

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-38407

RED VIOLET, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

82-2408531

(I.R.S. Employer Identification No.)

2650 North Military Trail, Suite 300, Boca Raton, Florida 33431

(Address of Principal Executive Offices) (Zip Code)

(561) 757-4000

(Registrant's Telephone Number, Including Area Code)

None

(Former name, former address and former fiscal year, if changed since last report)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES NO

As of November 6, 2020, the registrant had 12,150,035 shares of common stock outstanding.

RED VIOLET, INC.
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PART I - FINANCIAL INFORMATION

Unless otherwise indicated or required by the context, all references in this Quarterly Report on Form 10-Q to “we,” “us,” “our,” “red violet,” or the “Company,” refer to Red Violet, Inc. and its consolidated subsidiaries.

Item 1. Financial Statements.

RED VIOLET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)
(unaudited)

	September 30, 2020	December 31, 2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 12,441	\$ 11,776
Accounts receivable, net of allowance for doubtful accounts of \$20 and \$40 as of September 30, 2020 and December 31, 2019, respectively	2,920	3,543
Prepaid expenses and other current assets	616	722
Total current assets	15,977	16,041
Property and equipment, net	555	660
Intangible assets, net	26,977	24,034
Goodwill	5,227	5,227
Right-of-use assets	2,279	2,620
Other noncurrent assets	93	289
Total assets	\$ 51,108	\$ 48,871
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 2,199	\$ 2,138
Accrued expenses and other current liabilities	775	1,571
Current portion of operating lease liabilities	536	491
Current portion of long-term loan	1,059	-
Deferred revenue	180	128
Total current liabilities	4,749	4,328
Noncurrent operating lease liabilities	2,052	2,459
Long-term loan	1,093	-
Total liabilities	7,894	6,787
Shareholders' equity:		
Preferred stock—\$0.001 par value, 10,000,000 shares authorized, and 0 shares issued and outstanding, as of September 30, 2020 and December 31, 2019	-	-
Common stock—\$0.001 par value, 200,000,000 shares authorized, 12,371,665 and 11,657,912 shares issued, 12,146,910 and 11,554,765 shares outstanding, as of September 30, 2020 and December 31, 2019	13	12
Treasury stock, at cost, 224,755 and 103,147 shares as of September 30, 2020 and December 31, 2019	(3,083)	(1,255)
Additional paid-in capital	67,082	59,187
Accumulated deficit	(20,798)	(15,860)
Total shareholders' equity	43,214	42,084
Total liabilities and shareholders' equity	\$ 51,108	\$ 48,871

See notes to condensed consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 9,267	\$ 8,257	\$ 25,623	\$ 21,236
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization)	2,703	3,122	8,582	8,843
Sales and marketing expenses	2,217	1,925	6,139	5,428
General and administrative expenses	4,147	3,498	12,844	11,259
Depreciation and amortization	1,118	750	3,020	2,049
Total costs and expenses	<u>10,185</u>	<u>9,295</u>	<u>30,585</u>	<u>27,579</u>
Loss from operations	(918)	(1,038)	(4,962)	(6,343)
Interest (expense) income, net	(7)	46	24	123
Loss before income taxes	(925)	(992)	(4,938)	(6,220)
Income taxes	-	-	-	-
Net loss	<u>\$ (925)</u>	<u>\$ (992)</u>	<u>\$ (4,938)</u>	<u>\$ (6,220)</u>
Loss per share:				
Basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>	<u>\$ (0.42)</u>	<u>\$ (0.59)</u>
Weighted average number of shares outstanding:				
Basic and diluted	<u>12,072,716</u>	<u>10,917,673</u>	<u>11,758,907</u>	<u>10,497,036</u>

See notes to condensed consolidated financial statements

RED VIOLET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except share data)
(unaudited)

	Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount	Shares	Amount			
Balance at June 30, 2019	10,286,613	\$ 10	-	\$ -	\$ 45,253	\$ (10,012)	\$ 35,251
Vesting of restricted stock units	666,049	1	-	-	(1)	-	-
Increase in treasury stock resulting from shares withheld to cover statutory taxes	-	-	(103,147)	(1,255)	-	-	(1,255)
Issuance of common stock upon direct offering to certain investors, net of issuance costs of \$55	681,000	1	-	-	7,435	-	7,436
Share-based compensation	-	-	-	-	1,615	-	1,615
Net loss	-	-	-	-	-	(992)	(992)
Balance at September 30, 2019	<u>11,633,662</u>	<u>\$ 12</u>	<u>(103,147)</u>	<u>\$ (1,255)</u>	<u>\$ 54,302</u>	<u>\$ (11,004)</u>	<u>\$ 42,055</u>
Balance at June 30, 2020	11,707,829	\$ 12	(103,147)	\$ (1,255)	\$ 64,806	\$ (19,873)	\$ 43,690
Vesting of restricted stock units	663,836	1	-	-	(1)	-	-
Increase in treasury stock resulting from shares withheld to cover statutory taxes	-	-	(121,608)	(1,828)	-	-	(1,828)
Share-based compensation	-	-	-	-	2,277	-	2,277
Net loss	-	-	-	-	-	(925)	(925)
Balance at September 30, 2020	<u>12,371,665</u>	<u>\$ 13</u>	<u>(224,755)</u>	<u>\$ (3,083)</u>	<u>\$ 67,082</u>	<u>\$ (20,798)</u>	<u>\$ 43,214</u>

	Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount	Shares	Amount			
Balance at December 31, 2018	10,266,613	\$ 10	-	\$ -	\$ 41,052	\$ (4,784)	\$ 36,278
Vesting of restricted stock units	686,049	1	-	-	(1)	-	-
Increase in treasury stock resulting from shares withheld to cover statutory taxes	-	-	(103,147)	(1,255)	-	-	(1,255)
Issuance of common stock upon direct offering to certain investors, net of issuance costs of \$55	681,000	1	-	-	7,435	-	7,436
Share-based compensation	-	-	-	-	5,816	-	5,816
Net loss	-	-	-	-	-	(6,220)	(6,220)
Balance at September 30, 2019	<u>11,633,662</u>	<u>\$ 12</u>	<u>(103,147)</u>	<u>\$ (1,255)</u>	<u>\$ 54,302</u>	<u>\$ (11,004)</u>	<u>\$ 42,055</u>
Balance at December 31, 2019	11,657,912	\$ 12	(103,147)	\$ (1,255)	\$ 59,187	\$ (15,860)	\$ 42,084
Vesting of restricted stock units	713,753	1	-	-	(1)	-	-
Increase in treasury stock resulting from shares withheld to cover statutory taxes	-	-	(121,608)	(1,828)	-	-	(1,828)
Share-based compensation	-	-	-	-	7,896	-	7,896
Net loss	-	-	-	-	-	(4,938)	(4,938)
Balance at September 30, 2020	<u>12,371,665</u>	<u>\$ 13</u>	<u>(224,755)</u>	<u>\$ (3,083)</u>	<u>\$ 67,082</u>	<u>\$ (20,798)</u>	<u>\$ 43,214</u>

