through innovation and our customer-centric view, we maintain that we have developed the leading cloud-native technology platform in our industry. 2020 has rapidly accelerated the digital transformation and has challenged organizations to increasingly move to cloud-based solutions. Our platform, CORE, addresses these challenges as we are delivering essential products and solutions to a multitude of organizations. We provide our customers the speed, usability, throughput, accuracy and scalability that we believe to be superior to that of our larger competition. We have a robust roadmap of new technologies, enhancements, functionality and products and solutions that will drive our business near- and long-term. And given the substantial inroads we are making with new customers, combined with the recovery of existing customers and pent-up demand, we are well positioned for the remainder of the year and throughout 2021.

Data is the lifeblood of this digital transformation. But not just volume of data, as too much data creates noise and inefficiency. Too much data creates fragmentation and the inability to glean actionable insight. Our mission is to continue developing and commercializing customer-centric solutions that solve for the data fragmentation problem, no matter the customer or the use case. Our goal is to ensure the applicability of our solutions across as many industries and transactions as possible, to increase organizations' output and efficiency. We are very early in this mission and are well positioned for the future.

With that, I turn it over to Dan to discuss the financials.

Dan MacLachlan

Thank you, Derek, and good afternoon. During what has been a very unique and challenging time, I could not be more pleased with the productivity, professionalism and focus of the entire red violet team. Combine that with the strength and resilience our business model continues to show, and the result was a great third quarter. As customers adapted and became more efficient transacting in the Covid environment, our transaction volume returned to pre-Covid levels by the end of the third quarter. With the exception of collection customer volume, we saw significant improvements across the markets we serve. These improvements were evident in our growth revenue from existing customers that grew at a record pace in both percentage and dollars, both sequentially and year over year. We continue to see that as customers adopt our solutions, their business relies and thrives on our platform. As a result, the third quarter proved to be one of our best quarters to date, with record platform revenue that was leveraged down the P&L leading to record adjusted gross margin of 71% and record adjusted EBITDA of $2.1 million. We remain confident in our ability to navigate these challenging times and remain focused on leveraging opportunities. With that, I'm excited to discuss our third quarter results. For clarity, all the comparisons I will discuss today will be against the third quarter of 2019, unless noted otherwise.

Total revenue was $9.3 million, a 12% increase over prior year. Platform revenue grew 27% to $9.0 million, representing 97% of our total revenue. With the exception of our collections vertical, and specifically within our services revenue, we saw a nice recovery in transaction volume across the board, including some pent-up demand as businesses adapted and became more efficient operating in the Covid environment. With 97% of revenue coming from platform, we generated extremely healthy margins that flowed through the P&L, generating $2.1 million in adjusted EBITDA, an 84% increase.

We continue to see a slower recovery in our collections vertical resulting from temporary government-imposed moratoria, forbearance programs and government stimulus. This was felt the most in our services revenue. Services revenue was $0.3 million for the quarter, a 74% decrease over prior year. We expect to see recovery in services revenue in early 2021 with strong tailwinds developing throughout the year as the moratoria are lifted, and the forbearance programs and stimulus subside.

Continuing through the details of our P&L, as mentioned, revenue was $9.3 million for the third quarter, consisting of revenue from new customers of $0.7 million, base revenue from existing customers of $5.8 million and growth revenue from existing customers of $2.7 million. Our idiCORE billable customer base grew by over 380 customers during the period to 5,758 customers. FOREWARN added over 4,000 users during the quarter. Our contractual revenue was 68% for the quarter, led by a strong 116% increase in growth revenue from existing customers. Our revenue attrition percentage was 10%, compared to 6% in prior year. This increase was primarily the result of pandemic related customer concessions we provided and transactional customers who temporarily paused volume during the second and third quarter. Sequentially, revenue attrition improved by 1-percentage point. Because revenue attrition is calculated on a trailing twelve-month basis, we expect to see continued improvement sequentially over the next several quarters.

Moving on from our revenue metrics and down the P&L, our cost of revenue decreased $0.4 million or 13% to $2.7 million. This $0.4 million decrease was a result of a decrease in third-party servicer costs associated with our services revenue, partially offset by an increase in data acquisition costs. Adjusted gross profit increased 28% to $6.6 million, producing an adjusted gross margin of 71%, a 9-percentage point increase over third quarter 2019.

Sales and marketing expenses increased $0.3 million or 15% to $2.2 million for the quarter. The increase was due primarily to an increase in employee salaries and benefits. The $2.2 million of sales and marketing expense for the quarter consisted primarily of $1.3 million in employee salaries and benefits and $0.5 million in sales commissions.

General and administrative expenses increased $0.6 million or 19% to $4.1 million for the quarter. This increase was primarily the result of a $0.4 million increase in share-based compensation expense. The $4.3 million in general and administrative expenses for the quarter consisted primarily of $1.7 million of non-cash share-based compensation expense, $1.2 million of employee salaries and benefits and $0.8 million in accounting, IT and other professional fees.

Depreciation and amortization increased $0.4 million or 49% to $1.1 million for the quarter. This increase was primarily the result of the amortization of internally developed software.

Net loss narrowed $0.1 million or 7% to $0.9 million for the quarter.

