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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): August 11, 2021**

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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) (Zip Code)

**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 August 11, 2021, Red Violet, Inc., a Delaware corporation (the “Company”), issued a press release announcing its financial results for the second quarter ended June 30, 2021 (the “Earnings Release”). A copy of the Earnings Release is furnished herewith as Exhibit 99.1.

Also on August 11, 2021, following the issuance of the Earnings Release, the Company conducted a conference call to discuss the reported financial results for the second quarter ended June 30, 2021. The Company had issued a press release on August 2, 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 August 11, 2021.

99.2 August 11, 2021 conference call transcript.

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: August 13, 2021

By: /s/ Derek Dubner

Derek Dubner  
Chief Executive Officer (Principal Executive Officer)

## red violet Announces Second Quarter 2021 Financial Results

### Record Revenue of \$10.9 Million Drives Record Gross Profit and Cash Flow from Operations

**BOCA RATON, Fla. – August 11, 2021** – Red Violet, Inc. (NASDAQ: RDVT), a leading analytics and information solutions provider, today announced financial results for the quarter ended June 30, 2021.

“In the second quarter, we continued to demonstrate that as economic conditions improve, so does demand for our innovative solutions,” stated Derek Dubner, red violet’s CEO. “I’m extremely proud of the team’s execution expanding customer relationships both up and across markets. As a result, second quarter proved to be another record quarter for us, with revenue increasing 54% to \$10.9 million, net income of \$1.8 million and adjusted EBITDA increasing 245% to \$3.1 million. Our strong balance sheet and cash generation from record revenue continue to drive expansion of our capabilities.”

#### Second Quarter Financial Results

For the three months ended June 30, 2021 as compared to the three months ended June 30, 2020:

- Total revenue increased 54% to \$10.9 million. Platform revenue increased 54% to \$10.6 million. Services revenue increased 46% to \$0.3 million.
- Net income was \$1.8 million, inclusive of a one-time gain of \$2.2 million on the extinguishment of debt from the forgiveness of our Cares Act Loan, compared to a loss of \$2.5 million.
- Adjusted EBITDA increased 245% to \$3.1 million.
- Gross profit increased 95% to \$6.9 million. Gross margin increased to 63% from 50%.
- Adjusted gross profit increased 83% to \$8.2 million. Adjusted gross margin increased to 75% from 63%.
- Generated \$2.3 million in cash from operating activities in the second quarter.
- Cash and cash equivalents were \$13.9 million as of June 30, 2021.

#### Second Quarter and Recent Business Highlights

- Revenue attributable to customer contracts reached a record 81%. Customer contracts are generally annual contracts or longer with auto renewal.
- Added over 230 new customers to idiCORE™ during the second quarter, ending the quarter with 6,141 customers.
- Added over 8,700 users to FOREWARN® during the second quarter, ending the quarter with 67,578 users. Over 150 REALTOR® Associations throughout the U.S. are now contracted to use FOREWARN.
- Continued expansion of leadership talent and depth, with the addition of Jim Greenwell, GM – Identity, and James Frasche, EVP – Property Solutions.
- Appointed Lisa Stanton as an independent director of the Board of Directors, strengthening our corporate governance and providing deep expertise in FinTech, identity and security.

#### Use of Non-GAAP Financial Measures

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

## Conference Call

In conjunction with this release, red violet will host a conference call and webcast today at 4:30pm ET to discuss its quarterly results and provide a business update. To listen to the call, please dial (877) 665-6635 for domestic callers or (602) 563-8608 for international callers, using the passcode 7739599. 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 7739599. 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 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](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 strong balance sheet and cash generation from record revenue continue to drive expansion of our capabilities. 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)