See notes to condensed consolidated financial statements

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

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,938)	\$ (6,220)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,020	2,049
Share-based compensation expense	6,416	5,290
Write-off of long-lived assets	117	30
Provision for bad debts	360	398
Noncash lease expenses	341	313
Interest expense	7	-
Changes in assets and liabilities:		
Accounts receivable	263	(1,458)
Prepaid expenses and other current assets	106	40
Other noncurrent assets	109	254
Accounts payable	61	235
Accrued expenses and other current liabilities	(803)	(183)
Deferred revenue	52	9
Operating lease liabilities	(362)	(322)
Net cash provided by operating activities	<u>4,749</u>	<u>435</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(98)	(71)
Capitalized costs included in intangible assets	(4,310)	(4,413)
Net cash used in investing activities	<u>(4,408)</u>	<u>(4,484)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares, net of issuance costs	-	7,436
Proceeds from long-term loan	2,152	-
Taxes paid related to net share settlement of vesting of restricted stock units	(1,828)	-
Net cash provided by financing activities	<u>324</u>	<u>7,436</u>
Net increase in cash and cash equivalents	\$ 665	\$ 3,387
Cash and cash equivalents at beginning of period	11,776	9,950
Cash and cash equivalents at end of period	\$ 12,441	\$ 13,337
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Share-based compensation capitalized in intangible assets	\$ 1,480	\$ 526
Right-of-use assets obtained in exchange of operating lease liabilities	\$ -	\$ 3,042
Operating lease liabilities arising from obtaining right-of-use assets	\$ -	\$ 3,387

See notes to condensed consolidated financial statements

RED VIOLET, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share data)
(unaudited)

1. Summary of significant accounting policies

(a) Basis of preparation

The accompanying unaudited condensed consolidated financial statements of Red Violet, Inc. (“red violet” or the “Company”), a Delaware corporation, have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations.

The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for any future interim periods or for the full year ending December 31, 2020.

The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 (“2019 Form 10-K”).

The condensed consolidated balance sheet as of December 31, 2019 included herein was derived from the audited financial statements as of that date included in the 2019 Form 10-K, but does not include all disclosures required by GAAP.

The Company has only one operating segment, as defined by Accounting Standards Codification (“ASC”) 280, “*Segment Reporting*.”

Principles of consolidation

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant transactions among the Company and its subsidiaries have been eliminated upon consolidation.

(b) Recently issued accounting standards

As an emerging growth company, the Company has left open the opportunity to take advantage of the extended transition period provided to emerging growth companies in Section 13(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), however, it is the Company’s present intention to adopt any applicable new accounting standards timely.

In August 2018, Financial Accounting Standard Board (“FASB”) issued ASU No. 2018-15 (“ASU 2018-15”), “*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*,” which requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. It also requires the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, which includes reasonably certain renewals. This guidance will be effective for the Company for annual reporting periods beginning after December 15, 2020, on a retrospective or prospective basis and early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and related disclosures.

2. Loss per share

Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the periods. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock and is calculated using the treasury stock method for unvested shares. Common equivalent shares are excluded from the calculation in the loss periods as their effects would be anti-dilutive.

(In thousands, except share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net loss	\$ (925)	\$ (992)	\$ (4,938)	\$ (6,220)
Denominator:				
Weighted average shares outstanding - Basic and diluted ⁽¹⁾	12,072,716	10,917,673	11,758,907	10,497,036
Loss per share:				
Basic and diluted:	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>	<u>\$ (0.42)</u>	<u>\$ (0.59)</u>

(1) A total of 1,529,657 unvested restricted stock units (“RSUs”) have been excluded from the diluted loss per share for the three and nine months ended September 30, 2020, and 1,954,910 RSUs have been excluded for the three and nine months ended September 30, 2019, as the impact is anti-dilutive.

3. Intangible assets, net

Intangible assets other than goodwill consist of the following:

(In thousands)	Amortization Period	September 30, 2020			December 31, 2019		
		Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Software developed for internal use	5-10 years	<u>\$ 35,480</u>	<u>\$ (8,503)</u>	<u>\$ 26,977</u>	<u>\$ 29,690</u>	<u>\$ (5,656)</u>	<u>\$ 24,034</u>

The gross amount associated with software developed for internal use represents capitalized costs of internally-developed software, including eligible salaries and staff benefits, share-based compensation, travel expenses incurred by relevant employees, and other relevant costs.

Amortization expenses of \$1,063 and \$689 for the three months ended September 30, 2020 and 2019, respectively, and \$2,847 and \$1,860 for the nine months ended September 30, 2020 and 2019, respectively, were included in depreciation and amortization expense. As of September 30, 2020, intangible assets of \$2,635, included in the gross amounts of software developed for internal use, have not started amortization, as they are not ready for their intended use.

The Company capitalized costs of software developed for internal use of \$1,646 and \$1,708 during the three months ended September 30, 2020 and 2019, respectively, and \$5,790 and \$4,939 during the nine months ended September 30, 2020 and 2019, respectively.

As of September 30, 2020, estimated amortization expense related to the Company’s intangible assets for the remainder of 2020 through 2025 and thereafter are as follows:

(In thousands)	Year	September 30, 2020
	Remainder of 2020	\$ 1,095
	2021	4,776
	2022	4,898
	2023	4,821
	2024	4,215
	2025 and thereafter	7,172
	Total	<u>\$ 26,977</u>

4. Goodwill

Goodwill represents the cost in excess of the fair value of the net assets acquired in a business combination. As of September 30, 2020 and December 31, 2019, the balance of goodwill of \$5,227 was as a result of the acquisition of Interactive Data, LLC, a wholly-owned subsidiary of red violet, effective on October 2, 2014.

In accordance with ASC 350, “Intangibles - Goodwill and Other,” goodwill is tested at least annually for impairment, or when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that its fair value exceeds the carrying value. The measurement date of the Company’s annual goodwill impairment test is October 1.

For the periods ended September 30, 2020 and 2019, no goodwill impairment charges were recorded.

5. Revenue recognition

On January 1, 2018, the Company adopted ASC 606, “Revenue from Contracts with Customers,” (“Topic 606”) using the modified retrospective method applied to all contracts that were not completed contracts at the date of initial application. Revenue is recognized when control of goods or services is transferred to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company’s performance obligation is to provide on demand solutions to its customers by leveraging its proprietary technology and applying machine learning and advanced analytics to its massive data repository. The pricing for the customer contracts is based on usage, a monthly fee, or a combination of both.

Available within Topic 606, the Company has applied the portfolio approach practical expedient in accounting for customer revenue as one collective group, rather than individual contracts. Based on the Company’s historical knowledge of the contracts contained in this portfolio and the similar nature and characteristics of the customers, the Company has concluded the financial statement effects are not materially different than if accounting for revenue on a contract by contract basis.

Revenue is recognized over a period of time since the performance obligation is delivered in a series. The Company’s customers simultaneously receive and consume the benefits provided by the Company’s performance as and when provided. Furthermore, the Company has elected the “right to invoice” practical expedient, available within Topic 606, as its measure of progress, since it has a right to payment from a customer in an amount that corresponds directly with the value of its performance completed-to-date. The Company’s revenue arrangements do not contain significant financing components.

For the three months ended September 30, 2020 and 2019, 68% and 66% of total revenue was attributable to customers with pricing contracts, respectively, versus 32% and 34% attributable to transactional customers, respectively. For the nine months ended September 30, 2020 and 2019, 71% and 65% of total revenue was attributable to customers with pricing contracts, respectively, versus 29% and 35% attributable to transactional customers, respectively. Pricing contracts are generally annual contracts or longer, with auto renewal.

If a customer pays consideration before the Company transfers services to the customer, those amounts are classified as deferred revenue. As of September 30, 2020 and December 31, 2019, the balance of deferred revenue was \$180 and \$128, respectively, all of which is expected to be realized in the next 12 months. In relation to the deferred revenue balance as of December 31, 2019, \$0 and \$128 was recognized into revenue during the three and nine months ended September 30, 2020, respectively.

