

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (date of earliest event reported): August 7, 2024

RED VIOLET, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-38407
(Commission
File Number)

82-2408531
(I.R.S. Employer
Identification Number)

2650 North Military Trail, Suite 300, Boca Raton, FL 33431
(Address of principal executive offices)

561-757-4000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	RDVT	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On August 7, 2024, Red Violet, Inc., a Delaware corporation (the “Company”), issued a press release announcing its financial results for the second quarter ended June 30, 2024 (the “Earnings Release”). A copy of the Earnings Release is furnished herewith as Exhibit 99.1.

Also on August 7, 2024, following the issuance of the Earnings Release, the Company conducted a conference call to discuss the reported financial results for the second quarter ended June 30, 2024. The Company had issued a press release on July 30, 2024 to announce the scheduling of the conference call. A copy of the transcript of the conference call is furnished herewith as Exhibit 99.2.

The information included herein and in Exhibit 99.1 and Exhibit 99.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (“Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

99.1 [Press Release, dated August 7, 2024](#)

99.2 [August 7, 2024 conference call transcript](#)

104 Cover page Interactive Data File (embedded within the inline XBRL file).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Red Violet, Inc.

Date: August 9, 2024

By: /s/ Derek Dubner

Derek Dubner

Chief Executive Officer (Principal Executive Officer)

red violet Announces Second Quarter 2024 Financial Results

Revenue Increases 30% to a Record \$19.1 Million, Generating GAAP EPS of \$0.19

BOCA RATON, Fla. – August 7, 2024 – Red Violet, Inc. (NASDAQ: RDVT), a leading analytics and information solutions provider, today announced financial results for the quarter ended June 30, 2024.

“We are pleased to deliver a very strong quarter, achieving new highs across all key metrics driven by broad-based demand for our solutions,” stated Derek Dubner, red violet’s CEO. “Our second quarter results reflect the ongoing success of the strategic initiatives implemented over the past eighteen months. This marks the strongest first half results in our history, and we remain confident in our ability to sustain this momentum and continue driving accelerated growth in the quarters ahead.”

Second Quarter Financial Results

For the three months ended June 30, 2024, as compared to the three months ended June 30, 2023:

- Total revenue increased 30% to \$19.1 million.
- Gross profit increased 41% to \$13.3 million. Gross margin increased to 70% from 64%.
- Adjusted gross profit increased 36% to \$15.6 million. Adjusted gross margin increased to 82% from 78%.
- Net income increased 90% to \$2.6 million, which resulted in earnings of \$0.19 per basic and diluted share. Net income margin increased to 14% from 9%.
- Adjusted EBITDA increased 47% to \$6.8 million. Adjusted EBITDA margin increased to 36% from 32%.
- Adjusted net income increased 33% to \$3.9 million, which resulted in adjusted earnings of \$0.28 per basic and diluted share.
- Net cash provided by operating activities increased 61% to \$5.7 million.
- Cash and cash equivalents were \$30.9 million as of June 30, 2024.

Second Quarter and Recent Business Highlights

- Added 236 customers to IDI™ during the second quarter, ending the quarter with 8,477 customers.
- Added 27,237 users to FOREWARN® during the second quarter, ending the quarter with 263,876 users. Over 490 REALTOR® Associations throughout the U.S. are now contracted to use FOREWARN.
- Purchased 15,804 shares of the Company’s common stock during the second quarter at an average price of \$18.61 per share pursuant to the Company’s \$15.0 million Stock Repurchase Program, as amended, that was initially authorized on May 2, 2022. Total shares purchased during the first half of 2024 was 292,744 shares at an average price of \$19.81 per share. The Company has \$4.6 million remaining under the Stock Repurchase Program.

Conference Call

In conjunction with this release, red violet will host a conference call and webcast today at 4:30pm ET to discuss its quarterly results and provide a business update. Please click [here](#) to pre-register for the conference call and obtain your dial in number and passcode. To access the live audio webcast, visit the Investors section of the red violet website at www.redviolet.com. Please login at least 15 minutes prior to the start of the call to ensure adequate time for any downloads that may be required. Following the completion of the conference call, an archived webcast of the conference call will be available on the Investors section of the red violet website at www.redviolet.com.

