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): May 4, 2022

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 May 4, 2022, Red Violet, Inc., a Delaware corporation (the "Company"), issued a press release announcing its financial results for the first quarter ended March 31, 2022 (the "Earnings Release"). A copy of the Earnings Release is furnished herewith as Exhibit 99.1.

Also on May 4, 2022, following the issuance of the Earnings Release, the Company conducted a conference call to discuss the reported financial results for the first quarter ended March 31, 2022. The Company had issued a press release on April 22, 2022 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 May 4, 2022

99.2 May 4, 2022 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: May 6, 2022

By: /s/ Derek Dubner

Derek Dubner

Chief Executive Officer (Principal Executive Officer)

Exhibit 99.1

red violet Announces First Quarter 2022 Financial Results

Record Revenue of $12.7 Million Fuels Record Gross Profit and Positive EPS

Announces $5.0 Million Share Repurchase Program

BOCA RATON, Fla. – May 4, 2022 – Red Violet, Inc. (NASDAQ: RDVT), a leading analytics and information solutions provider, today announced financial results for the quarter ended March 31, 2022.

"We delivered a strong start to the year, with record revenue of $12.7 million, net income of $0.1 million and adjusted EBITDA of $3.2 million," stated Derek Dubner, red violet's CEO. "As digital transactions expand exponentially, organizations require insight, speed and scalability in clearing transactions and capturing fraud. As our record results demonstrate, customers are increasingly leveraging and adopting our cloud-native technology platform and customer-centric solutions. We continue to reinvest our strong free cash flow to bolster our key competitive advantages and solidify our go-to status in Identity intelligence. We are well positioned for an exciting 2022."

First Quarter Financial Results

For the three months ended March 31, 2022 as compared to the three months ended March 31, 2021:

- Total revenue increased 25% to $12.7 million. Platform revenue increased 24% to $12.2 million. Services revenue increased 27% to $0.5 million.
- Gross profit increased 29% to $8.1 million. Gross margin increased to 64% from 61%.
- Adjusted gross profit increased 28% to $9.6 million. Adjusted gross margin increased to 75% from 73%.
- Net income was $0.1 million compared to a loss of $0.6 million.
- Adjusted EBITDA increased 12% to $3.2 million.
- Cash from operating activities increased 97% to $2.4 million.
- Cash and cash equivalents were $34.8 million as of March 31, 2022.

First Quarter and Recent Business Highlights

- Added 27 team members, including 18 members to our technology team, expanding our capabilities, depth and efficiency to drive product suite expansion.
- Added 44 customers to IDI™ during the first quarter, ending the quarter with 6,592 customers.
- Added 9,071 users to FOREWARN® during the first quarter, ending the quarter with 91,490 users. Over 200 REALTOR® Associations throughout the U.S. are now contracted to use FOREWARN.
- Released idiCORE™ Mobile, an app-based solution providing customers with the power of IDI's next-generation data fusion platform for investigative, due-diligence, and fraud prevention needs, all in the palm of their hands.

Share Repurchase Program

On May 2, 2022, the Board of Directors authorized a share repurchase program of up to $5.0 million. The Company may purchase shares on a discretionary basis from time to time through open market purchases, privately negotiated transactions or other means, including through Rule 10b5-1 trading plans. The timing and amount of any transactions will be subject to the discretion of the Company based upon prevailing market conditions and other opportunities that the Company may have for the use or investment of its cash balances. The repurchase program has no expiration date, does not require the purchase of any minimum number of shares and may be suspended, modified or discontinued at any time without prior notice.