As of September 30, 2020, \$2,626 of revenue is expected to be recognized in the future for outstanding performance obligations, primarily related to pricing contracts that have a term of more than 12 months. \$602 of revenue will be recognized in the remainder of 2020, \$1,860 in 2021, \$138 in 2022, and \$26 in 2023 and thereafter. The actual timing of recognition may vary due to factors outside of the Company’s control. The Company excludes variable consideration related entirely to wholly unsatisfied performance obligations and contracts and recognizes such variable consideration based upon the right to invoice the customer.

Sales commissions are incurred and recorded on an ongoing basis over the term of the customer relationship. These costs are recorded in sales and marketing expenses.

In addition, the Company elected the practical expedient to not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

6. Income taxes

The Company is subject to federal and state income taxes in the United States. The Company’s tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the Company updates its estimate of the annual effective tax rate, and if its estimated annual tax rate changes, the Company makes a cumulative adjustment in that quarter.

For the three and nine months ended September 30, 2020 and 2019, the Company’s effective income tax rate was 0%, differing from the statutory federal income tax rate of 21%, and the difference is primarily the result of the full valuation allowance applied against the Company’s deferred tax assets.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the Company's financial statements.

The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. All of the Company's income tax filings since 2017 remain open for tax examinations.

The Company does not have any unrecognized tax benefits as of September 30, 2020 and December 31, 2019.

7. Common stock and treasury stock

Common stock

As of September 30, 2020 and December 31, 2019, the number of issued shares of common stock was 12,371,665 and 11,657,912, respectively, which included shares of treasury stock of 224,755 and 103,147, respectively. The change in the number of issued shares of common stock was due to an aggregate of 713,753 shares of common stock issued as a result of the vesting of RSUs.

Treasury stock

As of September 30, 2020 and December 31, 2019, the Company held 224,755 and 103,147 shares of treasury stock, with a cost of \$3,083 and \$1,255, respectively, as a result of the shares withheld to pay withholding taxes upon the vesting of RSUs.

8. Share-based compensation

On March 22, 2018, the board of directors of the Company and Fluent, Inc., in its capacity as sole stockholder of the Company at that time, approved the Red Violet, Inc. 2018 Stock Incentive Plan (the "2018 Plan"). A total of 3,000,000 shares of common stock were authorized to be issued under the 2018 Plan. The primary purpose of the 2018 Plan is to attract, retain, reward and motivate certain individuals by providing them with an opportunity to acquire or increase a proprietary interest in the Company and to incentivize them to expend maximum effort for the growth and success of the Company, so as to strengthen the mutuality of the interests between such individuals and the stockholders of the Company. On June 3, 2020, the Company's stockholders approved an amendment to the 2018 Plan to increase the number of shares of common stock authorized for issuance under the 2018 Plan from 3,000,000 shares to 4,500,000 shares.

As of September 30, 2020, there were 1,525,624 shares of common stock available for future issuance under the 2018 Plan, as amended.

To date, all stock incentives issued under the 2018 Plan have been in the form of RSUs. RSUs granted under the 2018 Plan vest and settle upon the satisfaction of a time-based condition or with both time- and performance-based conditions. The time-based condition for these awards is generally satisfied over three or four years with annual vesting. Details of unvested RSU activity during the nine months ended September 30, 2020 were as follows:

	<u>Number of units</u>	<u>Weighted average grant-date fair value</u>
Unvested as of December 31, 2019	2,237,827	\$ 8.88
Granted	21,500	\$ 20.67
Vested and delivered	(592,145)	\$ 7.79
Withheld as treasury stock	(121,608)	\$ 7.72
Vested not delivered	(8,417)	\$ 11.25
Forfeited	(7,500)	\$ 12.11
Unvested as of September 30, 2020	<u>1,529,657</u>	<u>\$ 9.52</u>

As of September 30, 2020, unrecognized share-based compensation expense associated with the granted RSUs amounted to \$7,969, which is expected to be recognized over a remaining weighted average period of 1.6 years.

Share-based compensation was allocated to the following accounts in the condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Sales and marketing expenses	\$ 151	\$ 114	\$ 460	\$ 290
General and administrative expenses	1,702	1,293	5,956	5,000
Share-based compensation expense	1,853	1,407	6,416	5,290
Capitalized in intangible assets	424	208	1,480	526
Total	\$ 2,277	\$ 1,615	\$ 7,896	\$ 5,816

9. Related party transactions

Services Agreement

On August 7, 2018, the Company entered into a services agreement with Mr. Michael Brauser (the "Consultant"), a greater than 10% stockholder, pursuant to which, the Consultant will be providing recommendations on organizational and capital structure, future financing needs and future acquisitions or strategic transactions ("Services Agreement"), for a term of one year, automatically renewing for additional one-year periods unless either party provides written notice to the other of its intent not to renew not fewer than 30 days prior to the expiration of the then-current term. Under the Services Agreement, the Consultant receives cash compensation of \$30 per month and is entitled to participate in the Company's incentive compensation plan. The Company recognized consulting service fees relating to the Services Agreement of a total of \$90 during the three months ended September 30, 2020 and 2019, and \$270 during the nine months ended September 30, 2020 and 2019. In addition, amortization of share-based compensation expense of \$343 and \$343 for the three months ended September 30, 2020 and 2019, respectively, and \$1,022 and \$1,458 for the nine months ended September 30, 2020 and 2019, respectively, was recognized in relation to the RSUs previously granted to the Consultant.

10. Long-term loan

On May 5, 2020, the Company received funding under a promissory note dated May 5, 2020 (the "Promissory Note") evidencing an unsecured non-recourse loan in the principal amount of \$2,152 under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") (the "Loan"). The Loan to the Company was made through Legacy Bank of Florida (the "Lender").

Long-term loan as of September 30, 2020 consists of the following:

(In thousands)	September 30, 2020
Principal amount	\$ 2,152
Included in condensed consolidated balance sheet:	
Current portion of long-term loan	\$ 1,059
Long-term loan (non-current)	1,093
	\$ 2,152

The Loan has a two-year term and matures on May 5, 2022. The interest rate on the Loan is 1.0% per annum. Pursuant to the Promissory Note, payments shall be deferred for the first six months of the term of the Loan, followed by 18 approximately equal monthly installments of principal and interest. The Promissory Note contains customary events of default relating to, among other things, payment defaults, and breach of representations and warranties, or other provisions of the Promissory Note. As a result of the passage of the Paycheck Protection Program Flexibility Act of 2020 on June 5, 2020, the U.S. Small Business Administration ("SBA"), provided updated guidance that payments can be deferred until the loan forgiveness is determined, or if the Company does not apply for forgiveness, then 10 months after the Covered Period (as defined below) ends.

The Loan may be forgiven partially or fully if the Loan proceeds are used for covered payroll, rent and utility costs incurred during the 24-week period that commenced on the date of funding (the "Covered Period"), and if at least 60% of the proceeds are used for covered payroll costs. Any forgiveness of the Loan will be subject to approval by the SBA and the Lender. The Company will be required to apply for such forgiveness within 10 months after the Covered Period. Because the Loan exceeds \$2,000, the Company anticipates the U.S. Department of Treasury will audit the loan. Although the Company used the proceeds of the Loan for such covered purposes and intends to apply for forgiveness by the end of December 2020, it can provide no assurance that the Company will obtain forgiveness of the Loan in whole or in part.

As the Loan was effective in May 2020, the fair value of the Loan approximates its carrying amount as of September 30, 2020.