About red violet®

At red violet, we build proprietary technologies and apply analytical capabilities to deliver identity intelligence. Our technology powers critical solutions, which empower organizations to operate with confidence. Our solutions enable the real-time identification and location of people, businesses, assets and their interrelationships. These solutions are used for purposes including identity verification, risk mitigation, due diligence, fraud detection and prevention, regulatory compliance, and customer acquisition. Our intelligent platform, CORE™, is purpose-built for the enterprise, yet flexible enough for organizations of all sizes, bringing clarity to massive datasets by transforming data into intelligence. Our solutions are used today to enable frictionless commerce, to ensure safety, and to reduce fraud and the concomitant expense borne by society. For more information, please visit www.redviolet.com.

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Use of Non-GAAP Financial Measures

Management evaluates the financial performance of our business on a variety of key indicators, including non-GAAP metrics of adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and free cash flow ("FCF"). Adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on US GAAP, excluding interest income, net, income tax expense, depreciation and amortization, share-based compensation expense, litigation costs, and write-off of long-lived assets and others. We define adjusted EBITDA margin as adjusted EBITDA as a percentage of revenue. Adjusted net income is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on US GAAP, excluding share-based compensation expense, and amortization of share-based compensation capitalized in intangible assets, and including the tax effect of adjustments. We define adjusted earnings per share as adjusted net income divided by the weighted average shares outstanding. We define adjusted gross profit as revenue less cost of revenue (exclusive of depreciation and amortization), and adjusted gross margin as adjusted gross profit as a percentage of revenue. We define FCF as net cash provided by operating activities reduced by purchase of property and equipment, and capitalized costs included in intangible assets.

FORWARD-LOOKING STATEMENTS

This press release contains "forward-looking statements," as that term is defined under the Private Securities Litigation Reform Act of 1995 (PSLRA), which statements may be identified by words such as "expects," "plans," "projects," "will," "may," "anticipate," "believes," "should," "intends," "estimates," and other words of similar meaning. Such forward looking statements are subject to risks and uncertainties that are often difficult to predict, are beyond our control and which may cause results to differ materially from expectations, including whether we will be able to sustain our 2024 momentum and continue driving accelerated growth in the quarters ahead. Readers are cautioned not to place undue reliance on these forward-looking statements, which are based on our expectations as of the date of this press release and speak only as of the date of this press release and are advised to consider the factors listed above together with the additional factors under the heading "Forward-Looking Statements" and "Risk Factors" in red violet's Form 10-K for the year ended December 31, 2023, filed on March 7, 2024, as may be supplemented or amended by the Company's other SEC filings. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

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

	June 30, 2024	December 31, 2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 30,943	\$ 32,032
Accounts receivable, net of allowance for doubtful accounts of \$196 and \$159 as of June 30, 2024 and December 31, 2023, respectively	7,963	7,135
Prepaid expenses and other current assets	1,483	1,113
Total current assets	40,389	40,280
Property and equipment, net	598	592
Intangible assets, net	35,487	34,403
Goodwill	5,227	5,227
Right-of-use assets	2,185	2,457
Deferred tax assets	8,433	9,514
Other noncurrent assets	1,133	517
Total assets	\$ 93,452	\$ 92,990
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 1,969	\$ 1,631
Accrued expenses and other current liabilities	594	1,989
Current portion of operating lease liabilities	529	569
Deferred revenue	597	690
Total current liabilities	3,689	4,879
Noncurrent operating lease liabilities	1,765	1,999
Total liabilities	5,454	6,878
Shareholders' equity:		
Preferred stock—\$0.001 par value, 10,000,000 shares authorized, and 0 shares issued and outstanding, as of June 30, 2024 and December 31, 2023	-	-
Common stock—\$0.001 par value, 200,000,000 shares authorized, 13,744,189 and 13,980,274 shares issued, and 13,731,385 and 13,970,846 shares outstanding, as of June 30, 2024 and December 31, 2023	14	14
Treasury stock, at cost, 12,804 and 9,428 shares as of June 30, 2024 and December 31, 2023	(236)	(188)
Additional paid-in capital	91,672	94,159
Accumulated deficit	(3,452)	(7,873)
Total shareholders' equity	87,998	86,112
Total liabilities and shareholders' equity	\$ 93,452	\$ 92,990