	June 30, 2021	December 31, 2020
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 13,915	\$ 12,957
Accounts receivable, net of allowance for doubtful accounts of \$11 and \$38 as of June 30, 2021 and December 31, 2020, respectively	3,386	3,201
Prepaid expenses and other current assets	1,265	581
<b>Total current assets</b>	<b>18,566</b>	<b>16,739</b>
Property and equipment, net	576	558
Intangible assets, net	27,810	27,170
Goodwill	5,227	5,227
Right-of-use assets	1,916	2,161
Other noncurrent assets	137	139
<b>Total assets</b>	<b>\$ 54,232</b>	<b>\$ 51,994</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 1,418	\$ 2,075
Accrued expenses and other current liabilities	761	1,458
Current portion of operating lease liabilities	584	552
Current portion of long-term loan	-	449
Deferred revenue	427	504
<b>Total current liabilities</b>	<b>3,190</b>	<b>5,038</b>
Noncurrent operating lease liabilities	1,608	1,908
Long-term loan	-	1,703
<b>Total liabilities</b>	<b>4,798</b>	<b>8,649</b>
Shareholders' equity:		
Preferred stock—\$0.001 par value, 10,000,000 shares authorized, and 0 shares issued and outstanding, as of June 30, 2021 and December 31, 2020	-	-
Common stock—\$0.001 par value, 200,000,000 shares authorized, 12,248,794 and 12,167,327 shares issued and outstanding, as of June 30, 2021 and December 31, 2020	13	13
Additional paid-in capital	70,911	66,005
Accumulated deficit	(21,490)	(22,673)
<b>Total shareholders' equity</b>	<b>49,434</b>	<b>43,345</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 54,232</b>	<b>\$ 51,994</b>

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2021	2020	2021	2020
<b>Revenue</b>	\$ 10,879	\$ 7,056	\$ 21,096	\$ 16,356
<b>Costs and expenses(1):</b>				
Cost of revenue (exclusive of depreciation and amortization)	2,720	2,587	5,481	5,879
Sales and marketing expenses	2,349	1,746	4,570	3,922
General and administrative expenses	4,890	4,263	9,440	8,697
Depreciation and amortization	1,330	992	2,588	1,902
<b>Total costs and expenses</b>	<u>11,289</u>	<u>9,588</u>	<u>22,079</u>	<u>20,400</u>
<b>Loss from operations</b>	(410)	(2,532)	(983)	(4,044)
Interest (expense) income, net	(4)	-	(9)	31
Gain on extinguishment of debt	2,175	-	2,175	-
<b>Income (loss) before income taxes</b>	<u>1,761</u>	<u>(2,532)</u>	<u>1,183</u>	<u>(4,013)</u>
Income taxes	-	-	-	-
<b>Net income (loss)</b>	<u>\$ 1,761</u>	<u>\$ (2,532)</u>	<u>\$ 1,183</u>	<u>\$ (4,013)</u>
<b>Earnings (loss) per share:</b>				
Basic	<u>\$ 0.14</u>	<u>\$ (0.22)</u>	<u>\$ 0.10</u>	<u>\$ (0.35)</u>
Diluted	<u>\$ 0.13</u>	<u>\$ (0.22)</u>	<u>\$ 0.09</u>	<u>\$ (0.35)</u>
<b>Weighted average number of shares outstanding:</b>				
Basic	<u>12,269,412</u>	<u>11,617,342</u>	<u>12,238,475</u>	<u>11,600,278</u>
Diluted	<u>13,560,714</u>	<u>11,617,342</u>	<u>13,487,806</u>	<u>11,600,278</u>
<hr/>				
(1) Share-based compensation expense in each category:				
Sales and marketing expenses	\$ 158	\$ 155	\$ 314	\$ 309
General and administrative expenses	2,007	2,187	3,897	4,254
<b>Total</b>	<u>\$ 2,165</u>	<u>\$ 2,342</u>	<u>\$ 4,211</u>	<u>\$ 4,563</u>

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

	Six Months Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 1,183	\$ (4,013)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,588	1,902
Share-based compensation expense	4,211	4,563
Write-off of long-lived assets	24	104
Provision for bad debts	62	265
Noncash lease expenses	245	225
Interest expense	11	-
Gain on extinguishment of debt	(2,175)	-
Changes in assets and liabilities:		
Accounts receivable	(247)	587
Prepaid expenses and other current assets	(684)	(139)
Other noncurrent assets	2	65
Accounts payable	(657)	585
Accrued expenses and other current liabilities	(685)	(927)
Deferred revenue	(77)	23
Operating lease liabilities	(268)	(237)
Net cash provided by operating activities	<u>3,533</u>	<u>3,003</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(155)	(61)
Capitalized costs included in intangible assets	(2,420)	(3,088)
Net cash used in investing activities	<u>(2,575)</u>	<u>(3,149)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term loan	-	2,152
Net cash provided by financing activities	-	2,152
<b>Net increase in cash and cash equivalents</b>	<b>\$ 958</b>	<b>\$ 2,006</b>
Cash and cash equivalents at beginning of period	12,957	11,776
<b>Cash and cash equivalents at end of period</b>	<b>\$ 13,915</b>	<b>\$ 13,782</b>
<b>SUPPLEMENTAL DISCLOSURE INFORMATION</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Share-based compensation capitalized in intangible assets	\$ 695	\$ 1,056