11. Leases

On January 1, 2019, the Company adopted Leases (Topic 842) using the modified retrospective method applied to all leases existing at the date of initial application. The Company elected the practical expedients to not reassess whether any existing contracts are or contain leases, not reassess the lease classification for any existing leases, and not reassess initial direct costs for any existing leases, upon the adoption of Leases (Topic 842).

The Company leases its corporate headquarters of 21,020 rentable square feet in accordance with a non-cancelable 89-month operating lease agreement as amended and effective in January 2017. The Company also leases an additional office space of 6,003 rentable square feet in accordance with a non-cancellable 90-month operating lease agreement entered into in April 2017, with an option to extend for additional 60 months. The extension option is not included in the determination of the lease term as it is not reasonably certain to be exercised.

For the three and nine months ended September 30, 2020 and 2019, a summary of the Company's lease information is shown below:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Lease cost:				
Operating lease costs	\$ 168	\$ 168	\$ 504	\$ 504
Other information:				
Cash paid for operating leases	\$ 177	\$ 172	\$ 527	\$ 513
Right-of-use assets obtained in exchange for operating lease liabilities	\$ -	\$ -	\$ -	\$ 3,042
Weighted average discount rate for operating leases ⁽¹⁾	-	-	-	8%

- (1) The Company used 8.0%, its estimated incremental borrowing rate for similar secured assets, as the discount rate for the leases to determine the present value of the lease payments because the implicit rate in each lease is not readily determinable. The discount rate was calculated on the basis of information available as of January 1, 2019, the application date.

As of September 30, 2020, the weighted average remaining operating lease term was 4.1 years.

As of September 30, 2020, scheduled future maturities and present value of the operating lease liabilities are as follows:

(In thousands) Year	September 30, 2020
Remainder of 2020	\$ 178
2021	724
2022	743
2023	765
2024	542
2025 and thereafter	77
Total maturities	\$ 3,029
Present value included in condensed consolidated balance sheet:	
Current portion of operating lease liabilities	\$ 536
Noncurrent operating lease liabilities	2,052
Total operating lease liabilities	\$ 2,588
Difference between the maturities and the present value of operating lease liabilities	\$ 441

12. Commitments and contingencies

(a) Capital commitment

The Company incurred data costs of \$2,093 and \$1,946 for the three months ended September 30, 2020 and 2019, respectively, and \$6,396 and \$5,501 for the nine months ended September 30, 2020 and 2019, respectively, under certain data licensing agreements. As of September 30, 2020, material capital commitments under certain data licensing agreements were \$9,012, shown as follows:

(In thousands) Year	September 30, 2020
Remainder of 2020	\$ 1,745
2021	5,615
2022	1,652
Total	\$ 9,012

(b) Contingencies

The Company establishes accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and it discloses the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for the Company's financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, the Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. The Company does not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated.

The Company may be involved in litigation from time to time in the ordinary course of business. The Company does not believe that the ultimate resolution of any such matters will have a material adverse effect on its business, financial condition, results of operations or cash flows. However, the results of such matters cannot be predicted with certainty and the Company cannot assure you that the ultimate resolution of any legal or administrative proceeding or dispute will not have a material adverse effect on its business, financial condition, results of operations and cash flows.

(c) Covid-19 update

In December 2019, a novel strain of coronavirus, now known as Covid-19, was reported in Wuhan, China and has since extensively impacted the global health and economic environment. In March 2020, the World Health Organization characterized Covid-19 as a pandemic. The Company has taken numerous steps, and will continue to take further actions as appropriate, in its approach to minimizing the impact of the Covid-19 pandemic on the Company's business, results of operations and financial performance. To ensure the health and well-being of its employees, beginning in March 2020, the Company instructed employees at its offices to work from home on a temporary basis. Starting in the second quarter of 2020, the Company implemented cost containment strategies across all areas of the organization, including continued curtailment of Company travel and partnering with suppliers, landlords and vendors for price concessions and payment deferrals during this interim period. As a result of preventative and protective actions taken by federal, state and local governments, including the implementation of stay-at-home orders and social distancing policies which resulted in significantly reduced commercial activity, and certain temporary government-imposed moratoria on collection customers' activities, the Company experienced reduced transaction volume in the second and third quarters of 2020. Transaction volume returned to pre-Covid levels by the end of the third quarter 2020, except for collection customer volume, which was down \$1.0 million, primarily attributable to the Company's *idiVERIFIED* service, which is an ancillary collections market offering that is purely transactional and of a lower margin profile, for the three months ended September 30, 2020, compared to the three months ended March 31, 2020. The Company expects collection customer transaction volume, including that of its *idiVERIFIED* service, to return to pre-Covid levels in the first half of 2021. During the second and third quarters of 2020, the Company took a proactive customer-centric approach working with customers who were impacted by Covid-19. Customers who had minimum contractual commitments and requested concessions because they were temporarily unable to meet their minimum contractual commitments as a result of Covid-19 were granted reductions, or eliminations where applicable, of minimums on a month-to-month basis. The end date of the customer's agreement was extended by one month for each month of the temporary concession. During the second quarter of 2020, the Company provided concessions to a total of 152 customers, representing a \$342 reduction in minimum committed spend. During the third quarter of 2020, the Company provided concessions to a total of 22 customers, representing a \$94 reduction in minimum committed spend.

To further support the Company's liquidity, beginning April 1, 2020, the Company elected, under Section 2302 of the CARES Act, to defer payment of the employer portion of Social Security payroll tax. Under the CARES Act, employers can forgo timely payment of the employer portion of Social Security taxes that would otherwise be due from March 27, 2020 through December 31, 2020, without penalty or interest charges. Employers must pay 50% of the deferred amount by December 31, 2021, and the remainder by December 31, 2022. On May 5, 2020, the Company received the Loan under the CARES Act as discussed in Note 10 above. The Company will continue to assess the CARES Act and other applicable government legislation aimed at assisting businesses during the Covid-19 pandemic. In accordance with best practices and guidance from the Centers for Disease Control and Prevention, the Company implemented protective safeguards, including daily temperature checks, mandatory wearing of masks, social distancing, plexiglass protective barriers, and an entire office HVAC UV-C system. The Company began its first phase of employees returning to the Boca Raton, Florida office in June 2020. The Company will continue to assess the need and timing of additional employees returning to the office. Given the dynamic nature of this health emergency, the full impact of the Covid-19 pandemic on the Company's ongoing business, results of operations and overall financial performance cannot be reasonably estimated at this time.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q"). This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), about our expectations, beliefs, or intentions regarding our business, financial condition, results of operations, strategies, or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends, or results as of the date they are made. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements, including the impact of the coronavirus ("Covid-19") pandemic on our operating results. These factors include those contained in this Quarterly Report on Form 10-Q, as well as the disclosures made in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed on March 12, 2020 ("2019 Form 10-K"), and other filings we make with the Securities and Exchange Commission. We do not undertake any obligation to update forward-looking statements, except as required by law. We intend that all forward-looking statements be subject to the safe harbor provisions of PSLRA. These forward-looking statements are only predictions and reflect our views as of the date they are made with respect to future events and financial performance. To the extent that our business is negatively impacted due to a variety of factors, including the impact of Covid-19 on our operating results, we may implement longer-term cost reduction efforts in order to mitigate such impacts.

References in this discussion and analysis to "we," "us," "our," "red violet," or the "Company," refer to Red Violet, Inc. and its consolidated subsidiaries.

