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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**Date of Report (date of earliest event reported): March 12, 2020**

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**RED VIOLET, INC.**

(Exact name of Registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**001-38407**  
(Commission  
File Number)

**82-2408531**  
(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)

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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.

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## Item 2.02 Results of Operations and Financial Condition

On March 12, 2020, Red Violet, Inc., a Delaware corporation (the “Company”), issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2019 (the “Earnings Release”). A copy of the Earnings Release is furnished herewith as Exhibit 99.1.

Also on March 12, 2020, following the issuance of the Earnings Release, the Company conducted a conference call to discuss the reported financial results for the fourth quarter and year ended December 31, 2019. The Company had issued a press release on March 3, 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 March 12, 2020.
  - 99.2 March 12, 2020 Conference Call Script.
  - 104 Cover page Interactive Data File (embedded within the inline XBRL file).
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**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: March 16, 2020

By: /s/ Derek Dubner  
Derek Dubner  
Chief Executive Officer (Principal Executive Officer)

# red violet Announces Fourth Quarter and Full Year 2019 Financial Results

## Revenue Increases 92% to \$9.1 Million Generating \$1.2 Million in Cash from Operating Activities in the Fourth Quarter

**BOCA RATON, Fla. – March 12, 2020** – Red Violet, Inc. (NASDAQ: RDVT), a leading analytics and information solutions provider, today announced financial results for the quarter and full year ended December 31, 2019.

“Bucking the trend in what is historically a seasonally slower quarter for our business, we capped off a spectacular year, generating record revenue and cash from operations,” stated Derek Dubner, red violet’s CEO. “Leveraging our cloud-native platform, we continue to see larger customers take advantage of the platform’s speed, flexibility and efficiency to grow their businesses, as demonstrated by our 100% increase in revenue from existing customers in 2019. We are winning head-to-head against the competition, led by innovation, next-generation technology, and our relentless focus on driving customer-centric solutions into the marketplace, which continues to fuel our growth. We kicked off 2020 in strong fashion, with solid revenue growth and adjusted EBITDA pacing towards \$2 million for Q1 of 2020, which would exceed our adjusted EBITDA for the entire year of 2019. We have never been better positioned for the future than we are today.”

### Fourth Quarter Financial Results

For the three months ended December 31, 2019 as compared to the three months ended December 31, 2018:

- Total revenue increased 92% to \$9.1 million.
- Net loss was \$4.9 million (including share-based compensation expense of \$4.6 million, which includes a one-time \$2.3 million) as compared to \$2.0 million (including share-based compensation expense of \$0.3 million).
- Adjusted EBITDA was \$0.8 million as compared to a negative \$1.0 million.
- Gross profit increased 155% to \$4.9 million. Gross margin increased to 54% from 41%.
- Adjusted gross profit increased 134% to \$5.6 million. Adjusted gross margin increased to 62% from 51%.

### Full Year Financial Results

For the year ended December 31, 2019 as compared to the year ended December 31, 2018:

- Total revenue increased 86% to \$30.3 million.
- Net loss was \$11.1 million (including share-based compensation expense of \$9.9 million) as compared to \$6.9 million (including share-based compensation expense of \$0.7 million).
- Adjusted EBITDA was \$1.9 million as compared to a negative \$4.3 million.
- Gross profit increased 159% to \$15.4 million. Gross margin increased to 51% from 36%.
- Adjusted gross profit increased 135% to \$18.0 million. Adjusted gross margin increased to 60% from 47%.

### Fourth Quarter and Recent Business Highlights

- Leveraging the power of CORE™, red violet’s cloud-based, next-generation technology platform, idiCORE delivered over 280 new customers in the fourth quarter.
- Recognized as a leading innovative technology in the real estate industry, our subscription app-based solution, FOREWARN, added over 6,700 users in the fourth quarter.
- Announced partnership with our first statewide MLS, Maine Listings, and our first statewide association, Connecticut REALTORS®, to provide FOREWARN as a proactive safety and identity verification tool to their members.
- Strong revenue growth from existing customer expansion. Growth revenue from existing customers grew 177% over the fourth quarter of the prior year.

