
**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 11, 2021

RED VIOLET, INC.

(Exact name of Registrant as specified in its charter)

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)

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 11, 2021, Red Violet, Inc., a Delaware corporation (the “Company”), issued a press release announcing its financial results for the first quarter ended March 31, 2021 (the “Earnings Release”). A copy of the Earnings Release is furnished herewith as Exhibit 99.1.

Also on May 11, 2021, 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, 2021. The Company had issued a press release on May 3, 2021 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 11, 2021.

99.2 May 11, 2021 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 13, 2021

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

red violet Announces First Quarter 2021 Financial Results

Highest Ever Quarterly Revenue of \$10.2 Million Fuels Record Gross Profit

BOCA RATON, Fla. – May 11, 2021 – Red Violet, Inc. (NASDAQ: RDVT), a leading analytics and information solutions provider, today announced financial results for the quarter ended March 31, 2021.

“We started the year off strong, delivering record revenue of \$10.2 million and highly profitable growth,” stated Derek Dubner, red violet’s CEO. “I am extremely pleased with our first quarter results and the increased momentum we are seeing in the business. Led by strong growth in our high-margin Platform revenue, we saw healthy profitability flow to the bottom line with our net loss narrowing to a record \$0.6 million and adjusted EBITDA increasing 66% to a record \$2.9 million in the quarter. Our strong balance sheet and cash generation are driving expansion of our competitive advantages, including our cloud-native architecture, extensible platform, differentiated data assets, and customer-centric solutions.”

First Quarter Financial Results

For the three months ended March 31, 2021 as compared to the three months ended March 31, 2020:

- Total revenue increased 10% to \$10.2 million. Platform revenue increased 21% to \$9.8 million. Services revenue decreased 66% to \$0.4 million.
- Net loss narrowed 61% to \$0.6 million.
- Adjusted EBITDA increased 66% to \$2.9 million.
- Gross profit increased 21% to \$6.3 million. Gross margin increased to 61% from 55%.
- Adjusted gross profit increased 24% to \$7.5 million. Adjusted gross margin increased to 73% from 65%.
- Generated \$1.2 million in cash from operating activities in the first quarter.
- Cash and cash equivalents were \$12.9 million as of March 31, 2021.

First Quarter and Recent Business Highlights

- Revenue attributable to customer contracts reached a record 80%. Customer contracts are generally annual contracts or longer with auto renewal.
- Added over 170 new customers to idiCORE™ during the first quarter, ending the quarter with 5,902 customers.
- Added over 10,400 users to FOREWARN® during the first quarter, ending the quarter with 58,831 users. Over 140 REALTOR® Associations throughout the U.S. are now contracted to use FOREWARN.
- Added two seasoned business development leaders with deep industry knowledge across multiple verticals we serve today.

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 expense (income), net, depreciation and amortization, share-based compensation expense, litigation costs 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 6683149. 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 6683149. 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 will continue to see increased momentum in our business and whether our strong balance sheet and cash generation will continue to drive expansion of our competitive advantages, including our cloud-native architecture, extensible platform, differentiated data assets, and customer-centric solutions. 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, 2020 filed on March 10, 2021, 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, 2021	December 31, 2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 12,896	\$ 12,957
Accounts receivable, net of allowance for doubtful accounts of \$5 and \$38 as of March 31, 2021 and December 31, 2020, respectively	3,582	3,201
Prepaid expenses and other current assets	973	581
Total current assets	17,451	16,739
Property and equipment, net	530	558
Intangible assets, net	27,565	27,170
Goodwill	5,227	5,227
Right-of-use assets	2,040	2,161
Other noncurrent assets	137	139
Total assets	\$ 52,950	\$ 51,994
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 1,974	\$ 2,075
Accrued expenses and other current liabilities	880	1,458
Current portion of operating lease liabilities	567	552
Current portion of long-term loan	806	449
Deferred revenue	453	504
Total current liabilities	4,680	5,038
Noncurrent operating lease liabilities	1,760	1,908
Long-term loan	1,346	1,703
Total liabilities	7,786	8,649
Shareholders' equity:		
Preferred stock—\$0.001 par value, 10,000,000 shares authorized, and 0 share issued and outstanding, as of March 31, 2021 and December 31, 2020	-	-
Common stock—\$0.001 par value, 200,000,000 shares authorized, 12,208,077 and 12,167,327 shares issued and outstanding, as of March 31, 2021 and December 31, 2020	13	13
Additional paid-in capital	68,402	66,005
Accumulated deficit	(23,251)	(22,673)
Total shareholders' equity	45,164	43,345
Total liabilities and shareholders' equity	\$ 52,950	\$ 51,994

