

**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 7, 2025

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 7, 2025, Red Violet, Inc., a Delaware corporation (the “Company”), issued a press release announcing its financial results for the first quarter ended March 31, 2025 (the “Earnings Release”). A copy of the Earnings Release is furnished herewith as Exhibit 99.1.

Also on May 7, 2025, 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, 2025. The Company had issued a press release on April 23, 2025 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 7, 2025](#)

99.2 [May 7, 2025 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.

Date: May 8, 2025

Red Violet, Inc.

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

red violet Announces First Quarter 2025 Financial Results

Revenue Increases 26% to a Record \$22.0 Million, Generating GAAP EPS of \$0.24

BOCA RATON, Fla. – May 7, 2025 – Red Violet, Inc. (NASDAQ: RDVT), a leading analytics and information solutions provider, today announced financial results for the quarter ended March 31, 2025.

“We are extremely pleased to report another record-setting quarter, marking a strong start to 2025,” stated Derek Dubner, red violet’s CEO. “Our team continues to execute, achieving new highs across key financial metrics and underscoring the leverage and durability of our business model. We have generated meaningful momentum and are energized by the opportunities ahead to build on this success throughout the year.”

First Quarter Financial Results

For the three months ended March 31, 2025 as compared to the three months ended March 31, 2024:

- Total revenue increased 26% to \$22.0 million.
- Gross profit increased 37% to \$15.8 million. Gross margin increased to 72% from 66%.
- Adjusted gross profit increased 33% to \$18.3 million. Adjusted gross margin increased to 83% from 79%.
- Net income increased 93% to \$3.4 million, which resulted in earnings of \$0.25 and \$0.24 per basic and diluted share, respectively. Net income margin increased to 16% from 10%.
- Adjusted EBITDA increased 47% to \$8.4 million. Adjusted EBITDA margin increased to 38% from 32%.
- Adjusted net income increased 53% to \$4.8 million, which resulted in adjusted earnings of \$0.35 and \$0.33 per basic and diluted share, respectively.
- Net cash provided by operating activities increased 16% to \$5.0 million.
- Cash and cash equivalents were \$34.6 million as of March 31, 2025.

First Quarter and Recent Business Highlights

- Added 315 customers to IDI™ during the first quarter, ending the quarter with 9,241 customers.
- Added 21,918 users to FOREWARN® during the first quarter, ending the quarter with 325,336 users. Over 545 REALTOR® Associations throughout the U.S. are now contracted to use FOREWARN.
- Paid out a special cash dividend of \$0.30 per share on the Company’s common stock to shareholders of record as of January 31, 2025. The dividend, totaling \$4.2 million, was paid on February 14, 2025.

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. Please [click here](#) to pre-register for the conference call and obtain your dial in number and passcode. 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, 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 identity verification, 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.

Company Contact:

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Red Violet, Inc.
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Investor Relations Contact:

Steven Hooser
Three Part Advisors
214-872-2710
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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 net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and free cash flow ("FCF"). Adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on US GAAP, excluding interest income, income tax expense, depreciation and amortization, share-based compensation expense, litigation costs, and write-off of long-lived assets and others. We define adjusted EBITDA margin as adjusted EBITDA as a percentage of revenue. Adjusted net income is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on US GAAP, adjusted to exclude share-based compensation expense and amortization of share-based compensation capitalized in intangible assets, and to include the tax effect of adjustments. We define adjusted earnings per share as adjusted net income divided by the weighted average shares outstanding. We define adjusted gross profit as gross profit plus depreciation and amortization of certain intangible assets, and adjusted gross margin as adjusted gross profit as a percentage of revenue. We define FCF as net cash provided by operating activities reduced by purchase of property and equipment, and capitalized costs included in intangible assets.