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 EBITDA margin, adjusted gross profit and adjusted gross margin. Adjusted EBITDA is a financial measure equal to net income (loss), the most directly comparable financial measure based on US GAAP, excluding interest (income) expense, net, income tax expense, depreciation and amortization, share-based compensation expense, litigation costs and write-off of long-lived assets and others. We define adjusted EBITDA margin as adjusted EBITDA as a percentage of revenue. 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 8024257. 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 8024257. 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 build proprietary technologies and apply analytical capabilities to deliver identity intelligence. Our technology powers critical solutions, which empower organizations to operate with confidence. Our solutions enable the real-time identification and location of people, businesses, assets and their interrelationships. These solutions are used for purposes including risk mitigation, due diligence, fraud detection and prevention, regulatory compliance, and customer acquisition. Our intelligent platform, CORE™, is purpose-built for the enterprise, yet flexible enough for organizations of all sizes, bringing clarity to massive datasets by transforming data into intelligence. Our solutions are used today to enable frictionless commerce, to ensure safety, and to reduce fraud and the concomitant expense borne by society. 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 whether we are well positioned for an exciting 2022. 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, 2021 filed on March 9, 2022, 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)

	March 31, 2022	December 31, 2021
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 34,775	$ 34,258
Accounts receivable, net of allowance for doubtful accounts of $22 and $28 as of March 31, 2022 and December 31, 2021, respectively	4,561	3,736
Prepaid expenses and other current assets	1,081	599
Total current assets	40,417	38,593
Property and equipment, net	625	577
Intangible assets, net	28,804	28,181
Goodwill	5,227	5,227
Right-of-use assets	1,529	1,661
Other noncurrent assets	137	137
Total assets	$ 76,739	$ 74,376
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 2,233	$ 1,605
Accrued expenses and other current liabilities	442	395
Current portion of operating lease liabilities	636	617
Deferred revenue	713	841
Total current liabilities	4,024	3,458
Noncurrent operating lease liabilities	1,124	1,291
Deferred tax liabilities	373	198
Total liabilities	5,521	4,947
Shareholders' equity:		
Preferred stock—$0.001 par value, 10,000,000 shares authorized, and 0 shares issued and outstanding, as of March 31, 2022 and December 31, 2021	-	-
Common stock—$0.001 par value, 200,000,000 shares authorized, 13,523,067 and 13,488,540 shares issued and outstanding, as of March 31, 2022 and December 31, 2021	14	13
Additional paid-in capital	93,115	91,434
Accumulated deficit	(21,911)	(22,018)
Total shareholders' equity	71,218	69,429
Total liabilities and shareholders' equity	$ 76,739	$ 74,376

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

	Three Months Ended March 31,	
	2022	2021
Revenue	$ 12,729	$ 10,217
Costs and expenses[(1)]:		
Cost of revenue (exclusive of depreciation and amortization)	3,170	2,761
Sales and marketing expenses	2,391	2,221
General and administrative expenses	5,353	4,550
Depreciation and amortization	1,534	1,258
Total costs and expenses	12,448	10,790
Income (loss) from operations	281	(573)
Interest income (expense), net	1	(5)
Income (loss) before income taxes	282	(578)
Income tax expense	175	-
Net income (loss)	$ 107	$ (578)
Earnings (loss) per share:		
Basic	$ 0.01	$ (0.05)
Diluted	$ 0.01	$ (0.05)
Weighted average number of shares outstanding:		
Basic	13,543,607	12,207,193
Diluted	14,047,635	12,207,193

(1) Share-based compensation expense in each category:		
Sales and marketing expenses	$ 47	$ 156
General and administrative expenses	1,340	1,890
Total	$ 1,387	$ 2,046

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

	Three Months Ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 107	$ (578)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,534	1,258
Share-based compensation expense	1,387	2,046
Write-off of long-lived assets	3	19
Provision for bad debts	37	59
Noncash lease expenses	132	121
Interest expense	-	5
Deferred income tax expense	175	-
Changes in assets and liabilities:		
Accounts receivable	(862)	(440)
Prepaid expenses and other current assets	(482)	(392)
Other noncurrent assets	-	2
Accounts payable	628	(101)
Accrued expenses and other current liabilities	47	(583)
Deferred revenue	(128)	(51)
Operating lease liabilities	(148)	(133)
Net cash provided by operating activities	2,430	1,232
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(113)	(46)
Capitalized costs included in intangible assets	(1,794)	(1,247)
Net cash used in investing activities	(1,907)	(1,293)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Taxes paid related to net share settlement of vesting of restricted stock units	(6)	-
Net cash used in financing activities	(6)	-
Net increase (decrease) in cash and cash equivalents	$ 517	$ (61)
Cash and cash equivalents at beginning of period	34,258	12,957
Cash and cash equivalents at end of period	$ 34,775	$ 12,896
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Share-based compensation capitalized in intangible assets	$ 301	$ 351
Retirement of treasury stock	$ 6	$ -

