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 7, 2019

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	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 7, 2019, Red Violet, Inc., a Delaware corporation (the "Company"), issued a press release announcing its financial results for the third quarter ended September 30, 2019 (the "Earnings Release"). A copy of the Earnings Release is furnished herewith as Exhibit 99.1.

Also on November 7, 2019, 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, 2019. The Company had issued a press release on October 22, 2019 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 7, 2019
99.2	November 7, 2019 conference call transcript

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 12, 2019	By:	/s/ Derek Dubner
		Derek Dubner
		Chief Executive Officer (Principal Executive Officer)

red violet Announces Third Quarter 2019 Financial Results

Revenue Increases 89% to $8.3 Million with Strong Margin Expansion and Positive Cash Flow from Operating Activities

BOCA RATON, Fla. – November 7, 2019 – Red Violet, Inc. (NASDAQ: RDVT), a leading analytics and information solutions provider, today announced financial results for the quarter ended September 30, 2019.

"Since our spin-off in March of 2018, we have reported seven consecutive quarters of record revenue and adjusted gross margin. Adjusted EBITDA increased over 200% from second quarter 2019 and we incurred our smallest quarterly net loss to date," stated Derek Dubner, red violet's CEO. "I am very proud of our team's execution year-to-date, seizing upon immediate opportunities while continuing to lay the groundwork for expected future growth. We are experiencing increasing adoption of idiCORE™ by and among larger customers and FOREWARN® is fast becoming the go-to solution for proactive realtor safety. While fourth quarter traditionally presents seasonal headwinds affecting our transactional customers in the way of less business days and year-end budget recasting, we have experienced a strong start to the fourth quarter and are excited to close out a terrific 2019."

Third Quarter Financial Results

For the three months ended September 30, 2019 as compared to the three months ended September 30, 2018:

- Total revenue increased 89% to $8.3 million.
- Net loss was $1.0 million (including share-based compensation expense of $1.4 million) as compared to $1.3 million (including share-based compensation expense of $0.2 million).
- Loss per share was $0.09 as compared to $0.12.
- Adjusted gross profit increased 141% to $5.1 million.
- Adjusted gross margin increased to 62% from 49%.
- Adjusted EBITDA was $1.1 million as compared to a negative $0.8 million.

Third Quarter and Recent Business Highlights

- Leveraging the power of CORE™, red violet's cloud-based, next-generation technology platform, idiCORE delivered over 400 new customers in the third quarter.
- Recognized as a leading innovative technology in the real estate industry, our subscription app-based solution, FOREWARN, added over 4,100 users in the third quarter.
- Broad-based revenue growth from both new customer adoption and existing customer expansion. New customer revenue grew 67% and growth revenue from existing customers grew 118% over prior year.
- Cash and cash equivalents were $13.3 million as of September 30, 2019. To meet demand and accelerate growth, we raised $7.5 million during the quarter in strategic growth financing from existing and new investors through the sale of 681,000 shares of common stock in a registered direct offering.

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, 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.

Conference Call

In conjunction with this release, red violet will host a conference call and webcast today a 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 1075407. 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 1075407. 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 whether red violet will experience future growth, and whether FOREWARN will become the go-to solution for proactive realtor safety. 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. 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, 2019		December 31, 2018
ASSETS:				
Current assets:				
Cash and cash equivalents	$	13,337	$	9,950
Accounts receivable, net of allowance for doubtful accounts of $30 and $77 as of September 30, 2019 and December 31, 2018, respectively		3,325		2,265
Prepaid expenses and other current assets		894		934
Total current assets		17,556		13,149
Property and equipment, net		704		852
Intangible assets, net		23,050		19,971
Goodwill		5,227		5,227
Right-of-use assets		2,729		-
Other noncurrent assets		374		628
Total assets	$	49,640	$	39,827
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Current liabilities:				
Accounts payable	$	2,481	$	2,246
Accrued expenses and other current liabilities		2,004		1,277
Current portion of operating lease liabilities		477		-
Deferred revenue		35		26
Total current liabilities		4,997		3,549
Noncurrent operating lease liabilities		2,588		-
Total liabilities		7,585		3,549
Shareholders' equity:				
Preferred stock—$0.001 par value, 10,000,000 shares authorized, and 0 shares issued and outstanding, as of September 30, 2019 and December 31, 2018		-		-
Common stock—$0.001 par value, 200,000,000 shares authorized, 11,633,662 and 10,266,613 shares issued, 11,530,515 and 10,266,613 shares outstanding, as of September 30, 2019 and December 31, 2018		12		10
Treasury stock, at cost, 103,147 and 0 shares as of September 30, 2019 and December 31, 2018		(1,255)		-
Additional paid-in capital		54,302		41,052
Accumulated deficit		(11,004)		(4,784)
Total shareholders' equity		42,055		36,278
Total liabilities and shareholders' equity	$	49,640	$	39,827