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

	Three Months Ended March 31,	
	2021	2020
Revenue	\$ 10,217	\$ 9,300
Costs and expenses(1):		
Cost of revenue (exclusive of depreciation and amortization)	2,761	3,292
Sales and marketing expenses	2,221	2,176
General and administrative expenses	4,550	4,434
Depreciation and amortization	1,258	910
Total costs and expenses	<u>10,790</u>	<u>10,812</u>
Loss from operations	(573)	(1,512)
Interest (expense) income, net	(5)	31
Loss before income taxes	(578)	(1,481)
Income taxes	-	-
Net loss	<u>\$ (578)</u>	<u>\$ (1,481)</u>
Loss per share:		
Basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.13)</u>
Weighted average number of shares outstanding:		
Basic and diluted	<u>12,207,193</u>	<u>11,583,214</u>
<hr/>		
(1) Share-based compensation expense in each category:		
Sales and marketing expenses	\$ 156	\$ 154
General and administrative expenses	1,890	2,067
Total	<u>\$ 2,046</u>	<u>\$ 2,221</u>

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

	Three Months Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (578)	\$ (1,481)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,258	910
Share-based compensation expense	2,046	2,221
Write-off of long-lived assets	19	17
Provision for bad debts	59	190
Noncash lease expenses	121	111
Interest expense	5	-
Changes in assets and liabilities:		
Accounts receivable	(440)	314
Prepaid expenses and other current assets	(392)	(394)
Other noncurrent assets	2	63
Accounts payable	(101)	91
Accrued expenses and other current liabilities	(583)	(755)
Deferred revenue	(51)	79
Operating lease liabilities	(133)	(117)
Net cash provided by operating activities	<u>1,232</u>	<u>1,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(46)	(33)
Capitalized costs included in intangible assets	(1,247)	(1,538)
Net cash used in investing activities	<u>(1,293)</u>	<u>(1,571)</u>
Net decrease in cash and cash equivalents	\$ (61)	\$ (322)
Cash and cash equivalents at beginning of period	12,957	11,776
Cash and cash equivalents at end of period	\$ 12,896	\$ 11,454
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Share-based compensation capitalized in intangible assets	\$ 351	\$ 588

Use and Reconciliation of Non-GAAP Financial Measures

Management evaluates the financial performance of our business on a variety of key indicators, including non-GAAP metrics of adjusted EBITDA, adjusted gross profit and adjusted gross margin. Adjusted EBITDA is a financial measure equal to net loss, the most directly comparable financial measure based on GAAP, excluding interest expense (income), net, depreciation and amortization, share-based compensation expense, litigation costs 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 March 31,	
	2021	2020
Net loss	\$ (578)	\$ (1,481)
Interest expense (income), net	5	(31)
Depreciation and amortization	1,258	910
Share-based compensation expense	2,046	2,221
Litigation costs	120	-
Write-off of long-lived assets and others	20	111
Adjusted EBITDA	\$ 2,871	\$ 1,730

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,	
	2021	2020
Revenue	\$ 10,217	\$ 9,300
Cost of revenue (exclusive of depreciation and amortization)	(2,761)	(3,292)
Depreciation and amortization of intangible assets	(1,203)	(850)
Gross profit	6,253	5,158
Depreciation and amortization of intangible assets	1,203	850
Adjusted gross profit	\$ 7,456	\$ 6,008
Gross margin	61%	55%
Adjusted gross margin	73%	65%