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 EBITDA margin, adjusted gross profit and adjusted gross margin. Adjusted EBITDA is a financial measure equal to net income (loss), the most directly comparable financial measure based on GAAP, excluding interest (income) expense, net, income tax expense, depreciation and amortization, share-based compensation expense, litigation costs and write-off of long-lived assets and others, as noted in the tables below. We define adjusted EBITDA margin as adjusted EBITDA as a percentage of revenue. 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.

(In thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net income (loss)	$ 107	$ (578)
Interest (income) expense, net	(1)	5
Income tax expense	175	-
Depreciation and amortization	1,534	1,258
Share-based compensation expense	1,387	2,046
Litigation costs	15	120
Write-off of long-lived assets and others	3	20
Adjusted EBITDA	$ 3,220	$ 2,871
Revenue	$ 12,729	$ 10,217
Net income (loss) margin	1%	(6%)
Adjusted EBITDA margin	25%	28%

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

(In thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Revenue	$ 12,729	$ 10,217
Cost of revenue (exclusive of depreciation and amortization)	(3,170)	(2,761)
Depreciation and amortization of intangible assets	(1,472)	(1,203)
Gross profit	8,087	6,253
Depreciation and amortization of intangible assets	1,472	1,203
Adjusted gross profit	$ 9,559	$ 7,456
Gross margin	64%	61%
Adjusted gross margin	75%	73%

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 EBITDA margin, 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 EBITDA margin, 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. Adjusted EBITDA margin is calculated as adjusted EBITDA as a percentage of revenue. Our adjusted gross profit is a measure used by management in evaluating the business' 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 EBITDA margin, 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 EBITDA margin, 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)	**Q2'20**	**Q3'20**	**Q4'20**	**Q1'21**	**Q2'21**	**Q3'21**	**Q4'21**	**Q1'22**
Customer metrics								
IDI - billable customers[1]	5,375	5,758	5,726	5,902	6,141	6,314	6,548	6,592
FOREWARN - users[2]	40,857	44,927	48,377	58,831	67,578	74,377	82,419	91,490
Revenue metrics								
Contractual revenue %[3]	79 %	68 %	77 %	80 %	81 %	80 %	79 %	77 %
Revenue attrition %[4]	11 %	10 %	11 %	7 %	6 %	5 %	4 %	3 %
Revenue from new customers[5]	$ 916	$ 726	$ 877	$ 967	$ 929	$ 876	$ 920	$ 1,014
Base revenue from existing customers[6]	$ 5,047	$ 5,797	$ 6,678	$ 7,351	$ 8,354	$ 9,187	$ 9,114	$ 9,721
Growth revenue from existing customers[7]	$ 1,093	$ 2,744	$ 1,408	$ 1,899	$ 1,596	$ 1,605	$ 1,224	$ 1,994
Platform financial metrics								
Platform revenue[8]	$ 6,856	$ 8,968	$ 8,603	$ 9,813	$ 10,588	$ 11,296	$ 10,787	$ 12,217
Cost of revenue (exclusive of depreciation and amortization)	$ 2,428	$ 2,489	$ 2,448	$ 2,488	$ 2,529	$ 2,525	$ 2,606	$ 2,822
Adjusted gross margin	65 %	72 %	72 %	75 %	76 %	78 %	76 %	77 %
Services financial metrics								
Services revenue[9]	$ 200	$ 299	$ 360	$ 404	$ 291	$ 372	$ 471	$ 512
Cost of revenue (exclusive of depreciation and amortization)	$ 159	$ 214	$ 246	$ 273	$ 191	$ 262	$ 320	$ 348
Adjusted gross margin	21 %	28 %	32 %	32 %	34 %	30 %	32 %	32 %
Other metrics								
Employees - sales and marketing	53	52	53	56	57	49	54	59
Employees - support	8	9	9	9	9	10	10	10
Employees - infrastructure	12	12	14	15	16	16	18	23
Employees - engineering	27	27	32	31	33	35	37	50
Employees - administration	14	15	18	16	19	20	22	26

(1) We define a billable customer of IDI as a single entity that generated revenue in the last three months 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, and it excludes expansion revenue. 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. Prior to Q1’22, FOREWARN revenue was excluded from our revenue attrition calculation.