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 19,056	\$ 14,680	\$ 36,567	\$ 29,306
Costs and expenses⁽¹⁾:				
Cost of revenue (exclusive of depreciation and amortization)	3,455	3,240	7,211	6,419
Sales and marketing expenses	4,406	3,078	8,118	6,967
General and administrative expenses	5,750	5,075	11,540	10,316
Depreciation and amortization	2,377	2,054	4,647	3,970
Total costs and expenses	<u>15,988</u>	<u>13,447</u>	<u>31,516</u>	<u>27,672</u>
Income from operations	3,068	1,233	5,051	1,634
Interest income, net	314	315	679	601
Income before income taxes	3,382	1,548	5,730	2,235
Income tax expense	745	160	1,309	131
Net income	<u>\$ 2,637</u>	<u>\$ 1,388</u>	<u>\$ 4,421</u>	<u>\$ 2,104</u>
Earnings per share:				
Basic	\$ 0.19	\$ 0.10	\$ 0.32	\$ 0.15
Diluted	<u>\$ 0.19</u>	<u>\$ 0.10</u>	<u>\$ 0.31</u>	<u>\$ 0.15</u>
Weighted average shares outstanding:				
Basic	13,780,074	13,961,862	13,888,569	13,979,411
Diluted	<u>14,051,466</u>	<u>14,172,024</u>	<u>14,129,262</u>	<u>14,180,614</u>

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

Sales and marketing expenses	\$ 158	\$ 125	\$ 296	\$ 232
General and administrative expenses	1,235	1,180	2,499	2,457
Total	<u>\$ 1,393</u>	<u>\$ 1,305</u>	<u>\$ 2,795</u>	<u>\$ 2,689</u>

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

	Six Months Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,421	\$ 2,104
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,647	3,970
Share-based compensation expense	2,795	2,689
Write-off of long-lived assets	-	3
Provision for bad debts	224	789
Noncash lease expenses	272	293
Deferred income tax expense	1,081	124
Changes in assets and liabilities:		
Accounts receivable	(1,052)	(1,810)
Prepaid expenses and other current assets	(370)	(554)
Other noncurrent assets	(616)	(164)
Accounts payable	338	(535)
Accrued expenses and other current liabilities	(1,351)	(1,451)
Deferred revenue	(93)	(43)
Operating lease liabilities	(274)	(337)
Net cash provided by operating activities	<u>10,022</u>	<u>5,078</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(117)	(51)
Capitalized costs included in intangible assets	(4,738)	(4,509)
Net cash used in investing activities	<u>(4,855)</u>	<u>(4,560)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Taxes paid related to net share settlement of vesting of restricted stock units	(403)	(50)
Repurchases of common stock	(5,853)	(910)
Net cash used in financing activities	<u>(6,256)</u>	<u>(960)</u>
Net decrease in cash and cash equivalents	\$ (1,089)	\$ (442)
Cash and cash equivalents at beginning of period	32,032	31,810
Cash and cash equivalents at end of period	\$ 30,943	\$ 31,368
SUPPLEMENTAL DISCLOSURE INFORMATION:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ 439	\$ 22
Share-based compensation capitalized in intangible assets	\$ 882	\$ 872
Retirement of treasury stock	\$ 6,164	\$ 938

Use and Reconciliation of Non-GAAP Financial Measures

Management evaluates the financial performance of our business on a variety of key indicators, including non-GAAP metrics of adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and FCF. Adjusted EBITDA is a financial measure equal to net income, the most directly comparable financial measure based on GAAP, excluding interest income, net, income tax expense, depreciation and amortization, share-based compensation expense, litigation costs, and write-off of long-lived assets and others. We define adjusted EBITDA margin as adjusted EBITDA as a percentage of revenue. Adjusted net income is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on US GAAP, excluding share-based compensation expense, and amortization of share-based compensation capitalized in intangible assets, and including the tax effect of adjustments. We define adjusted earnings per share as adjusted net income divided by the weighted average shares outstanding. We define adjusted gross profit as revenue less cost of revenue (exclusive of depreciation and amortization), and adjusted gross margin as adjusted gross profit as a percentage of revenue. We define FCF as net cash provided by operating activities reduced by purchase of property and equipment, and capitalized costs included in intangible assets.