Overview

Red Violet, Inc. ("we," "us," "our," "red violet," or the "Company"), a Delaware corporation, is dedicated to making the world a safer place and reducing the cost of doing business. We specialize in data fusion and analytics, providing cloud-based, mission-critical solutions to enterprises with use cases including fraud detection, risk mitigation, due diligence and marketing. Through our intelligent platform, CORE™, we uncover the relevance of disparate data points utilizing our analytical capabilities to provide real-time and insightful views of people, businesses, assets and their interrelationships.

Leveraging proprietary technology and applying machine learning and advanced analytical and decision-making capabilities, CORE provides compelling solutions to public and private sector organizations through intuitive, easy-to-use analytical applications. We empower clients across markets and industries to better execute all aspects of their business, from managing risk, recovering debt, identifying fraud and abuse, and ensuring legislative compliance, to identifying and acquiring customers. With a massive data repository of approximately nine petabytes of public-record, proprietary and publicly-available data, as well as self-reported consumer information and behavioral signals, we transform data into intelligence for our customers to enable better data-driven decisioning.

We presently market our solutions primarily through two brands, idiCORE™, our flagship product, and FOREWARN®. idiCORE is a next-generation, investigative solution used to address a variety of organizational challenges including due diligence, risk mitigation, identity authentication and legislative compliance, by financial services companies, insurance companies, healthcare companies, law enforcement and government, collections, law firms, retail, telecommunication companies, corporate security and investigative firms. FOREWARN is an app-based solution currently tailored for the real estate industry, providing instant knowledge prior to face-to-face engagement with a consumer, helping professionals identify and mitigate risk. As of September 30, 2020 and 2019, idiCORE had 5,758 and 4,781 billable customers and FOREWARN had 44,927 and 23,853 users, respectively. The Company defines a billable customer of idiCORE as a single entity that generated revenue in the last month of the period. Billable customers are typically corporate organizations. In most cases, corporate organizations will have multiple users and/or departments purchasing our solutions, however, the Company counts the entire organization as a discrete customer. The Company defines 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.

We generate substantially all of our revenue from licensing our solutions. Customers access our solutions through a hosted environment using an online interface, batch processing, API and custom integrations. We recognize revenue from licensing fees (a) on a transactional basis determined by the customer's usage, (b) via a monthly fee or (c) from a combination of both. Revenue pursuant to pricing contracts containing a monthly fee is recognized ratably over the contract period. Pricing contracts are generally annual contracts or longer, with auto renewal. Revenue from pricing contracts represented 68% and 71% of total revenue for the three and nine months ended September 30, 2020, respectively, as compared to 66% and 65% for the three and nine months ended September 30, 2019, respectively.

Our go-to-market strategy leverages (a) an inside sales team that cultivates relationships, and ultimately closes business, with their end-user markets, (b) a strategic sales team that provides a more personal, face-to-face approach for major accounts within certain industries, and (c) distributors, resellers, and strategic partners that have a significant foothold in many of the industries that we have not historically served, as well as to further penetrate those industries that we do serve. Our sales model generally begins with a free trial followed by an initial purchase on a transactional basis or minimum-committed monthly spend. As organizations derive benefits from our solutions, we are able to "land and expand" within larger organizations as additional use cases expand across departments, divisions and geographic locations and customers become increasingly reliant on our solutions in their daily workflow.

In order for us to continue to develop new products, grow our existing business and expand into additional markets, we must generate and sustain sufficient operating profits and cash flow in future periods. This will require us to generate additional sales from current products and new products currently under development. We continue to build out our sales organization to drive current products and to introduce new products into the marketplace.

In December 2019, a novel strain of coronavirus, now known as Covid-19, was reported in Wuhan, China and has since extensively impacted the global health and economic environment. In March 2020, the World Health Organization characterized Covid-19 as a pandemic. We have taken numerous steps, and will continue to take further actions as appropriate, in our approach to minimizing the impact of the Covid-19 pandemic on our business, results of operations and financial performance. To ensure the health and well-being of our employees, beginning in March 2020, we instructed employees at our offices to work from home on a temporary basis. Starting in the second quarter of 2020, we implemented cost containment strategies across all areas of the organization, including continued curtailment of Company travel and partnering with suppliers, landlords and vendors for price concessions and payment deferrals during this interim period. As a result of preventative and protective actions taken by federal, state and local governments, including the implementation of stay-at-home orders and social distancing policies which resulted in significantly reduced commercial activity, and certain temporary government-imposed moratoria on collection customers' activities, we experienced reduced transaction volume in the second and third quarters 2020. Transaction volume returned to pre-Covid levels by the end of the third quarter 2020, except for collection customer volume, which was down \$1.0 million, primarily attributable to our idiVERIFIED service, which is an ancillary collections market offering that is purely transactional and of a lower margin profile, for the three months ended September 30, 2020, compared to the three months ended March 31, 2020. We expect collection customer transaction volume, including that of our idiVERIFIED service, to return to pre-Covid levels in the first half of 2021. During the second and third quarters of 2020, we took a proactive customer-centric approach working with customers who were impacted by Covid-19. Customers who had minimum contractual commitments and requested concessions because they were temporarily unable to meet their minimum contractual commitments as a result of Covid-19 were granted reductions, or eliminations where applicable, of minimums on a month-to-month basis. The end date of the customer's agreement was extended by one month for each month of the temporary concession. During the second quarter of 2020, we provided concessions to a total of 152 customers, representing a \$342 reduction in minimum committed spend. During the third quarter of 2020, we provided concessions to a total of 22 customers, representing a \$94 reduction in minimum committed spend.

To further support our liquidity, beginning April 1, 2020, we elected, under Section 2302 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), to defer payment of the employer portion of Social Security payroll tax. Under the CARES Act, employers can forgo timely payment of the employer portion of Social Security taxes that would otherwise be due from March 27, 2020 through December 31, 2020, without penalty or interest charges. Employers must pay 50% of the deferred amount by December 31, 2021, and the remainder by December 31, 2022. On May 5, 2020, we received funding under a promissory note dated May 5, 2020 evidencing an unsecured non-recourse loan in the principal amount of \$2.2 million under the CARES Act (the "Loan"). We will continue to assess the CARES Act and other applicable government legislation aimed at assisting businesses during the Covid-19 pandemic. In accordance with best practices and guidance from the Centers for Disease Control and Prevention, we implemented protective safeguards, including daily temperature checks, mandatory wearing of masks, social distancing, plexiglass protective barriers, and an entire office HVAC UV-C system. We began our first phase of employees returning to the Boca Raton, Florida office in June 2020. We will continue to assess the need and timing of additional employees returning to the office. Given the dynamic nature of this health emergency, the full impact of the Covid-19 pandemic on our ongoing business, results of operations and overall financial performance cannot be reasonably estimated at this time.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to the allowance for doubtful accounts, useful lives of property and equipment and intangible assets, recoverability of the carrying amounts of goodwill and intangible assets, share-based compensation and income tax provision. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For additional information, please refer to our 2019 Form 10-K. There have been no material changes to Critical Accounting Policies and Estimates disclosed in our 2019 Form 10-K.

Recently issued accounting standards

See Note 1(b), "Recently issued accounting standards," in "Notes to Condensed Consolidated Financial Statements."

Third Quarter Financial Results

For the three months ended September 30, 2020 as compared to the three months ended September 30, 2019:

- Total revenue increased 12% to \$9.3 million. Platform revenue increased 27% to \$9.0 million. Services revenue decreased 75% to \$0.3 million.
- Net loss narrowed 7% to \$0.9 million.
- Adjusted EBITDA increased 84% to \$2.1 million.
- Gross profit increased 24% to \$5.5 million. Gross margin increased to 59% from 54%.
- Adjusted gross profit increased 28% to \$6.6 million. Adjusted gross margin increased to 71% from 62%.
- Generated \$1.7 million in cash from operating activities in the third quarter.
- Cash and cash equivalents were \$12.4 million as of September 30, 2020.

