UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (date of earliest event reported): May 8, 2024

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

Delaware	**001-38407**	**82-2408531**
(State or other jurisdiction of incorporation or organization)	**(Commission File Number)**	**(I.R.S. Employer Identification Number)**

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

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

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

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition

On May 8, 2024, Red Violet, Inc., a Delaware corporation (the "Company"), issued a press release announcing its financial results for the first quarter ended March 31, 2024 (the "Earnings Release"). A copy of the Earnings Release is furnished herewith as Exhibit 99.1.

Also on May 8, 2024, following the issuance of the Earnings Release, the Company conducted a conference call to discuss the reported financial results for the first quarter ended March 31, 2024. The Company had issued a press release on April 24, 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 May 8, 2024

99.2 May 8, 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: May 10, 2024	By:	/s/ Derek Dubner
		Derek Dubner
		Chief Executive Officer (Principal Executive Officer)

Exhibit 99.1

red violet Announces First Quarter 2024 Financial Results

Record Revenue of $17.5 Million, an Increase of 20%

BOCA RATON, Fla. – May 8, 2024 – Red Violet, Inc. (NASDAQ: RDVT), a leading analytics and information solutions provider, today announced financial results for the quarter ended March 31, 2024.

"We started 2024 by delivering record sales and strong operating results which reflect the inherent strength of our innovative technology and solutions, and our team's relentless commitment to delivering superior value to our customers," stated Derek Dubner, red violet's CEO. "Our strategic initiatives, which include the expansion of our technology, product suite, and go-to-market capabilities, are paying off, and we continue to see significant opportunities ahead. We remain laser focused on driving sustainable, healthy growth and are well positioned to deliver a strong 2024."

First Quarter Financial Results

For the three months ended March 31, 2024, as compared to the three months ended March 31, 2023:

- Total revenue increased 20% to $17.5 million.
- Gross profit increased 20% to $11.5 million. Gross margin remained consistent at 66%.
- Adjusted gross profit increased 20% to $13.8 million. Adjusted gross margin increased to 79% from 78%.
- Net income increased 149% to $1.8 million, which resulted in earnings of $0.13 per basic and diluted share. Net income margin increased to 10% from 5%.
- Adjusted EBITDA increased 54% to $5.7 million. Adjusted EBITDA margin increased to 32% from 25%.
- Adjusted net income increased 36% to $3.2 million, which resulted in adjusted earnings of $0.23 and $0.22 per basic and diluted share, respectively.
- Net cash provided by operating activities increased 181% to $4.3 million.
- Cash and cash equivalents were $32.1 million as of March 31, 2024.

First Quarter and Recent Business Highlights

- Added 366 customers to IDI™ during the first quarter, ending the quarter with 8,241 customers.
- Added a record 51,259 users to FOREWARN® during the first quarter, ending the quarter with 236,639 users. Over 425 REALTOR® Associations throughout the U.S. are now contracted to use FOREWARN.
- Purchased 291,879 shares of the Company's common stock year to date through April 30, 2024, at an average price of $19.81 per share pursuant to the Company's $15.0 million Stock Repurchase Program, as amended, that was initially authorized on May 2, 2022. As of April 30, 2024, 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 (benefit), 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 our strategic initiatives will lead us to continue to see significant opportunities ahead and whether we are well positioned to deliver a strong 2024. 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)

	March 31, 2024	December 31, 2023
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 32,147	$ 32,032
Accounts receivable, net of allowance for doubtful accounts of $212 and $159 as of March 31, 2024 and December 31, 2023, respectively	7,871	7,135
Prepaid expenses and other current assets	1,491	1,113
Total current assets	41,509	40,280
Property and equipment, net	601	592
Intangible assets, net	34,962	34,403
Goodwill	5,227	5,227
Right-of-use assets	2,323	2,457
Deferred tax assets	9,043	9,514
Other noncurrent assets	361	517
Total assets	$ 94,026	$ 92,990
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 2,353	$ 1,631
Accrued expenses and other current liabilities	4,741	1,989
Current portion of operating lease liabilities	588	569
Deferred revenue	652	690
Total current liabilities	8,334	4,879
Noncurrent operating lease liabilities	1,845	1,999
Total liabilities	10,179	6,878
Shareholders' equity:		
Preferred stock—$0.001 par value, 10,000,000 shares authorized, and 0 shares issued and outstanding, as of March 31, 2024 and December 31, 2023	-	-
Common stock—$0.001 par value, 200,000,000 shares authorized, 13,942,164 and 13,980,274 shares issued, and 13,740,164 and 13,970,846 shares outstanding, as of March 31, 2024 and December 31, 2023	14	14
Treasury stock, at cost, 202,000 and 9,428 shares as of March 31, 2024 and December 31, 2023	(4,143)	(188)
Additional paid-in capital	94,065	94,159
Accumulated deficit	(6,089)	(7,873)
Total shareholders' equity	83,847	86,112
Total liabilities and shareholders' equity	$ 94,026	$ 92,990