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

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 2,637	\$ 1,388	\$ 4,421	\$ 2,104
Interest income, net	(314)	(315)	(679)	(601)
Income tax expense	745	160	1,309	131
Depreciation and amortization	2,377	2,054	4,647	3,970
Share-based compensation expense	1,393	1,305	2,795	2,689
Litigation costs	(27)	45	-	48
Write-off of long-lived assets and others	-	-	7	2
Adjusted EBITDA	\$ 6,811	\$ 4,637	\$ 12,500	\$ 8,343
Revenue	\$ 19,056	\$ 14,680	\$ 36,567	\$ 29,306
Net income margin	14%	9%	12%	7%
Adjusted EBITDA margin	36%	32%	34%	28%

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

(Dollars in thousands, except share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 2,637	\$ 1,388	\$ 4,421	\$ 2,104
Share-based compensation expense	1,393	1,305	2,795	2,689
Amortization of share-based compensation capitalized in intangible assets	286	235	561	457
Tax effect of adjustments ⁽¹⁾	(425)	-	(733)	-
Adjusted net income	\$ 3,891	\$ 2,928	\$ 7,044	\$ 5,250
Earnings per share:				
Basic	\$ 0.19	\$ 0.10	\$ 0.32	\$ 0.15
Diluted	\$ 0.19	\$ 0.10	\$ 0.31	\$ 0.15
Adjusted earnings per share:				
Basic	\$ 0.28	\$ 0.21	\$ 0.51	\$ 0.38
Diluted	\$ 0.28	\$ 0.21	\$ 0.50	\$ 0.37
Weighted average shares outstanding:				
Basic	13,780,074	13,961,862	13,888,569	13,979,411
Diluted	14,051,466	14,172,024	14,129,262	14,180,614

(1) The tax effect of adjustments is calculated using the expected federal and state statutory tax rate. The expected federal and state income tax rate was approximately 25.75% for the three and six months ended June 30, 2024. There was no tax effect of such adjustments for the three and six months ended June 30, 2023, as a full valuation allowance was provided for the net deferred tax assets.

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

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 19,056	\$ 14,680	\$ 36,567	\$ 29,306
Cost of revenue (exclusive of depreciation and amortization)	(3,455)	(3,240)	(7,211)	(6,419)
Depreciation and amortization of intangible assets	(2,322)	(1,995)	(4,536)	(3,853)
Gross profit	13,279	9,445	24,820	19,034
Depreciation and amortization of intangible assets	2,322	1,995	4,536	3,853
Adjusted gross profit	\$ 15,601	\$ 11,440	\$ 29,356	\$ 22,887
Gross margin	70%	64%	68%	65%
Adjusted gross margin	82%	78%	80%	78%

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

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net cash provided by operating activities	\$ 5,717	\$ 3,547	\$ 10,022	\$ 5,078
Less:				
Purchase of property and equipment	(52)	(7)	(117)	(51)
Capitalized costs included in intangible assets	(2,411)	(2,236)	(4,738)	(4,509)
Free cash flow	\$ 3,254	\$ 1,304	\$ 5,167	\$ 518

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

We believe adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and FCF are relevant and provide useful information frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies similar to ours and are indicators of the operational strength of our business. We believe adjusted EBITDA eliminates the uneven effect of considerable amounts of non-cash depreciation and amortization, share-based compensation expense and the impact of other non-recurring items, providing useful comparisons versus prior periods or forecasts. Adjusted EBITDA margin is calculated as adjusted EBITDA as a percentage of revenue. We believe adjusted net income provides additional means of evaluating period-over-period operating performance by eliminating certain non-cash expenses and other items that might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. Adjusted net income is a non-GAAP financial measure equal to net income, excluding share-based compensation expense, and amortization of share-based compensation capitalized in intangible assets, and including the tax effect of adjustments. We define adjusted earnings per share as adjusted net income divided by the weighted average shares outstanding. Our adjusted gross profit is a measure used by management in evaluating the business's current operating performance by excluding the impact of prior historical costs of assets that are expensed systematically and allocated over the estimated useful lives of the assets, which may not be indicative of the current operating activity. 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. We believe FCF is an important liquidity measure of the cash that is available, after capital expenditures, for operational expenses and investment in our business. FCF is a measure used by management to understand and evaluate the business's operating performance and trends over time. FCF is calculated by using net cash provided by operating activities, less purchase of property and equipment, and capitalized costs included in intangible assets.

Adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, adjusted gross profit, adjusted gross margin, and FCF are not intended to be performance measures that should be regarded as an alternative to, or more meaningful than, financial measures presented in accordance with US GAAP. In addition, FCF is not intended to represent our residual cash flow available for discretionary expenses and is not necessarily a measure of our ability to fund our cash needs. The way we measure adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, adjusted gross profit, adjusted gross

margin, and FCF may not be comparable to similarly titled measures presented by other companies, and may not be identical to corresponding measures used in our various agreements.

SUPPLEMENTAL METRICS

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

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

(Dollars in thousands)	(Unaudited)							
	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24
Customer metrics								
IDI - billable customers ⁽¹⁾	6,873	7,021	7,256	7,497	7,769	7,875	8,241	8,477
FOREWARN - users ⁽²⁾	110,051	116,960	131,348	146,537	168,356	185,380	236,639	263,876
Revenue metrics								
Contractual revenue % ⁽³⁾	68 %	77 %	75 %	79 %	79 %	82 %	78 %	74 %
Gross revenue retention % ⁽⁴⁾	94 %	95 %	94 %	94 %	94 %	92 %	93 %	94 %
Other metrics								
Employees - sales and marketing	64	68	61	63	65	71	76	86
Employees - support	10	10	10	9	9	9	10	10
Employees - infrastructure	25	28	27	26	27	27	29	27
Employees - engineering	52	54	47	47	47	51	51	56
Employees - administration	26	27	25	25	25	25	25	25

- (1) We define a billable customer of IDI as a single entity that generated revenue in the last three months of the period. Billable customers are typically corporate organizations. In most cases, corporate organizations will have multiple users and/or departments purchasing our solutions, however, we count the entire organization as a discrete customer.
- (2) We define a user of FOREWARN as a unique person that has a subscription to use the FOREWARN service as of the last day of the period. A unique person can only have one user account.
- (3) Contractual revenue % represents revenue generated from customers pursuant to pricing contracts containing a monthly fee and any additional overage divided by total revenue. Pricing contracts are generally annual contracts or longer, with auto renewal.
- (4) Gross revenue retention is defined as the revenue retained from existing customers, net of reinstated revenue, and excluding expansion revenue. Revenue is measured once a customer has generated revenue for six consecutive months. Revenue is considered lost when all revenue from a customer ceases for three consecutive months; revenue generated by a customer after the three-month loss period is defined as reinstated revenue. Gross revenue retention percentage is calculated on a trailing twelve-month basis. The numerator of which is revenue lost during the period due to attrition, net of reinstated revenue, and the denominator of which is total revenue based on an average of total revenue at the beginning of each month during the period, with the quotient subtracted from one. Beginning Q4'22, our gross revenue retention calculation excludes revenue from idiVERIFIED, which is purely transactional and currently represents less than 3% of total revenue.

Exhibit 99.2

Red Violet, Inc. (NASDAQ: RDVT)

Second Quarter 2024 Earnings Results Conference Call

Company Participants:

Camilo Ramirez, Senior Vice President, Finance and Investor Relations

Derek Dubner, Chairman and Chief Executive Officer

Dan MacLachlan, Chief Financial Officer

Operator:

Good day ladies and gentlemen, and welcome to red violet's second quarter 2024 earnings conference call. At this time, all participants are in a listen only mode. Later we will conduct a question and answer session and instructions will follow at that time.

As a reminder this call is being recorded.

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

Camilo Ramirez:

Good afternoon and welcome. Thank you for joining us today to discuss our second quarter 2024 financial results.

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

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

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

Securities and Exchange Commission, including the most recent Annual Report on Form 10-K and the subsequent 10-Qs.

During the call, we may present certain non-GAAP financial information relating to adjusted gross profit, adjusted gross margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted earnings per share, and free cash flow.