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 start to 2025 and the meaningful momentum and opportunities that have been generated will allow us to build on that success throughout the year. 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, 2024, filed on February 27, 2025, 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, 2025	December 31, 2024
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 34,603	\$ 36,504
Accounts receivable, net of allowance for doubtful accounts of \$166 and \$188 as of March 31, 2025 and December 31, 2024, respectively	9,646	8,061
Prepaid expenses and other current assets	1,653	1,627
Total current assets	45,902	46,192
Property and equipment, net	543	545
Intangible assets, net	37,488	35,997
Goodwill	5,227	5,227
Right-of-use assets	1,753	1,901
Deferred tax assets	6,597	7,496
Other noncurrent assets	1,579	1,173
Total assets	\$ 99,089	\$ 98,531
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 2,013	\$ 2,127
Accrued expenses and other current liabilities	1,989	2,881
Current portion of operating lease liabilities	343	406
Deferred revenue	754	712
Dividend payable	-	4,181
Total current liabilities	5,099	10,307
Noncurrent operating lease liabilities	1,502	1,592
Other noncurrent liabilities	640	-
Total liabilities	7,241	11,899
Shareholders' equity:		
Preferred stock—\$0.001 par value, 10,000,000 shares authorized, and 0 shares issued and outstanding, as of March 31, 2025 and December 31, 2024	-	-
Common stock—\$0.001 par value, 200,000,000 shares authorized, 13,950,797 and 13,936,329 shares issued and outstanding, as of March 31, 2025 and December 31, 2024	14	14
Additional paid-in capital	89,264	87,488
Retained earnings (accumulated deficit)	2,570	(870)
Total shareholders' equity	91,848	86,632
Total liabilities and shareholders' equity	\$ 99,089	\$ 98,531

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

	Three Months Ended March 31,	
	2025	2024
Revenue	\$ 22,003	\$ 17,511
Costs and expenses⁽¹⁾:		
Cost of revenue (exclusive of depreciation and amortization)	3,661	3,756
Sales and marketing expenses	5,407	3,712
General and administrative expenses	6,174	5,790
Depreciation and amortization	2,550	2,270
Total costs and expenses	<u>17,792</u>	<u>15,528</u>
Income from operations	4,211	1,983
Interest income	308	365
Income before income taxes	4,519	2,348
Income tax expense	1,079	564
Net income	<u>\$ 3,440</u>	<u>\$ 1,784</u>
Earnings per share:		
Basic	\$ 0.25	\$ 0.13
Diluted	\$ 0.24	\$ 0.13
Weighted average shares outstanding:		
Basic	13,998,028	13,997,064
Diluted	<u>14,491,713</u>	<u>14,164,506</u>

(1) Share-based compensation expense in each category:

Sales and marketing expenses	\$ 195	\$ 138
General and administrative expenses	1,401	1,264
Total	<u>\$ 1,596</u>	<u>\$ 1,402</u>

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

	Three Months Ended March 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,440	\$ 1,784
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,550	2,270
Share-based compensation expense	1,596	1,402
Write-off of long-lived assets	2	-
Provision for bad debts	62	70
Noncash lease expenses	148	134
Deferred income tax expense	899	471
Changes in assets and liabilities:		
Accounts receivable	(1,647)	(806)
Prepaid expenses and other current assets	(26)	(378)
Other noncurrent assets	(406)	156
Accounts payable	(114)	722
Accrued expenses and other current liabilities	(1,392)	(1,347)
Deferred revenue	42	(38)
Operating lease liabilities	(153)	(135)
Net cash provided by operating activities	<u>5,001</u>	<u>4,305</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(50)	(65)
Capitalized costs included in intangible assets	(2,469)	(2,327)
Net cash used in investing activities	<u>(2,519)</u>	<u>(2,392)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Taxes paid related to net share settlement of vesting of restricted stock units	(202)	(383)
Repurchases of common stock	-	(1,415)
Dividend payable	(4,181)	-
Net cash used in financing activities	<u>(4,383)</u>	<u>(1,798)</u>
Net (decrease) increase in cash and cash equivalents	\$ (1,901)	\$ 115
Cash and cash equivalents at beginning of period	36,504	32,032
Cash and cash equivalents at end of period	<u>\$ 34,603</u>	<u>\$ 32,147</u>
SUPPLEMENTAL DISCLOSURE INFORMATION:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Share-based compensation capitalized in intangible assets	\$ 382	\$ 446
Retirement of treasury stock	\$ 202	\$ 1,942