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	$ 8,257	$ 4,360	$ 21,236	$ 11,594
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization)	3,122	2,233	8,843	6,334
Sales and marketing expenses	1,925	1,126	5,428	3,443
General and administrative expenses	3,498	2,182	11,259	5,776
Depreciation and amortization	750	508	2,049	1,437
Total costs and expenses	9,295	6,049	27,579	16,990
Loss from operations	(1,038)	(1,689)	(6,343)	(5,396)
Interest income, net	46	31	123	31
Other income, net	-	406	-	535
Loss before income taxes	(992)	(1,252)	(6,220)	(4,830)
Income taxes	-	-	-	-
Net loss	$ (992)	$ (1,252)	$ (6,220)	$ (4,830)
Loss per share:				
Basic and diluted	$ (0.09)	$ (0.12)	$ (0.59)	$ (0.47)
Weighted average number of shares outstanding:				
Basic and diluted	10,917,673	10,266,613	10,497,036	10,266,613

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,220)	$ (4,830)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,049	1,437
Share-based compensation expense	5,290	432
Write-off of long-lived assets	30	63
Provision for bad debts	398	246
Allocation of expenses from Fluent, Inc.	-	325
Noncash lease expenses	313	-
Changes in assets and liabilities:		
Accounts receivable	(1,458)	(781)
Prepaid expenses and other current assets	40	(177)
Other noncurrent assets	254	167
Accounts payable	235	(55)
Accrued expenses and other current liabilities	(183)	(3,619)
Deferred revenue	9	(18)
Operating lease liabilities	(322)	-
Net cash provided by (used in) operating activities	435	(6,810)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(71)	(51)
Capitalized costs included in intangible assets	(4,413)	(4,497)
Net cash used in investing activities	(4,484)	(4,548)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributed by Fluent, Inc.	-	23,939
Proceeds from issuance of shares, net of issuance costs	7,436	-
Net cash provided by financing activities	7,436	23,939
Net increase in cash and cash equivalents	$ 3,387	$ 12,581
Cash and cash equivalents at beginning of period	9,950	65
Cash and cash equivalents at end of period	$ 13,337	$ 12,646
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Share-based compensation capitalized in intangible assets	$ 526	$ 316
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, 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 September 30, 2019	Three Months Ended September 30, 2018	Three Months Ended June 30, 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net loss	$ (992)	$ (1,252)	$ (3,850)	$ (6,220)	$ (4,830)
Interest income, net	(46)	(31)	(37)	(123)	(31)
Depreciation and amortization	750	508	681	2,049	1,437
Share-based compensation expense	1,407	218	3,609	5,290	432
Litigation costs, net	7	125	(47)	54	134
Insurance proceeds in relation to settled litigation	-	(350)	-	-	(350)
Transition service income	-	(56)	-	-	(214)
Write-off of long-lived assets and others	11	2	-	41	92
Adjusted EBITDA	$ 1,137	$ (836)	$ 356	$ 1,091	$ (3,330)

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Three Months Ended June 30, 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenue	$ 8,257	$ 4,360	$ 7,245	$ 21,236	$ 11,594
Cost of revenue (exclusive of depreciation and amortization)	3,122	2,233	3,052	8,843	6,334
Adjusted gross profit	$ 5,135	$ 2,127	$ 4,193	$ 12,393	$ 5,260
Adjusted gross margin	62%	49%	58%	58%	45%

We present adjusted EBITDA, adjusted gross profit and adjusted gross margin as supplemental measures of our operating performance because 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 of our business, evaluate the performance of our senior management and measure the operating strength of our business.