Third Quarter and Recent Business Highlights

- Our high-margin, platform revenue demonstrated accelerated growth throughout the third quarter. As a result, we generated a record 71% adjusted gross margin, producing a record adjusted gross profit of \$6.6 million. Adjusted EBITDA increased 84% over prior year and increased 130% on a sequential quarter basis to \$2.1 million.
- Increased customer adoption of idiCORE™ with over 380 new customers added to the platform in the third quarter.
- FOREWARN®, our subscription app-based real estate solution, added over 4,000 users in the third quarter.
- Strong revenue growth from existing customer expansion. Growth revenue from existing customers increased 116% over prior year and 151% on a sequential quarter basis.

Platform revenue consists of both contractual and transactional revenue generated from our data fusion technology platform, CORE. It includes all revenue generated through our idiCORE and FOREWARN solutions. The cost of platform revenue, which consists primarily of data acquisition costs, remains relatively fixed irrespective of revenue generation. Services revenue consists of revenue generated from our idiVERIFIED service, which is an ancillary collections market offering that is purely transactional and of a lower margin profile. The cost of services revenue, which consists primarily of third-party servicer costs, is variable.

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, and write-off of long-lived assets and others, as noted in the tables below. We define adjusted gross profit as revenue less cost of revenue (exclusive of depreciation and amortization), and adjusted gross margin as adjusted gross profit as a percentage of revenue.

(In thousands)	Three Months Ended September 30,		Three Months Ended	Nine Months Ended September 30,	
	2020	2019	June 30, 2020	2020	2019
Net loss	\$ (925)	\$ (992)	\$ (2,532)	\$ (4,938)	\$ (6,220)
Interest expense (income), net	7	(46)	-	(24)	(123)
Depreciation and amortization	1,118	750	992	3,020	2,049
Share-based compensation expense	1,853	1,407	2,342	6,416	5,290
Write-off of long-lived assets and others	35	18	106	252	95
Adjusted EBITDA	<u>\$ 2,088</u>	<u>\$ 1,137</u>	<u>\$ 908</u>	<u>\$ 4,726</u>	<u>\$ 1,091</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 September 30,		Three Months Ended	Nine Months Ended September 30,	
	2020	2019	June 30, 2020	2020	2019
Revenue	\$ 9,267	\$ 8,257	\$ 7,056	\$ 25,623	\$ 21,236
Cost of revenue (exclusive of depreciation and amortization)	(2,703)	(3,122)	(2,587)	(8,582)	(8,843)
Depreciation and amortization of intangible assets	(1,063)	(689)	(934)	(2,847)	(1,860)
Gross profit	<u>5,501</u>	<u>4,446</u>	<u>3,535</u>	<u>14,194</u>	<u>10,533</u>
Depreciation and amortization of intangible assets	1,063	689	934	2,847	1,860
Adjusted gross profit	<u>\$ 6,564</u>	<u>\$ 5,135</u>	<u>\$ 4,469</u>	<u>\$ 17,041</u>	<u>\$ 12,393</u>
Gross margin	<u>59%</u>	<u>54%</u>	<u>50%</u>	<u>55%</u>	<u>50%</u>
Adjusted gross margin	<u>71%</u>	<u>62%</u>	<u>63%</u>	<u>67%</u>	<u>58%</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 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.

Results of Operations

Three months ended September 30, 2020 compared to three months ended September 30, 2019

Revenue. Revenue increased \$1.0 million or 12% to \$9.3 million for the three months ended September 30, 2020 from \$8.3 million for the three months ended September 30, 2019. This increase was driven by strong growth in usage from existing customers, with growth revenue from existing customers increasing \$1.5 million or 116%. This growth was partially offset by a decrease in revenue from new customers of \$0.7 million or 48%, as a result of Covid-19 related factors. As government mandated stay-at-home orders were lifted and our customers adapted and became more efficient transacting in the Covid-19 environment, our transaction volume returned to pre-Covid levels by the end of the third quarter, with the exception of collection customer volume. Collection customer volume was down \$0.8 million, primarily attributable to our idiVERIFIED service, which is an ancillary collections market offering that is purely transactional and of a lower margin profile, for the three months ended September 30, 2020, as a result of certain government mandated collections moratoria remaining in place during the period. We continued to take a proactive customer centric approach working with customers who were impacted by Covid-19. Customers who had minimum contractual commitments and requested concessions because they were temporarily unable to meet their minimum contractual commitments as a result of Covid-19 were granted reductions, or eliminations where applicable, of minimums on a month-to-month basis. The end date of the customer's agreement was extended by one month for each month of the temporary concession. Our idiCORE billable customer base grew from 4,781 customers as of September 30, 2019 to 5,758 customers as of September 30, 2020. Our FOREWARN user base grew from 23,853 users to 44,927 users during that same period. 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. 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. 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.

Cost of revenue (exclusive of depreciation and amortization). Cost of revenue decreased \$0.4 million or 13% to \$2.7 million for the three months ended September 30, 2020 from \$3.1 million for the three months ended September 30, 2019. Our cost of revenue primarily includes data acquisition costs. Data acquisition costs consist primarily of the costs to acquire data either on a transactional basis or through flat-fee data licensing agreements, including unlimited usage agreements. The decrease in cost of revenue was primarily attributable to the decrease in transactional based data acquisition costs associated with the reduction in our idiVERIFIED services revenue. We continue to enhance the breadth and depth of our data through the addition and expansion of relationships with key data suppliers, including our largest data supplier, which accounted for approximately 48% of our total data acquisition costs for the three months ended September 30, 2020 compared to approximately 40% for the three months ended September 30, 2019. Other cost of revenue items include expenses related to third-party infrastructure fees.

As the construct of our data costs is primarily a flat-fee, unlimited usage model, the cost of revenue as a percentage of revenue decreased to 29% for the three months ended September 30, 2020 from 38% for the three months ended September 30, 2019. We expect that cost of revenue as a percentage of revenue will continue to decrease over the coming years as our revenue increases. Historically, at scale, the industry business model's cost of revenue will trend between 15% and 30% as a percentage of revenue.

Sales and marketing expenses. Sales and marketing expenses increased \$0.3 million or 15% to \$2.2 million for the three months ended September 30, 2020 from \$1.9 million for the three months ended September 30, 2019. Sales and marketing expenses consist of salaries and benefits, advertising and marketing, travel expenses, and share-based compensation expense, incurred by our sales team, and provision for bad debts. The increase during the three months ended September 30, 2020 was primarily attributable to an aggregate of \$0.3 million increase in salaries and benefits, as we continue to invest in the expansion of our sales organization, and sales commissions from increased revenue.

General and administrative expenses. General and administrative expenses increased \$0.6 million or 19% to \$4.1 million for the three months ended September 30, 2020 from \$3.5 million for the three months ended September 30, 2019. The increase during the three months ended September 30, 2020 was primarily attributable to the \$0.4 million increase in share-based compensation expense.

For the three months ended September 30, 2020 and 2019, our general and administrative expenses consisted primarily of employee salaries and benefits of \$1.2 million and \$1.1 million, share-based compensation expense of \$1.7 million and \$1.3 million, and professional fees of \$0.8 million and \$0.6 million, respectively.