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 net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and FCF. Adjusted EBITDA is a financial measure equal to net income, the most directly comparable financial measure based on GAAP, excluding interest income, income tax expense, depreciation and amortization, share-based compensation expense, litigation costs, and write-off of long-lived assets and others. We define adjusted EBITDA margin as adjusted EBITDA as a percentage of revenue. Adjusted net income is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on US GAAP, adjusted to exclude share-based compensation expense and amortization of share-based compensation capitalized in intangible assets, and to include the tax effect of adjustments. We define adjusted earnings per share as adjusted net income divided by the weighted average shares outstanding. We define adjusted gross profit as gross profit plus depreciation and amortization of certain intangible assets, and adjusted gross margin as adjusted gross profit as a percentage of revenue. We define FCF as net cash provided by operating activities reduced by purchase of property and equipment, and capitalized costs included in intangible assets.

The following is a reconciliation of net income, the most directly comparable US GAAP financial measure, to adjusted EBITDA:

(Dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Net income	\$ 3,440	\$ 1,784
Interest income	(308)	(365)
Income tax expense	1,079	564
Depreciation and amortization	2,550	2,270
Share-based compensation expense	1,596	1,402
Litigation costs	9	27
Write-off of long-lived assets and others	2	7
Adjusted EBITDA	\$ 8,368	\$ 5,689
Revenue	\$ 22,003	\$ 17,511
Net income margin	16%	10%
Adjusted EBITDA margin	38%	32%

The following is a reconciliation of net income, the most directly comparable US GAAP financial measure, to adjusted net income:

(Dollars in thousands, except share data)	Three Months Ended March 31,	
	2025	2024
Net income	\$ 3,440	\$ 1,784
Share-based compensation expense	1,596	1,402
Amortization of share-based compensation capitalized in intangible assets	409	275
Tax effect of adjustments ⁽¹⁾	(613)	(308)
Adjusted net income	\$ 4,832	\$ 3,153
Earnings per share:		
Basic	\$ 0.25	\$ 0.13
Diluted	\$ 0.24	\$ 0.13
Adjusted earnings per share:		
Basic	\$ 0.35	\$ 0.23
Diluted	\$ 0.33	\$ 0.22
Weighted average shares outstanding:		
Basic	13,998,028	13,997,064
Diluted	14,491,713	14,164,506

(1) The tax effect of adjustments is calculated using the expected federal and state statutory tax rate. The expected federal and state income tax rate was approximately 26.00% and 25.75% for the three months ended March 31, 2025 and 2024, respectively.

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

(Dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Revenue	\$ 22,003	\$ 17,511
Cost of revenue (exclusive of depreciation and amortization)	(3,661)	(3,756)
Depreciation and amortization related to cost of revenue	(2,500)	(2,214)
Gross profit	15,842	11,541
Depreciation and amortization of certain intangible assets ⁽¹⁾	2,452	2,214
Adjusted gross profit	\$ 18,294	\$ 13,755
Gross margin	72%	66%
Adjusted gross margin	83%	79%

(1) Depreciation and amortization of certain intangible assets primarily consists of the amortization of capitalized internal-use software development costs, which are included within intangible assets and amortized over their estimated useful lives.

The following is a reconciliation of net cash provided by operating activities, the most directly comparable US GAAP financial measure, to FCF:

(Dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Net cash provided by operating activities	\$ 5,001	\$ 4,305
Less:		
Purchase of property and equipment	(50)	(65)
Capitalized costs included in intangible assets	(2,469)	(2,327)
Free cash flow	\$ 2,482	\$ 1,913

In order to assist readers of our consolidated financial statements in understanding the operating results that management uses to evaluate the business and for financial planning purposes, we present non-GAAP measures of adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and FCF 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 net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and FCF 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. We believe adjusted net income provides additional means of evaluating period-over-period operating performance by eliminating certain non-cash expenses and other items that might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. Adjusted net income is a non-GAAP financial measure equal to net income, adjusted to exclude share-based compensation expense and amortization of share-based compensation capitalized in intangible assets, and to include the tax effect of adjustments. We define adjusted earnings per share as adjusted net income divided by the weighted average shares outstanding. 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. We define adjusted gross profit as gross profit plus depreciation and amortization of certain intangible assets. We believe adjusted gross profit provides useful information to our investors by eliminating the impact of certain non-cash depreciation and amortization, and primarily 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. We believe FCF is an important liquidity measure of the cash that is available, after capital expenditures, for operational expenses and investment in our business. FCF is a measure used by management to understand and evaluate the business's operating performance and trends over time. FCF is calculated by using net cash provided by operating activities, less purchase of property and equipment, and capitalized costs included in intangible assets.

Adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and FCF 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 US GAAP. In addition, FCF is not intended to represent our residual cash flow available for discretionary expenses and is not necessarily a measure of our ability to fund our cash needs. The way we measure adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and FCF 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)							
	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
Customer metrics								
IDI - billable customers ⁽¹⁾	7,497	7,769	7,875	8,241	8,477	8,743	8,926	9,241
FOREWARN - users ⁽²⁾	146,537	168,356	185,380	236,639	263,876	284,967	303,418	325,336
Revenue metrics								
Contractual revenue % ⁽³⁾	79%	79%	82%	78%	74%	77%	77%	74%
Gross revenue retention % ⁽⁴⁾	94%	94%	92%	93%	94%	94%	96%	96%
Other metrics								
Employees - sales and marketing	63	65	71	76	86	93	95	90
Employees - support	9	9	9	10	10	11	11	11
Employees - infrastructure	26	27	27	29	27	29	28	29
Employees - engineering	47	47	51	51	56	58	57	62
Employees - administration	25	25	25	25	25	26	25	24

- (1) We define a billable customer of IDI as a single entity that generated revenue in the last three months of the period. Billable customers are typically corporate organizations. In most cases, corporate organizations will have multiple users and/or departments purchasing our solutions, however, we count the entire organization as a discrete customer.
- (2) We define a user of FOREWARN as a unique person that has a subscription to use the FOREWARN service as of the last day of the period. A unique person can only have one user account.
- (3) Contractual revenue % represents revenue generated from customers pursuant to pricing contracts containing a monthly fee and any additional overage divided by total revenue. Pricing contracts are generally annual contracts or longer, with auto renewal.
- (4) Gross revenue retention is defined as the revenue retained from existing customers, net of reinstated revenue, and excluding expansion revenue. Revenue is measured once a customer has generated revenue for six consecutive months. Revenue is considered lost when all revenue from a customer ceases for three consecutive months; revenue generated by a customer after the three-month loss period is defined as reinstated revenue. Gross revenue retention percentage is calculated on a trailing twelve-month basis. The numerator of which is 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, with the quotient subtracted from one. Our gross revenue retention calculation excludes revenue from idiVERIFIED, which is purely transactional and currently represents less than 3% of total revenue.

Exhibit 99.2

Red Violet, Inc. (NASDAQ: RDVT)

First Quarter 2025 Earnings Results Conference Call

Company Participants:

Camilo Ramirez, Senior Vice President, Finance and Investor Relations

Derek Dubner, Chairman and Chief Executive Officer

Dan MacLachlan, Chief Financial Officer

Operator:

Good day ladies and gentlemen, and welcome to red violet's first quarter 2025 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.

As a reminder this call is being recorded.

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

Camilo Ramirez:

Good afternoon and welcome. Thank you for joining us today to discuss our first quarter 2025 financial results.

With me today is Derek Dubner, our Chairman and Chief Executive Officer, and Dan MacLachlan, our Chief Financial Officer. Our call today will begin with comments from Derek and Dan, followed by a question and answer session.

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

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

During the call, we may present certain non-GAAP financial information relating to adjusted gross profit, adjusted gross margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, and free cash flow. Reconciliations of these non-GAAP financial measures to their most directly comparable US 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

Good afternoon, everyone, and thank you for joining us today to discuss our first quarter financial results.

We are pleased to report another strong quarter, marked by solid execution and continued demand across our business. Our results reflect sustained strength across our diversified customer base, with performance driven by both existing relationships and new customer wins. Despite the persistent volatility in the macroeconomic environment, volumes have remained solid, underscoring the durability and relevance of our solutions.