## 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 US GAAP, excluding interest income, net, depreciation and amortization, share-based compensation expense, litigation costs, net, sales and use tax expense, insurance proceeds in relation to settled litigation, transition service income, 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 2095739. To access the live audio webcast, visit the Investors section of the red violet website at [www.redviolet.com](http://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 2095739. An archived webcast of the conference call will be available on the Investors section of the red violet website at [www.redviolet.com](http://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](http://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 our relentless focus on driving customer-centric solutions into the marketplace will continue to fuel our growth, whether adjusted EBITDA is pacing towards \$2 million for the 2020 first quarter and whether we have never been better positioned for the future than we are today. 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, 2018 filed on March 7, 2019, as may be supplemented or amended by the Company's other SEC filings, including the Form 10-K for year ended December 31, 2019 expected to be filed today. 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.**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share data)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 11,776	\$ 9,950
Accounts receivable, net of allowance for doubtful accounts of \$40 and \$77 as of December 31, 2019 and 2018, respectively	3,543	2,265
Prepaid expenses and other current assets	722	934
<b>Total current assets</b>	<u>16,041</u>	<u>13,149</u>
Property and equipment, net	660	852
Intangible assets, net	24,034	19,971
Goodwill	5,227	5,227
Right-of-use assets	2,620	-
Other noncurrent assets	289	628
<b>Total assets</b>	<u>\$ 48,871</u>	<u>\$ 39,827</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 2,138	\$ 2,246
Accrued expenses and other current liabilities	1,571	1,277
Current portion of operating lease liabilities	491	-
Deferred revenue	128	26
<b>Total current liabilities</b>	<u>4,328</u>	<u>3,549</u>
Noncurrent operating lease liabilities	2,459	-
<b>Total liabilities</b>	<u>6,787</u>	<u>3,549</u>
Shareholders' equity:		
Preferred stock—\$0.001 par value, 10,000,000 shares authorized, and 0 shares issued and outstanding, as of December 31, 2019 and December 31, 2018	-	-
Common stock—\$0.001 par value, 200,000,000 shares authorized, 11,657,912 and 10,266,613 shares issued, 11,554,765 and 10,266,613 shares outstanding, as of December 31, 2019 and 2018	12	10
Treasury stock, at cost, 103,147 and 0 shares as of December 31, 2019 and 2018	(1,255)	-
Additional paid-in capital	59,187	41,052
Accumulated deficit	(15,860)	(4,784)
<b>Total shareholders' equity</b>	<u>42,084</u>	<u>36,278</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 48,871</u>	<u>\$ 39,827</u>

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

	Year Ended December 31,	
	2019	2018
<b>Revenue</b>	\$ 30,286	\$ 16,302
<b>Costs and expenses<sup>(1)</sup>:</b>		
Cost of revenue (exclusive of depreciation and amortization)	12,257	8,638
Sales and marketing expenses	7,528	4,754
General and administrative expenses	18,824	8,405
Depreciation and amortization	2,889	1,996
<b>Total costs and expenses</b>	<u>41,498</u>	<u>23,793</u>
<b>Loss from operations</b>	(11,212)	(7,491)
Interest income, net	136	84
Other income, net	-	539
<b>Loss before income taxes</b>	(11,076)	(6,868)
Income taxes	-	-
<b>Net loss</b>	<u>\$ (11,076)</u>	<u>\$ (6,868)</u>
<b>Loss per share:</b>		
Basic and diluted	<u>\$ (1.03)</u>	<u>\$ (0.67)</u>
<b>Weighted average number of shares outstanding:</b>		
Basic and diluted	<u>10,762,881</u>	<u>10,266,613</u>
<hr/>		
(1) Share-based compensation expense in each category:		
Sales and marketing expenses	\$ 454	\$ 158
General and administrative expenses	9,459	551
Total	<u>\$ 9,913</u>	<u>\$ 709</u>