(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 technology platform, CORE. It includes all revenue generated through our IDI 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)

First Quarter 2022 Earnings Results Conference Call

Company Participants:

Camilo Ramirez, Vice President, 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 first quarter 2022 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 phone.

As a reminder this call is being recorded.

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

Camilo Ramirez:

Good afternoon and welcome. Thank you for joining us today to discuss our first quarter 2022 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, adjusted EBITDA, and adjusted EBITDA margin. 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

Thank you, Camilo. Good afternoon to those joining us today to discuss the results of our first quarter 2022. We delivered a strong start to the year, once again achieving record quarterly revenue, which resulted in positive net income and solid adjusted EBITDA. Our performance this quarter demonstrated our ability to capitalize on our competitive advantages in the marketplace. As digital transactions expand exponentially, organizations require insight, speed and scalability in clearing transactions and capturing fraud. To that end, customers are increasingly leveraging and adopting our cloud-native technology platform and customer-centric solutions. These advantages will become even more apparent with the passage of time, as we continue our move upmarket and deeper into various verticals.

I am particularly proud of the team's execution against our strategic plan of reinvesting our strong cash flows into the business, always with an eye towards bolstering our foundation and executing upon our product roadmap and go-to-market, while balancing the financial health of our business.

Turning now to the detail of the quarter, total revenue was $12.7 million, a 25% increase over prior year, and our highest quarterly revenue ever. Platform revenue increased 24% to a record $12.2 million. Services revenue was up $0.1 million, or 27%, to $0.5 million. We generated a record $9.6 million in adjusted gross profit, resulting in a margin of 75% for the first quarter, up 2-percentage points. Adjusted EBITDA for the quarter was $3.2 million, up 12% over prior year. We generated $2.4 million in cash from operating activities in the quarter. Cash and cash equivalents were $34.8 million at March 31, 2022.

I would like to point out that we achieved record quarterly revenue of $12.7 million despite the negative impact we experienced from one of our larger strategic integration customers being acquired in the fourth quarter of last year. Recall, that on our last earnings call, we provided some detail around this circumstance, where this customer was acquired by a large information services provider and as a cost-cutting initiative, the acquirer sought to utilize its own data feeds and reduce reliance on our solutions. As this customer contributed about $0.6 million per quarter to our revenue last year, we experienced a negative $0.5 million impact in the first quarter of this year. Notwithstanding, our record results this quarter illustrate the diversification of our customer base as well as the adoption of, and increased reliance on, our solutions.

Our IDI billable customer base grew by 44 customers sequentially from the fourth quarter, ending the first quarter at 6,592 customers. Dan will provide a bit more color around this metric. FOREWARN added 9,071 users during the first quarter, ending the quarter at 91,490 users. Over 200 REALTOR® Associations throughout the country are now contracted to use FOREWARN.

Given our strong financial performance and our confidence in our ability to continue to use our healthy cash flow to invest for growth, combined with the strength of our balance sheet, the Board has authorized a $5.0 million share repurchase program. This repurchase authorization affords the company optionality and strategically serves as another tool in our capital allocation framework.

I will now turn it over to Dan to discuss the financials.

Dan MacLachlan

Thank you, Derek, and good afternoon. 2022 is off to a great start. We achieved our highest quarterly revenue ever, produced strong adjusted EBITDA, healthy cash flow and positive EPS. Despite hiring challenges in the broader employment market, we executed extremely well against our hiring roadmap. As we discussed last quarter, we are leveraging our strong balance sheet and healthy cash flow to reinvest in the business in 2022 by expanding the capabilities, depth and efficiency of our team. We added 27 team members in the first quarter, including 18 members to our technology team, with the purpose of condensing the time it takes to deliver our product roadmap to market and expanding our go-to-market capabilities in a number of key strategic areas. The early results of this initiative are impactful. We are introducing new product features and enhancements to market quicker; we are developing new point solutions for the broader identity marketplace; our higher-tier opportunity pipeline is building quicker than it ever has; and we are converting those opportunities into wins. We are seeing the beginnings of this reflected in our new customer revenue and from growth revenue from existing customers. The business is firing on all cylinders and the team is excited for what we can accomplish in 2022. So with that, let’s review our first quarter results.