Adjusted EBITDA, adjusted gross profit and adjusted gross margin are measures 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. Adjusted EBITDA eliminates the uneven effect of considerable amounts of non-cash depreciation and amortization, share-based compensation expense and the impact of other items. Adjusted gross profit and adjusted gross margin are calculated by using cost of revenue (exclusive of depreciation and amortization).

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, either loss before income taxes or net loss as indicators of operating performance or to cash flows from operating activities as a measure of liquidity. 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)	**Q1'18**	**Q2'18**	**Q3'18**	**Q4'18**	**Q1'19**	**Q2'19**	**Q3'19**
Customer metrics							
idiCORE - billable customers(1)	2,941	3,302	3,438	3,627	4,020	4,370	4,781
FOREWARN - users(2)	2,427	5,095	7,872	11,397	15,444	19,721	23,853
Revenue metrics							
Contractual revenue %(3)	44%	52%	64%	66%	67%	62%	66%
Net revenue attrition %(4)	10%	10%	6%	5%	5%	5%	6%
Revenue from new customers(5)	$ 756	$ 802	$ 842	$ 1,096	$ 1,285	$ 1,596	$ 1,406
Base revenue from existing customers(6)	$ 1,952	$ 2,472	$ 2,934	$ 3,127	$ 3,593	$ 4,480	$ 5,578
Growth revenue from existing customers(7)	$ 617	$ 635	$ 584	$ 485	$ 856	$ 1,169	$ 1,273
Other metrics							
Employees - sales and marketing	35	33	37	46	47	48	48
Employees - support	7	7	5	6	6	7	8
Employees - infrastructure	11	11	9	11	12	12	13
Employees - engineering	18	20	22	21	20	20	25
Employees - administration	13	14	14	14	14	14	13

(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 individual that has an active user account and is able to log into FOREWARN.

(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:
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Red Violet, Inc. (NASDAQ: RDVT)

Third Quarter 2019 Earnings Results Conference Call – November 7, 2019

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 third 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 third 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.

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 third 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, Camilo, and good afternoon to those joining us today to discuss our third quarter financial results. We are excited to be initiating our quarterly conference calls and especially pleased to do so by reporting a very strong third quarter. We saw record revenue of $8.3 million, an 89% increase over third quarter 2018, record adjusted gross margin of 62%, 13 percentage points higher than prior year, and record adjusted EBITDA of $1.1 million, resulting in adjusted EBITDA margin of 14%.

We experienced continued strong, broad-based customer demand of our products and solutions across the enterprise, driven by our cloud-based technology platform. Within idiCORE™, our flagship investigative solution, we are seeing increasing customer adoption and at a higher customer tier, as evidenced by our increasing average revenue per customer. FOREWARN®, our real-time identity verification and risk mitigation product tailored for the real estate industry, while it makes up less than 5% of our quarterly revenue today, we continue to experience strong month-over-month revenue and user growth as real estate associations across the country are realizing the need for this essential realtor-safety tool and adopting the solution for their member base. We see significant opportunity to leverage the FOREWARN app and its growing user base to address not only risk mitigation related to face-to-face interaction of real estate agents with unknown prospects, but to also deliver marketing products and services to capture a portion of the estimated $30+ billion real estate advertising market. Additionally, we expect to apply this model to other industries in the future to address similar identity and risk challenges encountered by face-to-face engagement.

As we are kicking off conference calls starting today, many of you may be new to our story. As such, I'd like to take a brief step back to discuss a bit about the team, the business and where we are heading. Our team has been together for the last two decades in the data and analytics space, creating technology that can assimilate massive data sets, both structured and unstructured, uncovering the relevance of disparate data points, and delivering solutions required by both the public and private sectors for better decisioning. These solutions have been used by a variety of verticals in the risk management industry, including financial services, insurance, corporate risk, legal, and collections. Typical use cases include identity verification (including anti-money laundering and know-your-customer initiatives), risk mitigation, due diligence, legislative compliance and debt recovery.