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

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

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

SUPPLEMENTAL METRICS

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

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

(Dollars in thousands)	(Unaudited)							
	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
Customer metrics								
idiCORE - billable customers ⁽¹⁾	4,370	4,781	5,064	5,326	5,375	5,758	5,726	5,902
FOREWARN - users ⁽²⁾	19,721	23,853	30,577	36,506	40,857	44,927	48,377	58,831
Revenue metrics								
Contractual revenue % ⁽³⁾	62%	66%	66%	69%	79%	68%	77%	80%
Revenue attrition % ⁽⁴⁾	5%	6%	6%	8%	11%	10%	11%	7%
Revenue from new customers ⁽⁵⁾	\$ 1,596	\$ 1,406	\$ 1,018	\$ 1,417	\$ 916	\$ 726	\$ 877	\$ 967
Base revenue from existing customers ⁽⁶⁾	\$ 4,480	\$ 5,578	\$ 6,690	\$ 6,629	\$ 5,047	\$ 5,797	\$ 6,678	\$ 7,351
Growth revenue from existing customers ⁽⁷⁾	\$ 1,169	\$ 1,273	\$ 1,342	\$ 1,254	\$ 1,093	\$ 2,744	\$ 1,408	\$ 1,899
Platform financial metrics								
Platform revenue ⁽⁸⁾	\$ 6,153	\$ 7,085	\$ 7,652	\$ 8,108	\$ 6,857	\$ 8,968	\$ 8,604	\$ 9,813
Cost of revenue (exclusive of depreciation and amortization)	\$ 2,287	\$ 2,286	\$ 2,431	\$ 2,498	\$ 2,427	\$ 2,489	\$ 2,447	\$ 2,488
Adjusted gross margin	63%	68%	68%	69%	65%	72%	72%	75%
Services financial metrics								
Services revenue ⁽⁹⁾	\$ 1,093	\$ 1,171	\$ 1,399	\$ 1,191	\$ 200	\$ 299	\$ 360	\$ 404
Cost of revenue (exclusive of depreciation and amortization)	\$ 765	\$ 836	\$ 983	\$ 794	\$ 159	\$ 214	\$ 246	\$ 273
Adjusted gross margin	30%	29%	30%	33%	20%	28%	31%	32%
Other metrics								
Employees - sales and marketing	48	48	51	51	53	52	53	56
Employees - support	7	8	7	8	8	9	9	9
Employees - infrastructure	12	13	11	13	12	12	14	15
Employees - engineering	20	25	23	26	27	27	32	31
Employees - administration	14	13	16	15	14	15	18	16

- (1) We define a billable customer of idiCORE 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. It excludes expansion revenue and revenue from FOREWARN. Revenue is measured once a customer has generated revenue for six consecutive months. Revenue is considered lost when all revenue from a customer ceases for three consecutive months; revenue generated by a customer after the three-month loss period is defined as reinstated revenue. Revenue attrition percentage is calculated on a trailing twelve-month basis, the numerator of which is the revenue lost during the period due to attrition, net of reinstated revenue, and the denominator of which is total revenue based on an average of total revenue at the beginning of each month during the period.
- (5) Revenue from new customers represents the total monthly revenue generated from new customers in a given period. A customer is defined as a new customer during the first six months of revenue generation.
- (6) Base revenue from existing customers represents the total monthly revenue generated from existing customers in a given period that does not exceed the customers' trailing six-month average revenue. A customer is defined as an existing customer six months after their initial month of revenue.

- (7) Growth revenue from existing customers represents the total monthly revenue generated from existing customers in a given period in excess of the customers' trailing six-month average revenue.
- (8) Platform revenue consists of both contractual and transactional revenue generated from our technology platform, CORE. It includes all revenue generated through our idiCORE and FOREWARN solutions. The cost of revenue, which consists primarily of data acquisition costs, remains relatively fixed irrespective of revenue generation.
- (9) Services revenue consists of transactional revenue generated from our idiVERIFIED service. The cost of revenue, which consists primarily of third-party servicer costs, is variable.