## Use and Reconciliation of Non-GAAP Financial Measures

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net income (loss)</b>	\$ 1,761	\$ (2,532)	\$ 1,183	\$ (4,013)
Interest expense (income), net	4	-	9	(31)
Depreciation and amortization	1,330	992	2,588	1,902
Share-based compensation expense	2,165	2,342	4,211	4,563
Gain on extinguishment of debt	(2,175)	-	(2,175)	-
Litigation costs	6	-	126	-
Write-off of long-lived assets and others	41	106	61	217
<b>Adjusted EBITDA</b>	<u>\$ 3,132</u>	<u>\$ 908</u>	<u>\$ 6,003</u>	<u>\$ 2,638</u>
Revenue	\$ 10,879	\$ 7,056	\$ 21,096	\$ 16,356
<b>Net income (loss) margin</b>	<u>16%</u>	<u>(36%)</u>	<u>6%</u>	<u>(25%)</u>
<b>Adjusted EBITDA margin</b>	<u>29%</u>	<u>13%</u>	<u>28%</u>	<u>16%</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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 10,879	\$ 7,056	\$ 21,096	\$ 16,356
Cost of revenue (exclusive of depreciation and amortization)	(2,720)	(2,587)	(5,481)	(5,879)
Depreciation and amortization of intangible assets	(1,272)	(934)	(2,475)	(1,784)
<b>Gross profit</b>	<u>6,887</u>	<u>3,535</u>	<u>13,140</u>	<u>8,693</u>
Depreciation and amortization of intangible assets	1,272	934	2,475	1,784
<b>Adjusted gross profit</b>	<u>\$ 8,159</u>	<u>\$ 4,469</u>	<u>\$ 15,615</u>	<u>\$ 10,477</u>
<b>Gross margin</b>	<u>63%</u>	<u>50%</u>	<u>62%</u>	<u>53%</u>
<b>Adjusted gross margin</b>	<u>75%</u>	<u>63%</u>	<u>74%</u>	<u>64%</u>

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

We believe adjusted EBITDA, adjusted EBITDA margin, adjusted gross profit and adjusted gross margin are relevant and provide useful information frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies similar to ours and are indicators of the operational strength of our business. We believe adjusted EBITDA eliminates the uneven effect of considerable amounts of non-cash depreciation and amortization, share-based compensation expense and the impact of other non-recurring items, providing useful comparisons versus prior periods or forecasts. Adjusted EBITDA margin is calculated as adjusted EBITDA as a percentage of revenue. Our adjusted gross profit is a measure used by management in evaluating the business'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 EBITDA margin, adjusted gross profit and adjusted gross margin are not intended to be performance measures that should be regarded as an alternative to, or more meaningful than, financial measures presented in accordance with GAAP. The way we measure adjusted EBITDA, adjusted EBITDA margin, adjusted gross profit and adjusted gross margin may not be comparable to similarly titled measures presented by other companies, and may not be identical to corresponding measures used in our various agreements.