A few years ago, we re-entered the marketplace because we had observed monumental shifts in technology, data science methodologies, and the volume, variety and velocity of data driven by e-commerce, mobile and social. We spent the first few years in R&D mode, incurring significant capital expense to amass data assets, to staff our technology and infrastructure teams, and to build our next generation data fusion platform and applications in the cloud. We employ a fixed cost of revenue model. Our fixed costs incurred include those associated with technology and data assets. Once past this R&D phase, we set out to leverage this fixed-cost model by deploying these assets, driving innovative products and solutions into the market. Put simply, due to the construct of the model, as the business expands, gross profit margins do so as well, resulting in continued improvement to the bottom line. This quarter illustrates the operational leverage I'm speaking about as adjusted gross profit margins again increased, now to 62%, and adjusted EBITDA more than doubled from second quarter 2019 to in excess of $1.1 million.

Today, we are serving not only the risk management industry, but also leveraging our proprietary platform and differentiated consumer database to drive a variety of solutions for the marketing industry. Our teams are doing a terrific job in achieving our objectives – namely, enhancement of the technology and associated expansion of the product suite, and driving increased adoption and use of our products and solutions. As Dan will speak to later, we added over 400 new customers to idiCORE and over 4,100 users to FOREWARN in the quarter. We are encouraged by the growth we are experiencing not only from new customers but also from increased spend within the current customer base. We are particularly proud of our success in the area of strategic integrations. By this, I mean those customer relationships where we are connected via an API, where our platform drives the integration of our solutions with customer products and solutions. These integration customers are growing their businesses on the backs of our integrated solutions and, as a result, are becoming more reliant on us in their daily workflow, which translates to greater spend with us. We are very proud of these relationships and we will continue to work hard to foster existing and new integrations.

As we stated in our second quarter earnings release, we experienced greater demand than our current resources could accommodate. Since our spin-off in March 2018, we have been methodically running the business, tracking our path towards free cash flow, while mindful of our balance sheet and therefore very deliberate in our execution.

We raised $7.5 million of growth capital during the quarter to fuel sales, product development and marketing efforts, which we believe will accelerate our growth in 2020. While we had sufficient capital on the balance sheet to achieve positive free cash flow, we were constrained in resources to meet robust customer demand and to execute on various strategic opportunities in front of us. Mindful of dilution relative to our market cap, we raised the requisite growth capital through the sale of 681,000 shares of common stock with no warrant coverage, allowing us to meet the increasing demand in the near term and to position us to execute on various strategic opportunities, laying the foundation for the acceleration of our business.

As demonstrated throughout the year, the business continues to perform well with seven consecutive quarters of revenue and adjusted gross margin growth. As mentioned, last quarter, we achieved positive adjusted EBITDA for the first time and this quarter, we increased it by over 200% over second quarter 2019, to over $1.1 million. The fourth quarter traditionally presents some seasonal headwinds for our transactional customers; however, we saw a very strong start to the fourth quarter this year and are excited to close out the year and hit the ground running in 2020.

Today, and in the foreseeable future, we are focused on the continued leverage of our powerful technology platform and differentiated data assets. In doing so, our goals are centered around executing upon our product roadmap in continuing to drive innovative solutions to market, delivering flexibility, agility and scalability to our customers via our online, Batch, and API systems, and expanding into new markets, verticals and into higher customer tiers within.

Longer term, our goals center around exploiting the versatility of our CORE technology platform. We will endeavor to deliver the power of the platform to our customers in a variety of ways to drive insights from data, both from our data but more importantly, from the customers' data, which will lead us into self-service analytics, enhanced consumer modeling, and integration of data visualization methodologies into our solutions, all with continued emphasis on deployment of various stages of predictive capabilities.