For clarity, all the comparisons I will discuss today will be against the first quarter of 2021, unless noted otherwise.

Total revenue was $12.7 million, a 25% increase over prior year, and our highest quarterly revenue ever. Platform revenue increased 24% to a record $12.2 million. Services revenue was up $0.1 million, or 27%, to $0.5 million. We produced a record $9.6 million in adjusted gross profit, resulting in a margin of

75% for the first quarter, up 2-percentage points. Adjusted EBITDA for the quarter was $3.2 million, up 12% over prior year. Adjusted EBITDA margin for the quarter was 25% compared to 28% in prior year.

Before we move on to the details of the P&L, there are a couple of items from our last earnings call that I would like to revisit. Recall we discussed that during the fourth quarter, one of our larger strategic integration customers in the real estate segment that was contributing $0.6 million a quarter to our revenue in 2021 was acquired by a multi-billion-dollar information services provider and, as often happens with acquisitions, the acquirer sought to exploit synergies with its new acquisition by integrating the acquirer’s existing data feeds into our customer’s solutions and moving us down the waterfall. Although this had nothing to do with the customer’s satisfaction, or lack thereof, with our products and solutions, it resulted in a negative $0.3 million impact to our revenue in the fourth quarter, with the expectation that we would see some additional impact above that in the first quarter. As Derek explained earlier, we ended up with a negative $0.5 million impact in the first quarter from this customer. Despite this headwind, we accomplished record revenue in the first quarter with strong growth which reiterates the health of the business and is a testament to our team’s laser focus on execution.

The other item I wanted to revisit from our last earnings call was our 2022 reinvestment initiative in the form of human capital, in which we advised we were looking to add more than 50 team members over the course of 2022, with a majority of the associated expense directly impacting our P&L from the resulting increased payroll expense and the one-time recruiter fees associated with such hires. As I discussed earlier, that initiative is going extremely well with the addition of 27 new team members in the first quarter. On our previous call, I highlighted that we believe we can make these investments with little impact to the overall profitability of the business in 2022. The expectation is we can maintain healthy adjusted EBITDA margins in a range of 20 to 25%. Obviously, the first quarter ended well relative to this expectation with our adjusted EBITDA margin at 25%. We understand that normally increased investment to drive growth is usually at odds with strong profitability. However, with strong adjusted

EBITDA and positive earnings, we believe our first quarter results reiterate the opportune timing of this investment and further demonstrate the operational leverage of our business model which allows us to invest for long-term revenue growth with little impact to profitability in 2022.

Moving on to the details of our P&L, as mentioned, revenue was $12.7 million for the first quarter, consisting of revenue from new customers of $1.0 million, base revenue from existing customers of $9.7 million and growth revenue from existing customers of $2.0 million. Our IDI billable customer base grew by 44 customers sequentially from the fourth quarter, ending the first quarter at 6,592 customers. FOREWARN added 9,071 users during the first quarter, ending the quarter at 91,490 users. Notably, over 200 REALTOR® Associations throughout the country are now contracted to use FOREWARN.

Providing some additional color on the IDI billable customer base, as we explained on our last call, in the fourth quarter 2021 we implemented and began testing an account management initiative to reengage some of our smaller transactional customers who had gone inactive over the prior six months. The goal of this initiative was to transition the account management of our smaller transactional customers to a more automated process with less direct sales team involvement. We did not repeat this initiative in the first quarter as we are analyzing the metrics around this cohort to better understand the potential benefits to move these types of customers to a more automated process. If you remove some of the noise from the customers in this cohort going inactive in the first quarter, our IDI billable customer base would have grown by approximately 120 customers sequentially from the fourth quarter.