## SUPPLEMENTAL METRICS

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

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

(Dollars in thousands)	Q3'19	Q4'19	Q1'20	(Unaudited) Q2'20	Q3'20	Q4'20	Q1'21	Q2'21
<b>Customer metrics</b>								
idiCORE - billable customers <sup>(1)</sup>	4,781	5,064	5,326	5,375	5,758	5,726	5,902	6,141
FOREWARN - users <sup>(2)</sup>	23,853	30,577	36,506	40,857	44,927	48,377	58,831	67,578
<b>Revenue metrics</b>								
Contractual revenue % <sup>(3)</sup>	66%	66%	69%	79%	68%	77%	80%	81%
Revenue attrition % <sup>(4)</sup>	6%	6%	8%	11%	10%	11%	7%	6%
Revenue from new customers <sup>(5)</sup>	\$ 1,406	\$ 1,018	\$ 1,417	\$ 916	\$ 726	\$ 877	\$ 967	\$ 929
Base revenue from existing customers <sup>(6)</sup>	\$ 5,578	\$ 6,690	\$ 6,629	\$ 5,047	\$ 5,797	\$ 6,678	\$ 7,351	\$ 8,354
Growth revenue from existing customers <sup>(7)</sup>	\$ 1,273	\$ 1,342	\$ 1,254	\$ 1,093	\$ 2,744	\$ 1,408	\$ 1,899	\$ 1,596
<b>Platform financial metrics</b>								
Platform revenue <sup>(8)</sup>	\$ 7,086	\$ 7,651	\$ 8,109	\$ 6,856	\$ 8,968	\$ 8,603	\$ 9,813	\$ 10,588
Cost of revenue (exclusive of depreciation and amortization)	\$ 2,286	\$ 2,431	\$ 2,498	\$ 2,428	\$ 2,489	\$ 2,448	\$ 2,488	\$ 2,529
Adjusted gross margin	68%	68%	69%	65%	72%	72%	75%	76%
<b>Services financial metrics</b>								
Services revenue <sup>(9)</sup>	\$ 1,171	\$ 1,399	\$ 1,191	\$ 200	\$ 299	\$ 360	\$ 404	\$ 291
Cost of revenue (exclusive of depreciation and amortization)	\$ 836	\$ 983	\$ 794	\$ 159	\$ 214	\$ 246	\$ 273	\$ 191
Adjusted gross margin	29%	30%	33%	21%	28%	32%	32%	34%
<b>Other metrics</b>								
Employees - sales and marketing	48	51	51	53	52	53	56	57
Employees - support	8	7	8	8	9	9	9	9
Employees - infrastructure	13	11	13	12	12	14	15	16
Employees - engineering	25	23	26	27	27	32	31	33
Employees - administration	13	16	15	14	15	18	16	19

- (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:**

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

**Red Violet, Inc. (NASDAQ: RDVT)****Second 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 second 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 assistance during the conference, please press star then zero on your 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 second 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](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 subsequent 10-Qs.

During the call, we may present certain non-GAAP financial information relating to adjusted gross profit, adjusted gross margin, adjusted EBITDA 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. Good afternoon to those joining us today to discuss the results of our second quarter 2021. We are pleased to report yet another terrific quarter, delivering our highest quarterly revenue in our history and breaking our previous record achieved last quarter. With improving economic conditions, we experienced continued increased demand for our innovative solutions, driven by our cloud-native platform, differentiated data assets, and analytic capabilities. Thank you to our dedicated team who seized upon these opportunities moving up and across customer markets, and to all members across the organization for their hard work and dedication in support of these results. Of particular importance, we have a strong balance sheet and cash generation, which, as I will discuss in a bit, is enabling us to invest in the business to further expand our capabilities and seize upon opportunities.

Now, to our quarterly results. We generated record revenue of \$10.9 million, a 54% increase over the second quarter of last year. Platform revenue increased 54% to \$10.6 million. Services revenue increased 46% to \$0.3 million. Adjusted gross profit increased 83% to \$8.2 million and adjusted gross margin increased to 75% from 63% compared to the same period of 2020.

Adjusted EBITDA increased 245% to a record \$3.1 million. We set another new record for contractual revenue at 81%. We generated \$2.3 million in cash from operating activities in the second quarter and as of June 30, 2021, we had \$13.9 million in cash and cash equivalents on our balance sheet.

We added 239 new IDI customers during the second quarter, ending the quarter with 6,141 customers. FOREWARN added over 8,700 users, ending the quarter with 67,578 users. Over 150 REALTOR® Associations throughout the U.S. are now contracted to use FOREWARN.

I would like to switch gears to cite two examples which highlight the strides we have made in various industries due to the utility of our innovative technology and solutions in solving for various complex problems faced by target markets. We have said often that organizations are struggling to glean real-time, actionable insights from increasing volumes of disparate, structured and unstructured data. We are solving this problem. For example, a leading identity verification services provider needed a solution with extensive U.S. consumer coverage, including traditional and non-traditional consumer identities, and meaningful insights that could be delivered in real-time to reduce friction in customer onboarding and payment transactions, while ensuring fraud capture. We provided a solution and won their business in early 2020 due to the combination of our cloud-native platform and comprehensive unified data assets. Since then, we have forged and expanded additional relationships like this one and are highly focused on our penetration in this market.

Another example – a leading property technology company that provides powerful tools to its customers using comprehensive real estate data sought an information solutions provider to not only augment its property coverage, but more importantly, to resolve information back to households and even consumers, creating tools for their customers that provide predictive insights. This PropTech leader leveraged our consumer identity graph and flexible platform-driven API to improve their solutions and outcomes. A customer since 2018, their volumes with us have grown significantly since integrating our solutions.