Depreciation and amortization. Depreciation and amortization expenses increased \$0.3 million or 49% to \$1.1 million for the three months ended September 30, 2020 from \$0.8 million for the three months ended September 30, 2019. The increase in depreciation and amortization for the three months ended September 30, 2020 resulted primarily from the amortization of software developed for internal use that became ready for its intended use after September 30, 2019.

Loss before income taxes. Loss before income taxes narrowed \$0.1 million or 9% to \$0.9 million for the three months ended September 30, 2020 from \$1.0 million for the three months ended September 30, 2019. The decrease in loss before income taxes was primarily attributable to the increase in revenue and decrease in our cost of revenue as a percentage of revenue, which was partially offset by the increase in share-based compensation expense of \$0.5 million, employee salaries and benefits and sales commission of \$0.4 million, and depreciation and amortization of \$0.3 million.

Income taxes. Income tax expense of \$0 was recognized for the three months ended September 30, 2020 and 2019. A full valuation allowance on the deferred tax assets was recognized as of September 30, 2020 and 2019. See Note 6, "Income Taxes," included in "Notes to Condensed Consolidated Financial Statements," for details.

Net loss. Net loss narrowed \$0.1 million or 7% to \$0.9 million for the three months ended September 30, 2020 from \$1.0 million for the three months ended September 30, 2019, as a result of the foregoing.

Nine months ended September 30, 2020 compared to nine months ended September 30, 2019

Revenue. Revenue increased \$4.4 million or 21% to \$25.6 million for the nine months ended September 30, 2020 from \$21.2 million for the nine months ended September 30, 2019. This increase was driven by strong growth in usage from existing customers, with base revenue from existing customers increasing \$3.8 million or 28% and growth revenue from existing customers increasing \$1.8 million or 54%. This growth was partially offset by a decrease in revenue from new customers of \$1.2 million or 29%, as a result of Covid-19 related factors. During the second and third quarter of 2020, we experienced reduced transaction volume as a result of government mandated stay-at-home orders and certain moratoria on our customer's business activities as a result of Covid-19. We continued to take a proactive customer centric approach working with customers who were impacted by Covid-19. Customers who had minimum contractual commitments and requested concessions because they were temporarily unable to meet their minimum contractual commitments as a result of Covid-19 were granted reductions, or eliminations where applicable, of minimums on a month-to-month basis. The end date of the customer's agreement was extended by one month for each month of the temporary concession. As government mandated stay-at-home orders were lifted and our customers adapted and became more efficient transacting in the Covid-19 environment, our transaction volume returned to pre-Covid levels by the end of the third quarter with the exception of collection customer volume. Collection customer volume was down \$0.7 million for the nine months ended September 30, 2020, primarily attributable to our idiVERIFIED service, which is an ancillary collections market offering that is purely transactional and of a lower margin profile, as a result of certain government mandated collections moratoria remaining in place during the period. Our idiCORE billable customer base grew from 4,781 customers as of September 30, 2019 to 5,758 customers as of September 30, 2020. Our FOREWARN user base grew from 23,853 users to 44,927 users during that same period. 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. 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. 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.

Cost of revenue (exclusive of depreciation and amortization). Cost of revenue decreased \$0.2 million or 3% to \$8.6 million for the nine months ended September 30, 2020 from \$8.8 million for the nine months ended September 30, 2019. Our cost of revenue primarily includes data acquisition costs. Data acquisition costs consist primarily of the costs to acquire data either on a transactional basis or through flat-fee data licensing agreements, including unlimited usage agreements. The decrease in cost of revenue was primarily attributable to the decrease in transactional based data acquisition costs associated with the reduction in our idiVERIFIED services revenue. We continue to enhance the breadth and depth of our data through the addition and expansion of relationships with key data suppliers, including our largest data supplier, which accounted for approximately 45% of our total data acquisition costs for the nine months ended September 30, 2020 compared to approximately 41% for the nine months ended September 30, 2019. Other cost of revenue items include expenses related to third-party infrastructure fees.

As the construct of our data costs is primarily a flat-fee, unlimited usage model, the cost of revenue as a percentage of revenue decreased to 33% for the nine months ended September 30, 2020 from 42% for the nine months ended September 30, 2019. We expect that cost of revenue as a percentage of revenue will continue to decrease over the coming years as our revenue increases. Historically, at scale, the industry business model's cost of revenue will trend between 15% and 30% as a percentage of revenue.

Sales and marketing expenses. Sales and marketing expenses increased \$0.7 million or 13% to \$6.1 million for the nine months ended September 30, 2020 from \$5.4 million for the nine months ended September 30, 2019. Sales and marketing expenses consist of salaries and benefits, advertising and marketing, travel expenses, and share-based compensation expense, incurred by our sales team, and provision for bad debts. The increase during the nine months ended September 30, 2020 was primarily attributable to an aggregate of \$0.5 million increase in salaries and benefits, as we continue to invest in the expansion of our sales organization, and sales commissions from increased revenue.

General and administrative expenses. General and administrative expenses increased \$1.5 million or 14% to \$12.8 million for the nine months ended September 30, 2020 from \$11.3 million for the nine months ended September 30, 2019. The increase during the nine months ended September 30, 2020 was primarily attributable to the \$1.0 million increase in share-based compensation expense.

For the nine months ended September 30, 2020 and 2019, our general and administrative expenses consisted primarily of employee salaries and benefits of \$3.4 million and \$3.1 million, share-based compensation expense of \$6.0 million and \$5.0 million, and professional fees of \$1.9 million and \$1.8 million, respectively.

Depreciation and amortization. Depreciation and amortization expenses increased \$1.0 million or 47% to \$3.0 million for the nine months ended September 30, 2020 from \$2.0 million for the nine months ended September 30, 2019. The increase in depreciation and amortization for the nine months ended September 30, 2020 resulted primarily from the amortization of software developed for internal use that became ready for its intended use after September 30, 2019.

Loss before income taxes. Loss before income taxes narrowed \$1.3 million or 21% to \$4.9 million for the nine months ended September 30, 2020 from \$6.2 million for the nine months ended September 30, 2019. The decrease in loss before income taxes was primarily attributable to the increase in revenue and the decrease in our cost of revenue as a percentage of revenue, which was partially offset by the increase in share-based compensation expense of \$1.1 million, depreciation and amortization of \$1.0 million, and salaries and benefits and sales commission of \$0.8 million.

Income taxes. Income tax expense of \$0 was recognized for the nine months ended September 30, 2020 and 2019. A full valuation allowance on the deferred tax assets was recognized as of September 30, 2020 and 2019. See Note 6, "Income Taxes," included in "Notes to Condensed Consolidated Financial Statements," for details.

Net loss. Net loss narrowed \$1.3 million or 21% to \$4.9 million for the nine months ended September 30, 2020 from \$6.2 million for the nine months ended September 30, 2019, as a result of the foregoing.

Effect of Inflation

The rates of inflation experienced in recent years have had no material impact on our financial statements. We attempt to recover increased costs by increasing prices for our services, to the extent permitted by contracts and competition.

Liquidity and Capital Resources

Cash flows provided by operating activities. For the nine months ended September 30, 2020, net cash provided by operating activities was \$4.7 million, primarily the result of the net loss of \$4.9 million, adjusted for certain non-cash items (consisting of share-based compensation expense, depreciation and amortization, write-off of long-lived assets, provision for bad debts, and noncash lease expenses) totaling \$10.3 million, and the cash used as a result of changes in assets and liabilities of \$0.6 million, primarily the result of the decrease in accrued expenses and other current liabilities and operating lease liabilities. For the nine months ended September 30, 2019, net cash provided by operating activities was \$0.4 million, primarily the result of the net loss of \$6.2 million, adjusted for certain non-cash items, as mentioned above, totaling \$8.1 million, and the cash used as a result of changes in assets and liabilities of \$1.4 million, primarily the result of the increase in accounts receivable and decrease in operating lease liabilities.