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

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

Derek Dubner

Thanks Camilo. Good afternoon and thanks to those joining us today to discuss our second quarter 2024 results. Coming off a great first quarter, we are pleased to deliver an even stronger second quarter. The broad-based demand for our solutions that we experienced in the first quarter carried across second quarter, delivering, once again, our highest quarterly revenue and adjusted EBITDA in our company history. We delivered accelerated revenue growth, both year over year and sequentially, while maintaining strong profitability and cash flow, which enables us to continue to invest in our key strategic initiatives. We remain committed to maintaining this accelerated rate of growth and are confident in our ability to carry this momentum throughout the remainder of 2024 and beyond.

Our revenue for the quarter was up 30% to a record \$19.1 million, producing a record adjusted gross profit of \$15.6 million and record margin of 82%. Adjusted EBITDA was up 47% to a record \$6.8 million, producing a record margin of 36%. Also records, adjusted net income increased 33% to \$3.9 million, resulting in adjusted earnings of 28 cents per share.

Our revenue growth was healthy across verticals. Law enforcement, which is part of our Investigative vertical, continues to be a standout as local, state, and federal agencies grow to appreciate the competitive differentiation in our data accuracy, derived relationships and connections, and unparalleled search capability and functionality. Financial and Corporate Risk produced another strong quarter and our Collections vertical once again experienced double-digit percentage growth. We continue to execute upon a deep sales pipeline, and we are seeing solid progress within several of our early-stage industries, including Government, Background Screening support, and Marketing Services. Volumes throughout the quarter remained consistently strong as the economic environment is particularly favorable for our durable and balanced business model. A large cohort of the consumer population is doing very well as they have portfolios of equities, real estate, and investments delivering solid income, which is driving new account openings and purchases and increasing reliance on our solutions in the way of identity verification and KYC. A segment of consumers unfortunately continues to be negatively impacted by the effects of inflation and the runoff of government subsidies such that certain

industries we serve, such as Collections, Legal, and Repossession, are driving increasing demand for our solutions.

We are very excited to deliver such a strong quarter and the strongest first half results in our history. Our strategic initiatives over the past eighteen months are driving the acceleration in our business and we are early in this multi-year plan. Our volumes are not only increasing, but they are increasing consistently across the board and driving healthy dollars to the bottom line. We are investing in the business to continue to widen the moat around our cloud-native technology platform, to develop differentiated solutions, and to enhance our marketing efforts which are increasing brand awareness, all of which continue to power our further penetration of existing and new verticals. We are very excited about the remainder of 2024 and beyond.

With that, I turn it over to Dan to discuss the financials.

Dan MacLachlan

Thank you, Derek, and good afternoon. The second quarter was a great quarter for red violet. We continue to experience increasing transaction volume throughout the customer base. Customer growth on the IDI side and user growth on the FOREWARN side remain strong. Revenue increased 30% to a record \$19.1 million, producing a record \$6.8 million in adjusted EBITDA, resulting in record adjusted EBITDA margin of 36% in the second quarter. As discussed for a few quarters now, we continue to see increasing opportunity within several new markets we have focused on, including public sector, background screening support, and marketing services. As a result of that increasing opportunity, we have leaned in with our go-to-market investments, adding ten new members to our sales and marketing team in the second quarter. We continue to experience strong pipeline growth and conversion in these key areas.

Turning now to our second quarter results, for clarity, all the comparisons I will discuss today will be against the second quarter of 2023, unless noted otherwise.

Total revenue was a record \$19.1 million, a 30% increase over prior year. We produced a record \$15.6 million in adjusted gross profit, resulting in a record adjusted gross margin of 82% in the second quarter, up 4-percentage points. Adjusted EBITDA for the quarter was a record \$6.8 million, up 47% over prior year. Adjusted EBITDA margin was a record 36%, up 4-percentage points. Adjusted net income increased 33% to a record \$3.9 million for the quarter, resulting in record adjusted earnings of 28 cents per diluted share.

Moving through the details of our P&L, as mentioned, revenue was \$19.1 million for the second quarter. Included in the \$19.1 million of total revenue was \$1.0 million in one-time transactional revenue as a result of a large opportunity win from an existing customer. Excluding this one-time transactional revenue, revenue would have still increased a healthy 23% in the second quarter.