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

	Year Ended December 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (11,076)	\$ (6,868)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,889	1,996
Share-based compensation expense	9,913	709
Write-off of long-lived assets	30	63
Provision for bad debts	582	294
Allocation of expenses from Fluent, Inc.	-	325
Noncash lease expenses	422	-
Changes in assets and liabilities:		
Accounts receivable	(1,860)	(909)
Prepaid expenses and other current assets	212	(375)
Other noncurrent assets	339	552
Accounts payable	(108)	(332)
Accrued expenses and other current liabilities	639	(3,501)
Deferred revenue	102	(7)
Operating lease liabilities	(437)	-
Net cash provided by (used in) operating activities	<u>1,647</u>	<u>(8,053)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(90)	(90)
Capitalized costs included in intangible assets	(5,912)	(5,911)
Net cash used in investing activities	<u>(6,002)</u>	<u>(6,001)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital contributed by Fluent, Inc.	-	23,939
Proceeds from issuance of shares, net of issuance costs	7,436	-
Taxes paid related to net share settlement of vesting of restricted stock units	(1,255)	-
Net cash provided by financing activities	<u>6,181</u>	<u>23,939</u>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 1,826</b>	<b>\$ 9,885</b>
Cash and cash equivalents at beginning of period	9,950	65
<b>Cash and cash equivalents at end of period</b>	<b>\$ 11,776</b>	<b>\$ 9,950</b>
<b>SUPPLEMENTAL DISCLOSURE INFORMATION</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Share-based compensation capitalized in intangible assets	\$ 788	\$ 437
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 US GAAP, excluding interest income, net, depreciation and amortization, share-based compensation expense, litigation costs, net, sales and use tax expense, insurance proceeds in relation to settled litigation, transition service income, 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.

(In thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
<b>Net loss</b>	\$ (4,856)	\$ (2,038)	\$ (11,076)	\$ (6,868)
Interest income, net	(13)	(53)	(136)	(84)
Depreciation and amortization	840	559	2,889	1,996
Share-based compensation expense	4,623	277	9,913	709
Litigation costs, net	-	248	54	382
Sales and use tax expense	205	-	205	-
Insurance proceeds in relation to settled litigation	-	-	-	(350)
Transition service income	-	(4)	-	(218)
Write-off of long-lived assets and others	3	-	44	92
<b>Adjusted EBITDA</b>	<u>\$ 802</u>	<u>\$ (1,011)</u>	<u>\$ 1,893</u>	<u>\$ (4,341)</u>

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

(In thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenue	\$ 9,050	\$ 4,708	\$ 30,286	\$ 16,302
Cost of revenue (exclusive of depreciation and amortization)	3,414	2,304	12,257	8,638
Depreciation and amortization of intangible assets	777	495	2,637	1,730
<b>Gross profit</b>	4,859	1,909	15,392	5,934
Depreciation and amortization of intangible assets	777	495	2,637	1,730
<b>Adjusted gross profit</b>	<u>\$ 5,636</u>	<u>\$ 2,404</u>	<u>\$ 18,029</u>	<u>\$ 7,664</u>
<b>Gross margin</b>	54%	41%	51%	36%
<b>Adjusted gross margin</b>	<u>62%</u>	<u>51%</u>	<u>60%</u>	<u>47%</u>

In order to assist readers of our 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.