Now, let's briefly run through the numbers. Revenue for the quarter was up 26% to a record \$22.0 million, producing a record adjusted gross profit of \$18.3 million and a record adjusted gross margin of 83%. Adjusted EBITDA for the quarter was up 47% to a record \$8.4 million, producing a record adjusted EBITDA margin of 38%, up 6-percentage points. Adjusted net income increased 53% to a record \$4.8 million for the quarter, resulting in record adjusted earnings of 33 cents per diluted share.

Our IDI billable customer base increased by 315 customers sequentially from the fourth quarter, ending the first quarter at 9,241 customers. Within FOREWARN, we added 21,918 users during the first quarter, ending the quarter with 325,336 users. Over 545 Realtor® Associations are now contracted to use FOREWARN.

We continue to experience strong receptivity from prospective customers, which reinforces the value proposition of our platform. Clients are increasingly turning to us not just for innovation, but for cost-effective, scalable solutions that address mission-critical needs. Our ability to simultaneously deliver innovation and efficiency is clearly resonating.

As we look at the broader environment, specifically the economic volatility and uncertainty beginning in the first quarter, it is important to again underscore the durability of our business model, which has consistently proven its strength through multiple economic cycles. From the dotcom bubble, the housing crisis, and the Great Recession, to the unprecedented challenges of the pandemic, this model has proven resilient — and even opportunistic — during times of stress.

This resilience is driven by the diversity of the industries we serve and the critical nature of our solutions. In a strong economic environment, many of our customers, particularly within corporate sectors and financial services, rely on our technology and solutions to support front-end growth use cases, such as new account openings, onboarding, and customer engagement.

Conversely, in a more challenging economic climate, when financial pressures mount for consumers and businesses alike, other segments of our customer base become more active. In such times, we see heightened demand from clients focused on legal workflows, investigations, collections, process serving, repossession, and related functions. Additionally, in times of uncertainty, the

need for fraud prevention and risk mitigation only increases, and our solutions are essential in helping organizations across the spectrum protect their operations.

This counter-cyclical balance in demand ensures that we remain relevant and mission-critical regardless of market conditions. It also gives us strong confidence in our ability to continue performing through economic fluctuations while supporting our customers' evolving needs.

Over the last few years, we have observed a structural shift in consumer dynamics, where the middle class is no longer anchored in the center, but rather drawn toward the financial extremes that have traditionally defined our core use cases. It is the first time in decades that I've seen this level of activity from both ends of the economic spectrum converge to this degree, where a rising tide is lifting nearly all boats with our business positioned right at the intersection of these trends.

Today, our focus remains on a set of strategic priorities, which we have touched on previously, designed to drive long-term value. These include increasing productivity across the organization, analyzing and implementing automation to streamline operations as we scale, and intensifying our efforts around proprietary data generation and aggregation, which includes our continued use of AI to derive insights from our core identity graph.

We believe these initiatives will further leverage our business model, strengthen our competitive position, and support even stronger financial performance in the medium to long term.

Thank you again to our employees, partners, and customers for your continued trust and collaboration. We look forward to building on this momentum in the quarters ahead.

Now, I'll turn it over to Dan to discuss the financials.

Dan MacLachlan

Thank you, Derek, and good afternoon, everyone. We are excited to kick off 2025 with another record quarter, building on the momentum we established throughout 2024. Our first quarter performance reflects solid execution, broad-based demand across our verticals, and the efficiency of our operating model. As

we move into the year, we remain focused on our priorities — delivering consistent results, deepening customer relationships, and continuing to invest where we see the greatest return. With a strong foundation and growing leverage in the business, we are well-positioned to deliver another year of healthy, sustainable growth.

Turning now to our first quarter results, for clarity, all the comparisons I will discuss today will be against the first quarter of 2024, unless noted otherwise.

Total revenue was a record \$22.0 million, representing a 26% increase over the prior year. We generated a record \$18.3 million in adjusted gross profit, resulting in a record adjusted gross margin of 83%, up 4-percentage points. Adjusted EBITDA for the quarter was also a record at \$8.4 million, an increase of 47% over the prior year. Adjusted EBITDA margin reached a record 38%, up 6-percentage points. Adjusted net income increased 53% to a record \$4.8 million, resulting in record adjusted earnings of 33 cents per diluted share.