Within IDI, we saw strong growth across verticals. IDI's billable customer base grew by 236 customers sequentially from the first quarter, ending the quarter at 8,477 customers. Our Investigative vertical led all verticals on a percentage basis with strong double-digit revenue

growth. Led by Law Enforcement, this was the tenth consecutive quarter of sequential revenue growth for our Investigative vertical. We also saw strong double-digit revenue growth within our Financial and Corporate Risk vertical. Our Emerging Markets vertical saw strong double-digit growth across industries, including Retail, Repossession, Legal, and Government. After breaking into double-digit revenue growth for the first time in three years last quarter, our Collections vertical again broke into double-digit revenue growth in the second quarter. While remaining cautiously optimistic about the Collections vertical's continued growth for the remainder of 2024, we are seeing increasing levels of transaction volume throughout our Collections customer base, something we have not seen since the end of 2019, which was pre-COVID. IDI's Real Estate vertical, which does not include FOREWARN, was down approximately 10% for the quarter. This decrease is attributable to market dynamics of limited housing inventory, high mortgage rates, and elevated home prices.

As it relates to FOREWARN, we added 27,237 users during the second quarter. FOREWARN's revenue growth remains stellar, with the second quarter of 2024 representing the seventeenth consecutive quarter of sequential revenue growth. Over 490 Realtor® Associations are now contracted to use FOREWARN.

Our contractual revenue was 74% for the quarter, down 5-percentage points from prior year. This decrease was the result of the \$1.0 million in one-time transactional revenue I discussed earlier. Our gross revenue retention percentage remained unchanged at 94%.

Moving back to the P&L, our cost of revenue (exclusive of depreciation and amortization) increased \$0.3 million or 7% to \$3.5 million. Adjusted gross profit increased 36% to \$15.6 million, producing an adjusted gross margin of 82%, a 4-percentage point increase from prior year.

Sales and marketing expenses increased \$1.3 million or 43% to \$4.4 million for the quarter. The increase was due primarily to an increase in salaries and benefits from the additional headcount added to our sales and marketing team.

General and administrative expenses increased \$0.7 million or 13% to \$5.8 million for the quarter.

Depreciation and amortization increased \$0.3 million or 16% to \$2.4 million for the quarter.

Our net income for the quarter increased \$1.2 million or 90% to \$2.6 million, which produced earnings of 19 cents per diluted share.

Adjusted net income for the quarter increased \$1.0 million or 33% to \$3.9 million, which produced adjusted earnings of 28 cents per diluted share.

Moving on to the balance sheet. Cash and cash equivalents were \$30.9 million at June 30, 2024, compared to \$32.0 million at December 31, 2023. Current assets were \$40.4 million compared to \$40.3 million and current liabilities were \$3.7 million compared to \$4.9 million.

We generated \$5.7 million in cash from operating activities in the second quarter, compared to generating \$3.5 million for the same period in 2023.

We generated \$3.3 million in free cash flow in the second quarter, compared to generating \$1.3 million in the same period 2023.

During the quarter, we purchased 15,804 shares of Company stock under our stock repurchase program at an average price of \$18.61 per share. Year to date through June 30, we have purchased a total of 292,744 shares at an average price of \$19.81 per share. We have \$4.6 million remaining under our stock repurchase program.

In closing, the first half of 2024 has been great. The team is executing. As Derek mentioned earlier, we have had two consecutive quarters of accelerated revenue growth, both year over year and sequentially, while maintaining strong profitability and cash flow. We are excited to continue this trajectory in the back half of 2024 and beyond.

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

Operator (Operator Instructions)

Our first question comes from the line of Josh Nichols with B. Riley. Your line is open.

Josh Nichols

Thanks for taking my question. Pretty phenomenal to see the accelerated growth with record earnings behind it given that Q2 also tends to be a little bit slower, I think, seasonally.

I know the company has been targeting some larger customers moving up market. Clearly, you've been having a lot of success with the company's platform. I was just wondering if you could elaborate on what you've been doing targeting some of these larger \$100,000+ accounts and traction that you've been making with governments and other public agencies as you move up market a little bit.

Derek Dubner

Sure. Thanks, Josh. It's Derek Dubner. Great to talk to you again.