These examples illustrate the opportunities before us in high-growth and disparate markets. Our solid cash generation is enabling us to execute our long-term strategy of the expansion of our capabilities, which further bolsters our value proposition. We continue to enhance our technology, thus widening the moat between us and competitive technologies. We continue to apply analytic processes for better outcomes, resulting in more customer-centric solutions. In our quest to be “all things identity,” we see significant opportunities to augment current relationships and to enter new relationships across the identity verification space. In furtherance of that objective, we were excited to appoint Jim Greenwell as General Manager of Identity to lead our efforts. Jim has extensive knowledge and experience in identity with a view informed by not only prior C-suite positions, including CEO of Danal through its sale to Boku, but also as an advisor to prominent companies in the industry, including Thomson Reuters. We welcome Jim to the team.

Throughout the last year, with a customer-centric view, we have engaged with some of the largest players in commercial and residential real estate to understand their data-driven challenges. We have identified “blind spots”, if you will, in their ability to convert data into intelligence and we are strategically working with these parties to develop solutions that not only address their own issues, but perhaps those of the real estate sector at large. In light of our endeavors, we are pleased to bring James Frasche on board as EVP, Property Solutions. James brings deep property-centric analytics, product and business development knowledge and experience to the company. James has held key positions at various industry-leading property data and analytics companies, including serving as Chief Client Officer at Equifax. We are excited to have James as part of the team.

Lastly, we appointed a new director to our Board of Directors. We welcome Lisa Stanton to the Board. Lisa has a significant background in financial services, FinTech, identity and security, serving in various capacities at companies including Washington Trust Bancorp, Trulioo, American Express, InAuth, and Citizens Financial. Lisa’s strategic input will be a valuable asset to the Board and the company in our pursuit of “all things identity.”

As we continue to demonstrate each quarter, our business is strong across the enterprise. We continue to evolve our cloud-native platform, differentiated data assets, and analytic capabilities, all with a view towards our long-term strategic vision for the company. We not only set records in key financial metrics this quarter, but this is the healthiest and most well-positioned the company has been in its history.

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

#### **Dan MacLachlan**

Thank you, Derek, and good afternoon. It was another great quarter for the company, again hitting records in nearly every key financial metric. As Derek mentioned, with improving economic conditions, we continue to see increasing demand for our solutions. We are pleased with our new customer growth and strong growth revenue from existing customers. Contractual revenue continues to trend nicely, and revenue attrition returned to its pre-COVID norms. Across the board, the business is performing well so let’s dive into the second quarter results.

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

Total revenue was \$10.9 million, a 54% increase over prior year, and our highest quarterly revenue ever. Platform revenue increased 54% to a record \$10.6 million. Services revenue was up \$0.1 million, or 46%, to \$0.3 million. Our Services revenue continues to be impacted by COVID related government-imposed collections moratoria and forbearance programs, however, this is the first COVID normalized year-over-year comparable period we have reported. Our adjusted gross margin was the highest it has ever been at 75%, up 12-percentage points, which translated nicely into a record \$3.1 million in adjusted EBITDA, up 245% over prior year. Our adjusted EBITDA margin was 29% for the quarter, compared to 13% in prior year.

Continuing through the details of our P&L, as mentioned, revenue was \$10.9 million for the second quarter, consisting of revenue from new customers of \$0.9 million, base revenue from existing customers of \$8.4 million and growth revenue from existing customers of \$1.6 million. Our idiCORE billable customer base grew by 239 customers sequentially from the first quarter, ending the second quarter at 6,141 customers. FOREWARN added over 8,700 users during the second quarter.

Our contractual revenue was 81% for the quarter, a two-percentage point increase over prior year, and our highest quarterly contractual revenue ever. Our revenue attrition percentage was 6%, compared to 11% in prior year. Revenue attrition percentage is calculated on a trailing twelve-month basis and has continued to trend nicely over the last several quarters as the lingering effects of the pandemic related customer concessions we provided in 2020 subside. We would expect our revenue attrition percentage to trend between 5% and 10% on a normalized basis.

Moving on from our revenue metrics and down the P&L, our cost of revenue (exclusive of depreciation and amortization) increased \$0.1 million or 5% to \$2.7 million. This \$0.1 million increase was a result of an increase in data acquisition costs. Adjusted gross profit increased 83% to a record \$8.2 million, producing an adjusted gross margin of 75%, a 12-percentage point increase over second quarter 2020, and our highest adjusted gross margin ever.