(Dollars in thousands)	(Unaudited)							
	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
<b>Customer metrics</b>								
idiCORE - billable customers <sup>(1)</sup>	2,941	3,302	3,438	3,627	4,020	4,370	4,781	5,064
FOREWARN - users <sup>(2)</sup>	2,427	5,095	7,872	11,397	15,444	19,721	23,853	30,577
<b>Revenue metrics</b>								
Contractual revenue % <sup>(3)</sup>	44%	52%	64%	66%	67%	62%	66%	66%
Net revenue attrition % <sup>(4)</sup>	10%	10%	6%	5%	5%	5%	6%	6%
Revenue from new customers <sup>(5)</sup>	\$ 756	\$ 802	\$ 842	\$ 1,096	\$ 1,285	\$ 1,596	\$ 1,406	\$ 1,018
Base revenue from existing customers <sup>(6)</sup>	\$ 1,952	\$ 2,472	\$ 2,934	\$ 3,127	\$ 3,593	\$ 4,480	\$ 5,578	\$ 6,690
Growth revenue from existing customers <sup>(7)</sup>	\$ 617	\$ 635	\$ 584	\$ 485	\$ 856	\$ 1,169	\$ 1,273	\$ 1,342
<b>Other metrics</b>								
Employees - sales and marketing	35	33	37	46	47	48	48	51
Employees - support	7	7	5	6	6	7	8	7
Employees - infrastructure	11	11	9	11	12	12	13	11
Employees - engineering	18	20	22	21	20	20	25	23
Employees - administration	13	14	14	14	14	14	13	16

- (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) Net revenue attrition is defined as the revenue lost as a result of customer attrition, net of reinstated customer revenue, excluding FOREWARN 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. Net 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.

### Investor Relations Contact:

Camilo Ramirez  
 Red Violet, Inc.  
 561-757-4500  
[ir@redviolet.com](mailto:ir@redviolet.com)

**Red Violet, Inc. (NASDAQ: RDVT)****Fourth Quarter 2019 Earnings Results Conference Call****Company Participants:**

Camilo Ramirez, Director of Finance and Investor Relations

Derek Dubner, Interim Chairman and Chief Executive Officer

Dan MacLachlan, Chief Financial Officer

**Operator:**

Good day ladies and gentlemen, and welcome to red violet's fourth quarter 2019 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 fourth quarter 2019 financial results. With me today is Derek Dubner, our 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](http://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 fourth quarter 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 Chief Executive Officer, Derek Dubner.

## **Derek Dubner**

Thank you, and good afternoon to those joining us today to discuss our fourth quarter 2019 results. We are pleased to report a very strong fourth quarter, which capped off a stellar 2019. For the fourth quarter, we saw record revenue of \$9.1 million, a 92% increase over fourth quarter 2018, led by strong growth from existing customer expansion, with a 177% increase in growth from revenue from existing customers. Adjusted gross profit increased 134% to \$5.6 million and our adjusted gross margin increased to 62% from 51% in the same period of 2018. Adjusted EBITDA was \$0.8 million. Adjusted EBITDA for the fourth quarter would have been \$1.5 million factoring in one item which Dan will discuss later.

For the full year 2019, total revenue increased 86% to \$30.3 million and adjusted EBITDA grew \$6.4 million to \$1.9 million.

As demonstrated by our performance, we are pleased with the strength we saw in our business in the fourth quarter, especially given that the fourth quarter has historically presented headwinds for our industry. As to idiCORE, our flagship product, we continue to execute in furtherance of penetrating various verticals and moving upmarket within verticals. On the FOREWARN front, our subscription app-based solution for face-to-face engagement, we continue to penetrate the real estate industry with this first-of-its-kind real-time identity verification and risk mitigation tool. Real estate association after association are securing the services of FOREWARN for their membership, highlighting the inevitable fact that this solution should be in every real estate professional's hand. We proudly recently announced our first two statewide adoptions of FOREWARN by Maine and Connecticut and we expect more to follow. We are also developing new applications for FOREWARN in other industries reliant on face-to-face engagement.

We are seeing broad based strength throughout the business, across brands and delivery channels. During the quarter, we added over 280 new idiCORE customers and over 6,700 FOREWARN users. Online and batch channels grew 47% and 77% respectively over fourth quarter 2018. API, where our larger customers leverage the power of our data and industry agnostic platform, CORE, to integrate directly with their systems, saw the largest growth with 210%. Our platform provides for a standard, yet easily customizable, dynamic API, along with other means of product utilization, that allows us to deliver mission-critical solutions for many industries, generating real-time insights and enabling better data-driven decisioning. We are very encouraged as we continue to drive revenue from larger customers and create opportunities in new market segments that were previously not available to us.