As you probably know and as we've been talking about for the last several quarters, due to our great cash generation, we're able to continue to invest in this business along the way, along the lines of our strategic initiatives or our long-term strategic plan if you will. And in that plan, during these last 18 months, as you mentioned, it is the execution into larger enterprise, which includes not only private sector but public sector.

We have invested in key personnel along the way and sort of are refining our go-to-market strategies in several areas that are very exciting to us in the way of marketing services, background screening support and as I mentioned, government or public sector.

We made a key hire in the public sector with Jonathan McDonald, who has a long history of building relationships in the government sector. He has government clearance, and he has worked at some of the leading companies including TransUnion in building the public sector business out there, so we were very excited to welcome Jonathan McDonald.

We had already started creating our footprint in the public sector. And so Jonathan was an extraordinary add for us to lead the team and build out the team around him that he'd like to have in executing this plan.

We have made multiple hires around Jonathan and his team and have made significant progress in a very short period of time in advancing against the public sector.

We had already been investing in penetrating law enforcement and as you probably know from the last few quarters, have made significant inroads in law enforcement, attracting them to a very differentiated platform and suite of solutions including not only our online interface, which is differentiated but an app that they find to be phenomenal out on the road.

We will continue to invest in those areas and expand our go-to-market if you will.

We added 10 bodies, as Dan mentioned, in those areas, and we continue to invest in the platform's capabilities and continue to invest in the product roadmap, which is very deep, and we're very excited about further penetration into these markets.

Josh Nichols

Thank you so much for providing some color on that. Just given the phenomenal start to the first half, any comments you have about what you're seeing so far, expectations for the back half of '24?

Derek Dubner

What I would say there is nothing has changed. We see the momentum continuing. We're very excited about our positioning right now.

We are executing upon that pipeline as we keep mentioning, and that pipeline is accelerating for us. And we believe that we will continue to carry the momentum throughout the year and into '25, especially where, some of those newer areas we keep talking about, we have only slightly, slightly to minuscule penetration there.

So, we're extraordinarily excited about what we've accomplished year-to-date, which is records for us, and yet there's still little contribution in the big picture from those areas.

Josh Nichols

And then just because you mentioned it previously looking at the investigative unit, specifically law enforcement. It seems that's leading the charge, right, from the IDI side in terms of growth. Any context you could talk about? Is this more new customers? Are you expanding the base with the existing customers? And how big is that overall market opportunity relative to the size of that business today for continued growth potential?

Daniel MacLachlan

Yes. Thanks, Josh. And this is Dan. Thanks again for the question. Yes, look, I mean when we look back about 18 months or so ago, we verticalize that area and put specific sales resources within law enforcement.

We have felt the product was where it needed to be. We had a lot of differentiation in the way we presented the data and information as well as specific tools that can be utilized within law enforcement agencies. And over the 18 months, we have built our brand.

We've added more resources within the sales department, and we've added much more marketing resources to really go out and efficiently attack that market. And we've seen, as we've discussed now for a few quarters, great growth really from new customer adoption across the board.

We're only slightly penetrated into that overall market. There's just probably about 15,000 to 18,000 agencies throughout the country when you look at local, state, federal when you look at a law enforcement perspective, and we've only scratched the surface.

But we're making tremendous progress. And those are the type of customers that we love there. They're highly recurring. They're sticky. Once you get in and whether you unseat the competition or are able to get in there and augment the competition, that's an account that stays with you for a very long time, especially with our differentiation, our data accuracy and the enhanced capabilities we continue to deliver to law enforcement and other industries with search functionality.

Josh Nichols

Well, that's great. I will jump back in the queue and let someone take a turn. Appreciate it.

Derek Dubner

Thanks.

Dan MacLachlan

Thanks.

Operator

I'm showing no further questions at this time. I would now like to turn it back to Derek Dubner for closing remarks.

Derek Dubner

Thank you. We are pleased to deliver another record quarter and the best first half of the year in our history. Our healthy cash generation continues to enable us to invest in our strategic initiatives, which are translating into accelerated growth. We are well positioned for the remainder of the year and beyond. Good afternoon.

Operator

This concludes this participation in today's conference. Thank you.g