Moving through the details of our P&L, as mentioned, revenue was \$22.0 million for the first quarter. This total includes \$1.2 million in one-time transactional revenue associated with two significant opportunity wins from two new customers. Excluding this one-time transactional revenue, first quarter revenue growth would have still been a healthy 19%.

Within IDI, we saw growth across verticals. IDI's billable customer base increased by over 300 customers sequentially from the fourth quarter, ending the quarter at over 9,200 customers. Our Emerging Markets vertical led all verticals on a percentage basis, delivering strong double-digit revenue growth, inclusive of the \$1.2 million in one-time transactional revenue. Our Investigative vertical continues to perform well, driven by Law Enforcement, which has now grown sequentially in every quarter since Q4 of 2021. We also saw strong double-digit revenue growth in our Financial and Corporate Risk vertical, led by the banking and financial industry. The Collections vertical delivered mid-single-digit growth; note that, the prior-year quarter included outsized transactional revenue related to our idiVERIFIED product. Normalizing for that impact, this quarter's growth

would have been in the mid-teens—representing the highest year-over-year revenue growth rate in the Collections vertical since 2020. We continue to see healthy trends and improving performance in the Collections industry. IDI's Real Estate vertical, which excludes FOREWARN, declined by low single digits, still impacted by affordability issues of strong home prices and elevated interest rates.

With over 545 REALTOR® Associations under contract across the U.S., FOREWARN delivered another quarter of strong double-digit revenue growth, adding more than 20,000 users during the quarter. This marks FOREWARN's twentieth consecutive quarter of sequential revenue growth.

Contractual revenue represented 74% of total revenue for the quarter, down 4-percentage points from the prior year. This decline was attributable to the \$1.2 million in one-time transactional revenue referenced earlier. Gross revenue retention was 96% for the quarter, an increase of 3-percentage points over the prior year.

Moving back to the P&L, our cost of revenue (exclusive of depreciation and amortization) decreased \$0.1 million, or 3%, to \$3.7 million. Adjusted gross profit increased 33% to \$18.3 million, resulting in an adjusted gross margin of 83% — a 4-percentage point increase over the prior year.

Sales and marketing expenses increased \$1.7 million, or 46%, to \$5.4 million for the quarter, driven primarily by higher personnel-related expenses.

General and administrative expenses increased \$0.4 million, or 7%, to \$6.2 million for the quarter, also driven primarily by higher personnel-related expenses.

Depreciation and amortization increased \$0.3 million, or 12%, to \$2.6 million for the quarter.

Our net income increased \$1.6 million, or 93%, to \$3.4 million for the quarter.

Adjusted net income for the quarter increased \$1.6 million, or 53%, to \$4.8 million, resulting in adjusted earnings of 33 cents per diluted share.

Moving on to the balance sheet. Cash and cash equivalents were \$34.6 million at March 31, 2025, compared to \$36.5 million at December 31, 2024. Current assets totaled \$45.9 million, compared to \$46.2 million at year-end, while current liabilities were \$5.1 million, compared to \$10.3 million.

We generated \$5.0 million in cash from operating activities in the first quarter, compared to \$4.3 million for the same period in 2024.

We generated \$2.5 million in free cash flow in the first quarter, compared to \$1.9 million for the same period in 2024.

We did not purchase any shares of Company stock under our stock repurchase program during the first quarter.

We paid out a special cash dividend of \$0.30 per share on the Company's common stock to shareholders of record as of January 31, 2025. The dividend, totaling \$4.2 million, was distributed on February 14, 2025.

To wrap up, 2025 is off to a great start. This quarter reflects solid execution across the business and reinforces the strength of our model — one that delivers profitable growth, strong cash flow, and high levels of customer retention. We are investing with intention, leaning into the areas of the greatest opportunity, while maintaining the operational discipline that underpins our performance. As we progress through 2025, we remain focused on sustaining our momentum, expanding our reach, and creating long-term value for our shareholders.