Investor Relations Contact:

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Red Violet, Inc. (NASDAQ: RDVT)

First Quarter 2021 Earnings Results Conference Call

Company Participants:

Camilo Ramirez, Director of Finance and Investor Relations

Derek Dubner, Chairman and Chief Executive Officer

Dan MacLachlan, Chief Financial Officer

Operator:

Good day ladies and gentlemen, and welcome to red violet's first quarter 2021 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, Director of Finance and Investor Relations. Please go ahead.

Camilo Ramirez:

Good afternoon and welcome. Thank you for joining us today to discuss our first quarter 2021 financial results. With me today is Derek Dubner, our Chairman and Chief Executive Officer, and Dan MacLachlan, our Chief Financial Officer. Our call today will begin with comments from Derek and Dan, followed by a question and answer session.

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

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

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

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

Derek Dubner

Thanks Camilo, and good afternoon to those joining us today to discuss the results of our first quarter 2021. red violet delivered a strong start to the year. We kicked off the year with our highest quarterly revenue in our history, driven by strong demand across our product suite. I am very proud of the red violet team as they capitalized upon increased momentum in our markets due to the improving economy and the leverage of our differentiated assets, which translated into strong demand for our solutions.

Turning now to our performance in the quarter, we generated record revenue of \$10.2 million, a 10% increase over the first quarter of last year. Adjusted gross profit increased 24% to \$7.5 million and adjusted gross margin increased to 73% from 65% in the same period of 2020. Adjusted EBITDA increased 66% to \$2.9 million, also a record in a given quarter in our history. Most importantly, Platform revenue increased to \$9.8 million, 21% over the same period last year. In the first quarter of this year, we set another new record for contractual revenue at 80%.

As a reminder, we break out revenue into Platform revenue and Services revenue. Platform revenue is exactly that – all revenue driven by our technology platform, CORE. This revenue is very high margin, driven by our fixed-cost business model. Services revenue is made up of revenues from our collections suite ancillary product, idiVERIFIED, a lower margin verification product. As idiVERIFIED was most significantly impacted by pandemic-related collections moratoria, and is still slowly recovering, the rest of the business is growing healthily and generating these record financial metrics without any real contribution from our Services revenue. For example, we handily topped first quarter revenues of last year without the additional \$0.8 million dollars in Services revenue included in the first quarter of last year. As the collections industry continues its recovery, it will be additive to the overall growth momentum we are experiencing across the business.

Turning to idiCORE, we added over 170 new customers during the first quarter, ending the quarter with 5,902 customers, as we continue to enhance the breadth and depth of data, increase functionality, and introduce new features; all of which is driving greater efficiency and effectiveness in customer workflows. This growth occurred notwithstanding the termination of 162 customers in the first quarter as a carryover of our fourth quarter implementation of a heightened compliance and credentialing program that we detailed on our earnings call last quarter. Revenue associated with these terminated customers is immaterial, representing approximately \$7 thousand a month.

FOREWARN added over 10,400 users during the first quarter. FOREWARN has now surpassed 58,800 users and over 140 realtor associations have now contracted for FOREWARN, securing this unique verification and risk prevention tool for their real estate professionals. With a 100% Association renewal rate, FOREWARN has truly become the gold standard in realtor safety.

While idiCORE and FOREWARN are our two prominent brands in the market, it is important to remember that our technology platform is our product suite as the platform powers those two brands and all bespoke applications. With a customer-centric approach, from first contact, we strive to understand our customers' needs. Whether that fits squarely within idiCORE or FOREWARN is irrelevant, as our platform is designed to be flexible enough to customize solutions for particular needs with little modification. Many of our largest customers are strategic integrations with our platform, where their solutions in market are dependent upon our platform and its speed, flexibility, throughput, and the accurate information that it generates.