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

Dan MacLachlan

Thank you, Derek, and good afternoon. We're extremely excited to report a record setting third quarter. We've had our heads down intently focused on driving the fundamentals of the business, allowing us to put up seven consecutive quarters of strong revenue growth and margin expansion, and now significantly increasing adjusted EBITDA. Exiting the second quarter of 2019, our balance sheet was positioned well to achieve positive free cash flow with us continuing to run the business methodically. However, as Derek discussed earlier, to meet demand and accelerate growth, we raised $7.5 million in growth capital for strategic deployment through investment in sales, our technology team, and marketing personnel. Notwithstanding the additional investment, we expect to achieve positive free cash flow in the first quarter of 2020.

Moving on to our third quarter results, revenues were $8.3 million, an 89% increase over third quarter 2018, driven by strong broad-based revenue growth from both new customer adoption and existing customer expansion. Adjusted gross profit increased 141% to $5.1 million, adjusted gross margin increased to 62% from 49% in prior year and adjusted EBITDA was $1.1 million, compared to a negative $0.8 million in prior year. Because our cost of revenue is relatively fixed, we expect to see strong margin expansion continue in the fourth quarter and throughout 2020, just as we have over the last seven consecutive quarters. Resulting from the P&L's operating leverage, we expect the continued margin expansion will drive profitability in the form of adjusted EBITDA growth, positive free cash flow and ultimately positive earnings.

Continuing to the details of our P&L, as mentioned, revenues were $8.3 million for the third quarter. We added over 400 new customers to idiCORE and over 4,100 users to FOREWARN in the quarter. We are encouraged about the growth we are seeing not only from new customers but also from increased spend within the current customer base. Growth revenue from existing customers grew over 118% from prior year. As our product development team continues to drive enhancements to the platform, we are seeing our larger customers leverage the additional functionality to drive their businesses, thus, increasing their volume and spend with us. What really excites us about our future revenue growth is we've only scratched the surface related to the capabilities of our sales organization to drive into market. We've spent the last three quarters optimizing and verticalizing the sales organization, creating efficiencies that allow greater ROI per sales employee. We've only added two net full-time employees to the sales organization during the last nine months; yet, have still been able to grow revenue at a compound annual growth rate of greater than 110%. What that means is our sales organization is well positioned to expand, which will fuel accelerated revenue growth in 2020.

Moving down the P&L, our cost of revenues were $3.1 million for the quarter, compared to $2.2 million for the third quarter 2018. This $0.9 million increase was a result of the licensing of additional data assets. Adjusted gross profit increased 141% to $5.1 million, producing an adjusted gross margin of 62%, a 13 percentage point increase over third quarter 2018. As I discussed earlier, because our cost of revenues are relativity fixed, as we continue drive revenue growth, we expect adjusted gross margin to expand.

Sales and marketing expenses were $1.9 million for the quarter, compared to $1.1 million, or a 71% increase over third quarter 2018. The increase was due primarily to increased headcount and sales commissions related to revenue growth. The $1.9 million of sales and marketing expense for the quarter consisted primarily of $1.1 million in employee salaries and benefits and $0.4 million in sales commissions.

General and administrative expenses were $3.5 million for the quarter, consisting primarily of $1.3 million of non-cash share-based compensation, $1.1 million of employee salaries and benefits and $0.6 million in accounting, IT and other professional fees. Compared to the third quarter 2018, general and administrative expenses increased $1.3 million, attributed primarily to a $1.1 million increase in non-cash share-based compensation.

Depreciation and amortization was $0.8 million for the quarter, a 48% increase over third quarter 2018. This increase was primarily the result of the amortization of internally developed software.

Net loss was $1.0 million for the quarter, largely a result of non-cash share-based compensation expense of $1.4 million. Comparatively, net loss for the third quarter 2018 was $1.3 million, which included $0.2 million of non-cash share-based compensation expense.

We reported a loss of $0.09 per share for the quarter based on a weighted average share count of 10.9 million shares.

Moving on to the balance sheet. Cash and cash equivalents were $13.3 million at September 30, 2019, compared to $10.0 million at December 31, 2018. Current assets were $17.6 million compared to $13.1 million and current liabilities were $5.0 million compared to $3.5 million.