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

Operator

(Operator Instructions) The first question comes from the line of Josh Nichols of B. Riley. Josh – please go ahead.

Josh Nichols

Thank you for taking my question and great to see another quarter with a lot of records being set yet again. Quick question for me. I mean quite strong growth

when you look at like the IDI customers this quarter. Is there any color that you could provide with a little bit more granularity on what's driving that specifically or how you think that those trends are going to play out through the remainder of the year?

Daniel MacLachlan

Yes, Josh, hi this is Dan, and thanks for the questions. And it kind of just builds on what we talked about last quarter that in the fourth quarter, we saw just strong consistent volume across the customer base and across verticals, whether that be Financial and Corporate Risk, Collections, FOREWARN, Investigative or Emerging Markets. And in the first quarter, we saw the same thing again.

Obviously, there's a bit of uncertainty in the broader economic activity. But from our business' perspective, we didn't see any impact from that whatsoever.

We continue to see good onboarding across customer verticals and customer size including medium and larger enterprise. And so, we expect that to continue over the remainder of the year. And again, just very excited about the opportunity pipeline that is built and our ability to convert that pipeline.

Josh Nichols

Thanks, and then just to follow up because you mentioned it, just I know the company has been securing a growing number of larger customers. Any data or highlights that you could provide? Are they slowing down? Are they picking up with the macro uncertainty? Or what are you seeing in terms of large customers, whether it's like government or more some of these public sector awards that you're still in the early days of going after?

Daniel MacLachlan

Yes. Look, I mean from a pure kind of metric perspective, we gave some color in fourth quarter of just being right around 96 customers that were generating in excess of \$100,000 in revenue a year.

I can say after the first quarter, that has grown nicely to well in excess of 100, close to 110 customers today in the trailing 12 months are spending over \$100,000. So, we continue to see that dynamic of the medium and larger enterprise customers and our investment to move up tier significantly pay off.

Josh Nichols

I appreciate the context there. And then last question for me, Derek, maybe you can provide a little bit more color on this since you've talked about it.

Specifically, if you had to touch on one or two of the areas that you think for like internal or external technology investments that you think could really help grow the business longer term beyond just like a quarter or two, what is it that you're most focused on doing as you continue to build out this core identity graph for the consumer?

Derek Dubner

Yes. Thanks, Josh. Great question. Well, we have a multi-year product roadmap that we're working on. We continue to invest in not only financially but human resource in expanding the moat around the capabilities around our platform.

It's highly differentiated against anything we've created in the past and against competition. And I think that's what you're seeing. It's translating to customer wins and receptivity around what we can bring.

I would remark that in a time of volatility, we're seeing greater receptivity from prospective customers wanting to understand how we can process their workflows, which we can do and we believe better than the competition.

But we can do so because of the construct of our platform, cloud, et cetera, in a much more efficient manner. And, so they are definitely listening and wanting to understand the opportunity there. So we continue to invest in our identity graph. We're looking to enhance, as I mentioned some of the strategic priorities, enhance the proprietary data generation and aggregation internally, and that includes with some of our initiatives around artificial intelligence.

We continue to expand our capabilities to be in -- bring new solutions out in the way of know your business, KYB, account monitoring and really driving more risk signals out of the data that we see, which is extremely helpful and informative for our customers -- and we want to be able to teach them what we're seeing. And we believe it's -- those are insights that they are not seeing perhaps at that time.

So really very current risk signals that alert them to risks. And so we're very excited, and we continue to invest also in the strategic priorities I mentioned of enhancing our productivity and really increasing automation across the enterprise so that as we scale in the out years. You're going to see even greater financial performance, even greater than what we're performing today.

Josh Nichols

Great to hear and I look forward to seeing you guys in a couple of weeks.

Derek Dubner

Likewise, thanks, Josh.

Operator

This concludes the question and answer session. I would now like to turn it back over to Derek Dubner for closing remarks.

Derek Dubner

In closing, we're proud of our performance this quarter and encouraged by the momentum we're seeing across the business. As we continue to execute upon our strategic priorities, we remain focused on delivering long-term value for our customers, our employees, and our shareholders. Thank you for your continued support and for joining us today.