Today, from a revenue perspective, the idiCORE brand represents 93% of our total revenue and FOREWARN represents the remaining 7%. Presently, the primary markets we serve consist of Real Estate, Financial Services, Collections, and Investigative (which includes industries such as Law Enforcement and Private Investigative firms). These markets are benefiting from a general improvement in the economy, including a robust housing market, increasing commerce, and new customer and employee onboarding. We also serve a number of other industries in what we refer to as Emerging Markets. We know from prior experience that Emerging Markets represents strong opportunities for growth, but historically, just due to the early stages of our evolution as a company, we have focused our sales efforts outside of this area. Today, with the business as strong as it ever has been, we see increased opportunity to drive our solutions suite into these Emerging Markets while continuing our strong growth in our primary markets. By way of example, we are planning our strategic entry into Online Gaming, Government, and Insurance, bringing current and new solutions in identity, fraud and marketing. Building upon our identity intelligence capabilities, we believe we are in early innings of becoming the go-to solution for all things identity within these strong and growing markets.

To provide a bit more insight, in today's primary markets, our solutions are used in the following ways: within Real Estate, idiCORE is used for property owner diligence for propensity modeling and identity verification for buyer/seller transactions; FOREWARN is used for instant identity verification and risk assessment and mitigation. In Financial Services, use cases include identity verification, fraud prevention, and due diligence in support of payments, frictionless commerce, and customer onboarding, as well as KYC or Know-Your-Customer and AML, Anti-Money-Laundering.

In Collections, use cases include debtor and asset verification, location, and legislative compliance. As you can see, our solutions power essential risk and compliance workflows across key, disparate industries and these applications apply to just about any transaction.

In support of our expansion both within primary and emerging markets, we have recently hired several industry veterans with deep knowledge in identity, data and analytics to fill key new business development positions. We will continue to address key positions in strategic sales to move into larger enterprises within various verticals. Our strong balance sheet and cash generation are driving expansion of our competitive advantages, including our cloud-native architecture, extensible platform, differentiated data assets, and customer-centric solutions. We will continue to invest in our teams to drive these competitive advantages into our markets. Given the improving economy, secular tailwinds and the applicability of our technology, differentiated data assets, and innovative solutions, we are very excited about the future.

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

Dan MacLachlan

Thank you, Derek, and good afternoon. We had a great first quarter. With strong profitable growth from Platform revenue, we hit records in nearly every key financial metric. We are seeing nice customer adoption across our brands which is translating nicely into new customer revenue. As well, we are seeing strong growth revenue from existing customers. Across the board, I am extremely pleased with how the business is performing, so let's dive into the first quarter results.

For clarity, all the comparisons I will discuss today will be against the first quarter of 2020, unless noted otherwise.

Total revenue was \$10.2 million, a 10% increase over prior year, and our highest quarterly revenue ever. Platform revenue increased 21% to a record \$9.8 million. As Derek discussed, our Services revenue continues to be impacted by COVID related government-imposed collections moratoria and forbearance programs, and, as a result, was down 66% to \$0.4 million. Our adjusted gross margin was the highest it has ever been at 73%, up 8-percentage points. These profitable dollars flowed nicely down the P&L, generating a record \$2.9 million in adjusted EBITDA, up 66% over prior year.

Continuing through the details of our P&L, as mentioned, revenue was \$10.2 million for the first quarter, consisting of revenue from new customers of \$1.0 million, base revenue from existing customers of \$7.3 million and growth revenue from existing customers of \$1.9 million. Our idiCORE billable customer base grew sequentially by 176 customers compared to the fourth quarter of 2020, ending the first quarter at 5,902 customers. FOREWARN added over 10,400 users during the first quarter, our highest sequential increase ever. As Derek pointed out earlier, we discussed on our last earnings call that at the end of the third quarter 2020, we implemented enhanced credentialing and compliance standards which impacted mostly smaller customers in our Investigative vertical during the fourth quarter and that we expected to see some residual impact in the first quarter 2021. That residual impact in the first quarter resulted in the termination of 162 customers. These 162 customers represented, in total, a loss of only \$7 thousand in monthly revenue. Netting out this compliance initiative, our sequential customer adds to the idiCORE billable customer base in the first quarter would have been over 300 customers and consistent with prior quarters and in line with trending expectations.