As we've discussed, the business is quickly approaching positive free cash flow and this trend becomes apparent reviewing our statement of cash flows. We generated $0.4 million in cash from operating activities for the nine months ended September 30, 2019, compared to using $6.8 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 subtracted 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 $0.4 million for the third quarter 2019, compared to burning $2.5 million for the third quarter 2018.

Cash used in investing activities was $4.5 million for the nine months ended September 30, 2019, mainly the result of $4.4 million used for software developed for internal use.

Cash provided by financing activities was $7.4 million for the nine months ended September 30, 2019, resulting from the net proceeds of the capital raise I discussed earlier.

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

Q&a

Operator (Operator Instructions):

Your first question comes from the line of Ted Ketterer from TK Associates.

Ted Ketterer

Good afternoon guys, great job. I just -- I have a couple of questions. Just -- and I've followed you for some time. Could you tell me the total number of customers you have for both FOREWARN and idiCORE? And in idiCORE, rough guess as how many were in the Fortune 1000? And then I have one other question, 2 other questions.

Daniel MacLachlan

Sure. From a billable customer standpoint, idiCORE at the close of the third quarter, we had 4,781 customers, and related to FOREWARN at the quarter close, we had 23,853 users. Today, I can't probably give you a breakdown of how much is included in the Fortune 1000, but what I can say is we have a broad base of customers in a number of industries, many of which are included in the Fortune 500, as well as Fortune 1000 and up. So a very broad base of customers across a number of industries.

Derek Dubner

Yes. And Ted, this is Derek. That's really what excites us about the businesses, all the key metrics are pointing in the right direction. We're executing. And there's just a lot of green pasture ahead of us in getting those big customers. And so that's what we talk about. We're seeing the type of -- the customer tier increasing in the customer base.

Ted Ketterer

Can you -- can you talk about or give an example of a customer or the API, where you're the engine, but it's their website, so to speak? And what type of applications and how big that market is?

Derek Dubner

Sure, Ted. An example of that would be where we work with a party in identity verification. So they may have many, many customers. They may have large customers. They may have the Aetnas of the world, the PNC Financials or others where they're doing some type of identity authentication, getting into either their app or their websites. Where we would create an integration between us, an API, which is a computer-to-computer connection, for those unaware. And really, the ability to query us or pull data from us, where we can give insights into their products. So that's what I was talking about, where we integrate into their product, make their product better, enable them to grow their businesses. So, we're on the back end, so to speak, of -- powering those solutions.

Ted Ketterer

Okay. And I guess my last question is looking ahead, and at a $50 million run rate, what would your gross margin be?

Daniel MacLachlan

Look, so the great thing about our business, as we talked about, our cost of revenues are relatively fixed. And at this point, every dollar of revenue we're bringing in is nearly 100% contribution margin. So at maturity, when we've done this in the past with the last two iterations, the gross margins are upwards of 80%, 90% gross margin. So at a $50 million run rate, we're going to start getting close to those numbers. As you can see, where we're at today, we clipped 62% from a gross margin perspective and have grown incrementally over the last several quarters. So, we're excited about continuing to drive revenue growth because again, based on the model, the profitability flows right through to the bottom line.

Ted Ketterer

And one last question. Based on your current rate of growth, when would you expect to hit that $50 million run rate?

Daniel MacLachlan

So, at this time, we're not providing any forward-looking guidance. But I think just extrapolating from how we've grown over the last several quarters, I think we're going to be approaching that very quickly.

Ted Ketterer

Thanks guys, great job. Stock is doing great after-hours

Operator (Operator Instructions)

I am showing no further questions at this time. I would now like to turn the conference back to Mr. Derek Dubner.

Derek Dubner

Thank you very much. Again, thank you all for joining us today. We were very excited with these numbers out, and we're very happy with the business. Very proud of the execution of the red violet team just delivering incredible results all year. And, it's our goal to keep doing that and our goal to tell the story and to be more visible out there. So again, thank you, and we look forward to updating you on our progress on our next quarterly call. Good afternoon.

Operator

Ladies and gentlemen, this concludes today's conference. Thank you for your participation, and have a wonderful day. You may all disconnect