Sales and marketing expenses increased \$0.6 million or 35% to \$2.3 million for the quarter. The increase was a result of increases in employee salaries and benefits and commissions. The \$2.3 million of sales and marketing expense for the quarter consisted primarily of \$1.3 million in employee salaries and benefits and \$0.7 million in sales commissions.

General and administrative expenses increased \$0.6 million or 15% to \$4.9 million for the quarter. The increase was primarily the result of a \$0.6 million increase in payroll and benefits. The \$4.9 million in general and administrative expenses for the quarter consisted primarily of \$2.0 million of non-cash share-based compensation expense, \$1.6 million of employee salaries and benefits, and \$0.7 million in accounting, IT and other professional fees.

Depreciation and amortization increased \$0.3 million or 34% to \$1.3 million for the quarter. This increase was primarily the result of the amortization of internally developed software.

During the quarter, our Cares Act Loan was fully forgiven. We reported a one-time gain of \$2.2 million on the extinguishment of debt from the forgiveness of the Cares Act Loan. As a result, our net income for the second quarter was \$1.8 million compared to a loss of \$2.5 million in prior year. Excluding the one-time gain of \$2.2 million, we would have reported a net loss of \$0.4 million for the second quarter 2021. This net loss of \$0.4 million, excluding the one-time gain, would still represent our best quarter ever.

We reported earnings of 14 cents per share basic and 13 cents per share diluted based on a weighted average share count of 12.3 million shares and 13.6 million shares, respectively.

Moving on to the balance sheet. Cash and cash equivalents were \$13.9 million at June 30, 2021, compared to \$13.0 million at December 31, 2020. Current assets were \$18.6 million compared to \$16.7 million and current liabilities were \$3.2 million compared to \$5.0 million.

We generated \$3.5 million in cash from operating activities for the six months ended June 30, 2021, compared to generating \$3.0 million in cash from operating activities for the same period in 2020.

Based on our operational earn/burn analysis, we earned \$1.9 million in cash during the second quarter 2021, compared to burning \$0.7 million for the second quarter 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.

Cash used in investing activities was \$2.6 million for the six months ended June 30, 2021, mainly the result of \$2.4 million used for software developed for internal use.

There were no financing activities during the period.

In closing, we had another great quarter across the board. We continue to see sequential improvement in the business across all our key financial metrics. Throughout the organization, our teams continue to deliver as we harden our current resources and expand our breadth and knowledge with the on-boarding of key industry professionals. We see strong secular tailwinds and are extremely excited about our positioning within the broader identity space.

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 \*1 on your touchtone telephone. If your question has been answered or you wish to remove yourself from the que, please press the # key. Once again, in order to ask a question, please press \*1 on your touchtone telephone. Please wait for the callers to que for their questions.

Once again to ask a question, please press \*1 on your touchtone telephone.

Your first question comes from the line of Pamela Carter from Cater Management. Your line is now open.

**Pamela Carter, Carter Management**

Hi, first, congratulations on the quarter. Very impressive. Your continued ability to drive gross margin has been impressive. Today, you are at 75%, but what I am wondering is, can you really drive the margin materially higher from where it is today? What does your adjusted gross margin look like a year or two from now?

**Dan MacLachlan**

Hi Pamela, and thanks, this is Dan, thank you for the question. The short answer is yes, we can continue to drive adjusted gross margin materially higher from here. The great thing about the business model and where we are at today, because our cost of revenue is relatively fixed, each incremental dollar of growth provides nearly 100% contribution margin. As many of our shareholders know, we have previously created two companies in the space which we sold to global information technology providers. We know those two companies, due to their maturity, are generating gross margins in excess of 90%. For us, when we talk about a year or two from now, we're going to be trending and approaching that 90% number. We are really excited about being able to leverage the business at this point.

**Pamela Carter**

Wonderful, ok, very helpful.

**Operator**

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

**Derek Dubner**

Thank you again for joining us today. We posted a very strong second quarter and first half of the year and we feel great about our positioning going forward. We are making aggressive moves in executing upon our strategy in order to continue disruption of the status quo in the marketplace. Our customers are realizing the benefits of our competitive advantages in technology, data assets, and analytics. The health of our business has never been stronger and we are very optimistic about our future. Good afternoon.

**Operator**

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