Cash flows used in investing activities. For the nine months ended September 30, 2020 and 2019, net cash used in investing activities was \$4.4 million and \$4.5 million, respectively, primarily as a result of capitalized costs included in intangible assets.

Cash flows provided by financing activities. For the nine months ended September 30, 2020, net cash provided by financing activities was \$0.3 million. On May 5, 2020, we received funding under a promissory note dated May 5, 2020 evidencing the Loan in the principal amount of \$2.2 million under the CARES Act. The Loan has a two-year term and matures on May 5, 2022. The interest rate on the Loan is 1.0% per annum. Payments can be deferred until loan forgiveness is determined, or if we do not apply for forgiveness, then 10 months after the covered period ends. We intend to apply for forgiveness by the end of December 2020. In addition, we paid taxes of \$1.8 million related to the net share settlement of vesting of restricted stock units during the nine months ended September 30, 2020. For the nine months ended September 30, 2019, net cash provided by financing activities of \$7.4 million was as a result of the net proceeds raised through a registered direct offering in August 2019.

As of September 30, 2020, we had material commitments under certain data licensing agreements of \$9.0 million. We anticipate funding our operations using available cash and cash flow generated from operations within the next twelve months.

We reported net loss of \$0.9 million and \$1.0 million for the three months ended September 30, 2020 and 2019, respectively, and \$4.9 million and \$6.2 million for the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, we had a total shareholders' equity balance of \$43.2 million.

As of September 30, 2020, we had cash and cash equivalents of approximately \$12.4 million. Based on projections of growth in revenue and operating results in the next twelve months, and the available cash and cash equivalents held by us, we believe that we will have sufficient cash resources to finance our operations and expected capital expenditures for the next twelve months.

We further believe that our financial resources will allow us to manage the impact of Covid-19 on the Company's business operations for the foreseeable future. However, subject to revenue growth, our ability to generate positive cash flow, and the potential impact of Covid-19, we may have to raise capital through the issuance of additional equity and/or debt, which, if we are able to obtain, could have the effect of diluting stockholders. Any equity or debt financings, if available at all, may be on terms which are not favorable to us.

Off-Balance Sheet Arrangements

As of September 30, 2020, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company as defined in Rule 12b-2 of the Exchange Act, we are not required to include information required by this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2020. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Based on the evaluation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act), the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2020.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the fiscal quarter ended September 30, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not currently a party to any legal proceeding, investigation or claim which, in the opinion of the management, is likely to have a material adverse effect on the business, financial condition, results of operations or cash flows. Legal fees associated with any legal proceedings, are expensed as incurred. We review legal proceedings and claims on an ongoing basis and follow appropriate accounting guidance, including ASC 450, when making accrual and disclosure decisions. We establish accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. We do not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated.

We may be involved in litigation from time to time in the ordinary course of business. We do not believe that the ultimate resolution of any such matters will have a material adverse effect on our business, financial condition, results of operations or cash flows. However, the results of such matters cannot be predicted with certainty and we cannot assure you that the ultimate resolution of any legal or administrative proceeding or dispute will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Item 1A. Risk Factors.

There were no material changes to the risk factors identified in the Company's 2019 Form 10-K, except as noted below.

The ongoing and developing Covid-19 pandemic and the global attempt to contain it may adversely impact our business, our future results of operations and our overall financial performance.

The global spread of Covid-19 and the various attempts to contain it have created significant volatility, uncertainty and economic disruption. In response to government mandates and health care advisories, we have altered certain aspects of our operations. A certain segment of our employee base continues to work from home, which may impact productivity. We have curtailed company travel to ensure the safety of our employees, customers, vendors, and shareholders. The economic disruption has adversely impacted many of our customers and vendors.

The full extent to which the Covid-19 pandemic and the various responses to it impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the availability and cost to access the capital markets; the effect on our customers and customer demand for and ability to pay for our services; and disruptions or restrictions on our employees' ability to work and travel. In addition, any preventative or protective actions that governments implement or that we take in respect of Covid-19, such as travel restrictions or stay-at-home orders, may interfere with the ability of our employees and vendors to perform their respective responsibilities and obligations relative to the conduct of our business. Such results could have a material adverse effect on our operations, business, financial condition, results of operations, or cash flows.

We are closely monitoring the ongoing and developing impact of the Covid-19 pandemic, continually assessing its potential effects on our business. The extent to which our results are affected by Covid-19 will largely depend on future developments which cannot be accurately predicted and are uncertain, but the Covid-19 pandemic or the perception of its effects could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Our CARES Act Loan may be subject to regulatory review resulting from unclear subjective and objective eligibility requirements for the loan.

On May 5, 2020, we received funding of \$2,152,000 under the CARES Act Loan. The Loan application required us to certify, among other things, that the current economic uncertainty made the Loan request necessary to support our ongoing operations. While we made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital, and believe that we satisfied all eligibility criteria for the Loan, the certification described above does not contain any objective criteria and is subject to interpretation. If, despite our good faith belief that we satisfied all eligibility requirements for the Loan, we are found to have been ineligible to receive the Loan or in violation of any of the laws or governmental regulations that apply to us in connection with the Loan, we may be subject to penalties, including significant civil, criminal and administrative penalties and could be required to repay the Loan. We intend to seek forgiveness of all or a portion of the Loan. As such, we will be required to make certain certifications which will be subject to audit and review by governmental entities and could subject us to significant penalties and liabilities if found to be inaccurate. In addition, our receipt of the Loan may result in adverse publicity and damage to our reputation, and a review or audit by a government entity could consume significant financial and management resources. Any of these events could harm our business, results of operations and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

On November 9, 2020, the Company and each of Derek Dubner, Chief Executive Officer, James Reilly, President, Daniel MacLachlan, Chief Financial Officer and Jeffrey Dell, Chief Information Officer entered into an amendment to their respective employment agreements which extended the term expiration date by three years, from March 26, 2021 to March 26, 2024.

Item 6. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>				<u>Filed Herewith</u>
		<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	
31.1	Certification of Chief Executive Officer filed pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer filed pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).					X
*	This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.					

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 thereunto duly authorized.

November 10, 2020

Red Violet, Inc.

By: /s/ Daniel MacLachlan
Daniel MacLachlan
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATIONS

I, Derek Dubner, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Red Violet, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 10, 2020

By: /s/ Derek Dubner

Derek Dubner
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Daniel MacLachlan, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Red Violet, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 10, 2020

By: /s/ Daniel MacLachlan
Daniel MacLachlan
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Red Violet, Inc. for the quarter ended September 30, 2020 (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge and belief, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Red Violet, Inc.

November 10, 2020

By: /s/ Derek Dubner

Derek Dubner
Chief Executive Officer
(Principal Executive Officer)

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes—Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Red Violet, Inc. or the certifying officers.

**CERTIFICATION PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Red Violet, Inc. for the quarter ended September 30, 2020 (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge and belief, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Red Violet, Inc.

November 10, 2020

By: /s/ Daniel MacLachlan
Daniel MacLachlan
Chief Financial Officer
(Principal Financial and Accounting Officer)

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes—Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Red Violet, Inc. or the certifying officers.