We reported a loss of 8 cents per share for the quarter based on a weighted average share count of 12.1 million shares.

Moving on to the balance sheet. Cash and cash equivalents were $12.4 million at September 30, 2020, compared to $11.8 million at December 31, 2019. Current assets remained consistent at $16.0 million and current liabilities were $4.7 million compared to $4.3 million.

We generated $4.7 million in cash from operating activities for the nine months ended September 30, 2020, compared to generating $0.4 million in cash from operating activities for the same period in 2019.

Internally, we track our operational cash earn versus burn on a monthly basis by calculating adjusted EBITDA and subtracting the cash we use for the development of internal use software and other capital expenses, both found on our statement of cash flows. Based on this earn/burn analysis, we earned $0.8 million in cash for the third quarter 2020, compared to burning $0.4 million for the third quarter 2019.

Cash used in investing activities was $4.4 million for the nine months ended September 30, 2020, mainly the result of $4.3 million used for software developed for internal use.

Cash provided by financing activities was $0.3 million for the nine months ended September 30, 2020, resulting from the net proceeds of $2.2 million from the Cares Act Loan, less $1.8 million of cash used for the taxes on the net settlement of approximately 122,000 shares of restricted stock units.

In closing, I’m extremely pleased with how well we performed across the board in the third quarter. And although the fourth quarter historically presents some seasonal headwinds from our transactional customers in the form of less business days, the fourth quarter is off to a great start and we are excited to close out the year strong.

With that, our operator will now open the line for Q&A.

Operator

(Operator Instructions) And our first question will come from Pamela Carter from Carter Management.

Pamela Carter, Carter Management

Hi, yes, so it looks like you had some really strong growth in revenue from existing customers as well as decent growth from existing customer base revenue. However, the revenue from new customers was down over prior year. Can you explain why that is? And if there is any concern there?

Dan MacLachlan

Yes. Hi, Pamela. Thank you for the question. This is Dan. Yes, so as I discussed in my commentary earlier, our gross revenue from existing customers was very strong, both sequentially and over prior year. This is a healthy sign for the business as it tells us customers who have been with us longer than six months continue to grow their volumes. It tells us that our customers continue to rely on our solutions, both in their everyday workflow and as a means to help drive their business as they get back to business.

As for the new customer revenue, we are very pleased with how the numbers are trending. What we're really seeing in this metric for the third quarter is really a result of the second quarter COVID trough where we saw fewer billable customers added, resulting in less revenue generated from new customers in the third quarter. Looking at the onboarding of over 380 billable customers in the third quarter, which is at a higher onboarding rate than our 2019 average, it really tells a story and provides a very healthy leading indicator of future revenue. So, we continue to see customers who adopt our solutions grow in scale and volume over time, combining that with our low attrition rates and where -- we are very confident in the overall makeup of our revenue, and so we're confident today in how and where that revenue is growing and how it is trending.

Pamela Carter, Carter Management

Thank you.

Dan MacLachlan

Alright, thanks.

Operator

(Operator Instructions) And our next question comes from Scott Billeadeau from Walrus Partners.

Scott A. Billeadeau Walrus Partners, LLC - Principal & Portfolio Manager

Hi guys, good quarter. Thanks for taking my question. It's just kind of more of a technical one in terms of your internalized software and depreciation. And kind of where are you -- that grew significantly in terms of what you're capitalizing. Kind of where is the run rate to expect? And maybe give us a little update on what the trend of that will be.

Dan MacLachlan

Yes, sure. So the last few years, we've been running about $6 million a year in capitalization of internally developed software. We've added additional resources and product development. But over time, some of that development goes towards kind of the maintaining, if you will, the system and so you don't really capitalize that. So from a trending indicator standpoint, you'll probably see, over the next year or two, very similar capitalization of about $6 million. But as a result of kind of overall revenue and overall time, it's actually decreasing. But on a dollar-for-dollar basis, it will trend around $6 million yearly over the next probably one or two years.

Scott A. Billeadeau Walrus Partners, LLC - Principal & Portfolio Manager

Yes. So you'll start to get some -- you -- with a 40% increase, you're kind of at where the number will be. So incrementally from here, you'll be able to leverage that number?

Derek Dubner

Correct.

Dan MacLachlan

Correct. And that is the unique fixed cost structure, if you will, of the model that provides us so much leverage.

Scott A. Billeadeau Walrus Partners, LLC - Principal & Portfolio Manager

Got it, that’s all I had. Appreciate it, great quarter.

Operator

And I am showing no further questions from our phone lines. I'd now like to turn the conference back over to Derek Dubner for any closing remarks.

Derek Dubner

Thank you. Hopefully, as you can see from our results today and the progress we made this year, notwithstanding this rather unique environment that we are all in, that we have built leading-edge technology and products and solutions that are essential to the success of many organizations. With the secular tailwind of the digital transformation in place for many years to come, we expect that organizations are going to increasingly demand efficient solutions, and there will be an increase in demand for fraud prevention, identity verification, general risk mitigation and consumer modeling. We have and continue to position ourselves to be the go-to provider for these solutions. I am very optimistic about our future and I look forward to updating you on our progress on our next quarterly call. I want to thank our team members again, as well as our customers and those on the call today supporting us. It is much appreciated. Thank you and good afternoon.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.