Our contractual revenue was 80% for the quarter, an 11-percentage point increase over prior year, and our highest quarterly contractual revenue ever. Our revenue attrition percentage was 7%, compared to 8% in prior year. This metric trended nicely in the first quarter despite some lingering effects, as it is calculated on a trailing twelve-month basis, from the pandemic related customer concessions and temporary transactional customer pauses from the second and third quarter of 2020. We would expect our revenue attrition percentage to trend between 5% and 10% for the remainder of the year.

Moving on from our revenue metrics and down the P&L, our cost of revenue (exclusive of depreciation and amortization) decreased \$0.5 million or 16% to \$2.8 million. This \$0.5 million decrease was a result of a decrease in third-party servicer costs associated with our Services revenue, partially offset by an increase in data acquisition costs. Adjusted gross profit increased 24% to a record \$7.5 million, producing an adjusted gross margin of 73%, an 8-percentage point increase over first quarter 2020, and our highest adjusted gross margin ever.

Sales and marketing expenses remained flat at \$2.2 million for the quarter. The \$2.2 million of sales and marketing expense for the quarter consisted primarily of \$1.2 million in employee salaries and benefits and \$0.6 million in sales commissions.

General and administrative expenses increased \$0.2 million or 3% to \$4.6 million for the quarter. This increase was primarily the result of a \$0.3 million increase in payroll and benefits slightly offset by a decrease in share-based compensation expense. The \$4.5 million in general and administrative expenses for the quarter consisted primarily of \$1.9 million of non-cash share-based compensation expense, \$1.5 million of employee salaries and benefits, and \$0.7 million in accounting, IT and other professional fees.

Depreciation and amortization increased \$0.4 million or 38% to \$1.3 million for the quarter. This increase was primarily the result of the amortization of internally developed software.

Net loss narrowed \$0.9 million or 61% to \$0.6 million for the quarter, our best quarter ever.

We reported a loss of 5 cents per share for the quarter based on a weighted average share count of 12.2 million shares.

Moving on to the balance sheet. Cash and cash equivalents were \$12.9 million at March 31, 2021, compared to \$13.0 million at December 31, 2020. Current assets were \$17.5 million compared to \$16.7 million and current liabilities were \$4.7 million compared to \$5.0 million.

We generated \$1.2 million in cash from operating activities for the quarter ended March 31, 2021, and for the same period in 2020.

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 which can be found on our statement of cash flows. Based on this operational earn/burn analysis, we earned \$1.6 million in cash during the first quarter 2021, compared to earning \$0.2 million for the first quarter 2020.

Cash used in investing activities was \$1.3 million for the quarter ended March 31, 2021, mainly the result of \$1.2 million used for software developed for internal use.

There were no financing activities during the period.

In closing, I am very happy with our performance in the first quarter. Across the board, our financial metrics are extremely strong. Our teams are delivering in their respective areas. Our technology platform continues to win business from the competition at a higher customer tier. We are seeing strong leverage in the business and very healthy profitability metrics as we continue to scale. We are excited with the momentum we are seeing.

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

Operator

As a reminder to ask a question, you will need to press *1 on your telephone keypad. Again, that is *1 on your telephone keypad. To withdraw your question, press the # key. Let us standby as we compile the Q&A roster.

There are no questions at this time. Presenters, you may end the call.

Derek Dubner

Thank you very much. We are very proud of posting a record quarter across many metrics. We are seeing increased momentum in the business and we are generating cash which we are investing to execute upon our long-term strategy. We believe we are very well positioned for 2021 and beyond. Thank you and good afternoon.

Operator

This concludes today's conference call. Thank you for participating. You may now all disconnect.