Through a first-class team of data scientists, engineers and technology personnel, we are leading the charge in our industry. Engineered in the cloud from the ground up, CORE is proving to be differentiated technology, delivering speed, flexibility, efficiency, and scalability that our customers are not getting from the competition. As well, we continue to aggregate and assimilate a massive data repository consisting of public record, publicly-available and proprietary data, including a trove of self-reported consumer data. We maintain a durable, scalable, cloud infrastructure by which we store and deploy our data assets and solutions. And throughout our development cycle, we are intently focused on the customer experience. From the first point of contact with a prospect, through setup, product trial, integration, customization, product use and relationship management, understanding and solving for the customer's needs are our primary goal.

As I have discussed before, our business is driven by three guiding principles: drive innovation, create differentiated technology and solutions, and maintain a relentless focus on the customer experience. Our numbers continue to confirm that we are executing on those principles.

We are very proud of our performance in 2019, generating \$30.3 million in revenues, compared to \$16.3 million in 2018. For 2020, we are off to another record-breaking start and remain well positioned to deliver what we believe will be another transformative year. With the first two months of 2020 behind us, we are currently on pace to achieve \$2.0 million in adjusted EBITDA in the first quarter of 2020. This is particularly exciting as this would exceed our entire adjusted EBITDA for all of 2019.

We have a terrific team, leading technology, and differentiated products and solutions. I have great confidence that we will continue to deliver for the foreseeable future. With that, I turn it over to Dan to discuss the financials.

## **Dan MacLachlan**

Thank you, Derek, and good afternoon. This has been an extraordinary year for red violet. Across the entire organization, our teams have been incredibly focused and disciplined and we're seeing this translate into our numbers quarter after quarter. In addition to the key accomplishments Derek addressed, I wanted to highlight some 2019 financial metrics that I believe will give you a clear picture of the operational leverage of our business and what that means for us going forward in 2020. For the full-year 2019, our \$14.0 million increase in revenue translated into a \$10.4 million increase in adjusted gross profit. That \$10.4 million increase by itself is a great measure of our leverage. But, to give you an idea of how that ultimately translates to cash flow, we generated \$9.7 million of incremental cash flow from operations off that \$10.4 million increase in adjusted gross profit. That is greater than 90% contribution of adjusted gross profit to cash flow from operations in 2019. We're extremely proud of this number. It is a testament to our technology platform, our people, and the ability to leverage this business model and drive profitably into the future.

I'm excited to report on our record setting fourth quarter. Starting with our consolidated results, for clarity, all the comparisons I will discuss today will be against the fourth quarter of 2018, unless noted otherwise.

Revenue increased 92% to \$9.1 million led by strong growth from existing customer expansion, with 177% increase in growth revenue from existing customers. Adjusted gross profit increased 134% to \$5.6 million and our adjusted gross margin increased to 62% from 51%. Our adjusted EBITDA was \$0.8 million, compared to a negative \$1.0 million in the fourth quarter of 2018. We expect to see continued strong margin and adjusted EBITDA expansion throughout 2020 as we continue to capitalize on the P&L's operating leverage.

I do want to highlight one item that was included in our \$0.8 million in adjusted EBITDA for the fourth quarter. There was a total of \$0.7 million in year-end discretionary cash bonuses to employees granted as a result of the Company's 2019 performance. Although discretionary and not necessarily recurring, because this was related to compensation, we did not back this amount out of adjusted EBITDA. If you exclude the \$0.7 million in discretionary cash bonuses, the adjusted EBITDA for the fourth quarter would have been \$1.5 million.

Continuing to the details of our P&L, as mentioned, revenues were \$9.1 million for the fourth quarter. We added over 280 new customers to idiCORE and over 6,700 users to FOREWARN in the quarter. In what has historically been a seasonally slower quarter for us, the new customer and new user numbers are extremely encouraging. In addition, we saw stellar revenue growth from existing customers as larger customers continue to increase their volume and spend with us. We increased the headcount of our sales team in the fourth quarter and will continue to expand our sales capabilities throughout 2020. With continued revenue expansion from existing customers driven by product enhancements and an increasing salesforce that has been optimized to drive new business, we believe we are well positioned to fuel accelerated revenue growth in 2020.