Our contractual revenue was 77% for the quarter compared to 80% in prior year. Our revenue attrition percentage was 3% compared to 7%. Of note, we have updated our revenue attrition calculation to now include revenue generated from FOREWARN. Previously, we only included revenue generated from IDI. Using the old methodology, which excluded FOREWARN revenue, the revenue attrition percentage would still have been 3% for the quarter. Although we have trended better over the last two quarters, we still expect our revenue attrition percentage to trend between 5% and 10% for the foreseeable future.

Moving on from our revenue metrics and down the P&L, our cost of revenue (exclusive of depreciation and amortization) increased $0.4 million or 15% to $3.2 million. This $0.4 million increase was a result of an increase in data acquisition costs and third-party infrastructure fees. Adjusted gross profit increased 28% to a record $9.6 million, producing an adjusted gross margin of 75%, a 2-percentage point increase over first quarter 2021.

Sales and marketing expenses increased $0.2 million or 8% to $2.4 million. The increase was due primarily to an increase in salaries and benefits and sales commissions. The $2.4 million of sales and marketing expense for the quarter consisted primarily of $1.4 million in employee salaries and benefits and $0.6 million in sales commissions.

General and administrative expenses increased $0.8 million or 18% to $5.4 million. This increase was primarily the result of $1.0 million increase in employee salaries and benefits and $0.3 million increase in professional fees, which was offset by a decrease of $0.6 million in non-cash share-based compensation expense. The $5.4 million in general and administrative expenses for the quarter consisted primarily of $2.5 million of employee salaries and benefits, $1.3 million of non-cash share-based compensation expense, and $1.0 million in accounting, IT and other professional fees.

Depreciation and amortization increased $0.2 million or 22% to $1.5 million for the quarter. This increase was primarily the result of the amortization of internally developed software.

Our income before income taxes was $0.3 million for the first quarter compared to a loss of $0.6 million in prior year.

Our income tax expense for the first quarter was $0.2 million based on our tax provision analysis that currently estimates certain future taxable income will not fully offset. As a result, our net income for the quarter was $0.1 million compared to a loss of $0.6 million in prior year.

We reported earnings of 1 cent per basic share and 1 cent per diluted share based on a weighted average share count of 13.5 million shares and 14.0 million shares, respectively.

Moving on to the balance sheet. Cash and cash equivalents were $34.8 million at March 31, 2022, compared to $34.3 million at December 31, 2021. Current assets were $40.4 million compared to $38.6 million and current liabilities were $4.0 million compared to $3.5 million.

We generated $2.4 million in cash from operating activities for the three months ended March 31, 2022, compared to generating $1.2 million in cash from operating activities for the same period in 2021.

We generated $1.3 million in free cash flow in the first quarter, compared to generating $1.6 million for the same period 2021. We calculate our free cash flow by using adjusted EBITDA and subtracting the cash we use for capital expenses such as property, equipment and capitalized intangible asset costs found on our statement of cash flows.

Cash used in investing activities was $1.9 million for the three months ended March 31, 2022, mainly the result of $1.8 million used for software developed for internal use. Cash used in investing activities for the same period in 2021 was $1.3 million.

Cash used in financing activities was de minimis for the three months ended March 31, 2022. There were no financing activities for the same period in 2021.

In closing, the year is off to a great start and we are excited for what we can accomplish in 2022 and beyond.

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

Operator

Thank you. To ask a question, please press * and the number 1 on your telephone keypad. To withdraw your question, press the # key. Please standby while we compile the Q&A roster. As a reminder, to ask a question, please press * and the number 1. I'm showing no questions at this time. I'd like to turn the call back over to Derek Dubner for any closing remarks.

Derek Dubner

Thank you again to those who joined us today. red violet delivered a strong first quarter in kicking off 2022. Our competitive advantages continue to be recognized in the marketplace as we are relentlessly focused on innovation and the customer experience. With the leading, cloud-native technology platform in our space, a massive, unified data repository, robust product roadmap, customer-centric view, and strong pipeline, we are well positioned for the rest of the year and beyond. Good afternoon.