Moving down the P&L, our cost of revenues were \$3.4 million compared to \$2.3 million for the fourth quarter 2018. This \$1.1 million increase was a result of increases in data licensing and infrastructure costs. Adjusted gross profit increased 134% to \$5.6 million, producing an adjusted gross margin of 62%, an 11 percentage point increase over fourth quarter 2018. As I discussed earlier, we expect to see our adjusted gross margin continue to expand throughout 2020 as we drive revenue growth.

Sales and marketing expenses increased to \$0.8 million. I'm sorry, sales and marketing expenses increased \$0.8 million to \$2.1 million for the fourth quarter. The increase was due primarily to increased headcount and sales commissions related to revenue growth. The \$2.1 million of sales and marketing expense for the quarter consisted primarily of \$1.0 million in employee salaries and benefits and \$0.5 million in sales commissions.

General and administrative expenses were \$7.6 million for the quarter, consisting primarily of \$4.5 million of non-cash share-based compensation which includes a one-time \$2.3 million charge, \$1.6 million of employee salaries and benefits and \$0.8 million in accounting, IT and other professional fees. Compared to the fourth quarter 2018, general and administrative expenses increased \$5.0 million, attributed primarily to a \$4.2 million increase in non-cash share-based compensation. In addition to the one-time share-based expense and the discretionary bonuses discussed earlier, the fourth quarter included a charge of \$0.2 million for the settlement of a sales and use tax audit open since the first quarter 2018. Excluding these non-recurring items, we expect our general and administrative expenses to trend between \$4.5 and \$5.0 million over the next several quarters.

Depreciation and amortization was \$0.8 million for the quarter, compared to \$0.6 million in fourth quarter 2018. This increase was primarily the result of the amortization of internally developed software.

Net loss was \$4.9 million for the quarter, largely a result of non-cash share-based compensation expense of \$4.6 million. Comparatively, net loss for the fourth quarter 2018 was \$2.0 million, which included \$0.3 million of non-cash share-based compensation expense.

We reported a loss of 42 cents per share for the quarter based on a weighted average share count of 11.6 million shares.

Moving on to the balance sheet, cash and cash equivalents were \$11.8 million at December 31, 2019, compared to \$10.0 million at December 31, 2018. Current assets were \$16.0 million compared to \$13.1 million and current liabilities were \$4.3 million compared to \$3.5 million.

We generated \$1.6 million in cash from operating activities for the twelve months ended December 31, 2019, compared to using \$8.1 million in cash for operating activities for the same period in 2018.

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 burned \$0.7 million for the fourth quarter 2019, compared to burning \$2.5 million for the fourth quarter 2018. Additionally, if you remove the discretionary cash bonuses I discussed earlier, we would have been earn/burn breakeven in the fourth quarter 2019.

Cash used in investing activities was \$6.0 million for the twelve months ended December 31, 2019, mainly the result of \$5.9 million used for software developed for internal use.

Cash provided by financing activities was \$6.2 million for the twelve months ended December 31, 2019, resulting from the net proceeds of \$7.4 million of capital raised in the third quarter less \$1.3 million of cash used for the taxes on the net settlement of 103,000 shares, now included in our treasury, of restricted stock units.

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

**Operator:**

Ladies and Gentlemen, if you have a question at this time, please press star and then the number one key on your touch tone telephone. If your question has been answered or you wish to remove yourself the que, you may press the pound key.

**Derek Dubner**

Thank you. Seeing no questions today, we appreciate everyone joining our conference call today and we look forward to reporting to you our progress on our next quarterly call. Good afternoon.

**Operator:**

Ladies and Gentlemen, this concludes today's conference call. You may now disconnect.