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

	Three Months Ended March 31,	
	2024	**2023**
Revenue	$ 17,511	$ 14,626
Costs and expenses[(1)]:		
Cost of revenue (exclusive of depreciation and amortization)	3,756	3,179
Sales and marketing expenses	3,712	3,889
General and administrative expenses	5,790	5,241
Depreciation and amortization	2,270	1,916
Total costs and expenses	15,528	14,225
Income from operations	1,983	401
Interest income, net	365	286
Income before income taxes	2,348	687
Income tax expense (benefit)	564	(29)
Net income	$ 1,784	$ 716
Earnings per share:		
Basic	$ 0.13	$ 0.05
Diluted	$ 0.13	$ 0.05
Weighted average shares outstanding:		
Basic	13,997,064	13,997,154
Diluted	14,164,506	14,236,771

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

Sales and marketing expenses	$ 138	$ 107
General and administrative expenses	1,264	1,277
Total	$ 1,402	$ 1,384

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,784	$ 716
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,270	1,916
Share-based compensation expense	1,402	1,384
Write-off of long-lived assets	-	3
Provision for bad debts	70	668
Noncash lease expenses	134	145
Deferred income tax expense (benefit)	471	(30)
Changes in assets and liabilities:		
Accounts receivable	(806)	(1,022)
Prepaid expenses and other current assets	(378)	(539)
Other noncurrent assets	156	(293)
Accounts payable	722	116
Accrued expenses and other current liabilities	(1,347)	(1,460)
Deferred revenue	(38)	93
Operating lease liabilities	(135)	(166)
Net cash provided by operating activities	4,305	1,531
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(65)	(44)
Capitalized costs included in intangible assets	(2,327)	(2,273)
Net cash used in investing activities	(2,392)	(2,317)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Taxes paid related to net share settlement of vesting of restricted stock units	(383)	(31)
Repurchases of common stock	(1,415)	(175)
Net cash used in financing activities	(1,798)	(206)
Net increase (decrease) in cash and cash equivalents	$ 115	$ (992)
Cash and cash equivalents at beginning of period	32,032	31,810
Cash and cash equivalents at end of period	$ 32,147	$ 30,818
SUPPLEMENTAL DISCLOSURE INFORMATION:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ 1
Share-based compensation capitalized in intangible assets	$ 446	$ 459
Retirement of treasury stock	$ 1,942	$ 31

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 (benefit), 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 March 31, 2024	2023
Net income	$ 1,784	$ 716
Interest income, net	(365)	(286)
Income tax expense (benefit)	564	(29)
Depreciation and amortization	2,270	1,916
Share-based compensation expense	1,402	1,384
Litigation costs	27	3
Write-off of long-lived assets and others	7	2
Adjusted EBITDA	$ 5,689	$ 3,706
Revenue	$ 17,511	$ 14,626
Net income margin	10%	5%
Adjusted EBITDA margin	32%	25%

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

(Dollars in thousands, except share data)	Three Months Ended March 31, 2024	2023
Net income	$ 1,784	$ 716
Share-based compensation expense	1,402	1,384
Amortization of share-based compensation capitalized in intangible assets	275	222
Tax effect of adjustments[(1)]	(308)	-
Adjusted net income	$ 3,153	$ 2,322
Earnings per share:		
Basic	$ 0.13	$ 0.05
Diluted	$ 0.13	$ 0.05
Adjusted earnings per share:		
Basic	$ 0.23	$ 0.17
Diluted	$ 0.22	$ 0.16
Weighted average shares outstanding:		
Basic	13,997,064	13,997,154
Diluted	14,164,506	14,236,771

(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 months ended March 31, 2024. There was no tax effect of such adjustments for the three months ended March 31, 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 March 31, 2024	2023
Revenue	$ 17,511	$ 14,626
Cost of revenue (exclusive of depreciation and amortization)	(3,756)	(3,179)
Depreciation and amortization of intangible assets	(2,214)	(1,858)
Gross profit	11,541	9,589
Depreciation and amortization of intangible assets	2,214	1,858
Adjusted gross profit	$ 13,755	$ 11,447
Gross margin	66 %	66 %
Adjusted gross margin	79 %	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 March 31, 2024	2023
Net cash provided by operating activities	$ 4,305	$ 1,531
Less:		
Purchase of property and equipment	(65)	(44)
Capitalized costs included in intangible assets	(2,327)	(2,273)
Free cash flow	$ 1,913	$ (786)

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.

	(Unaudited)							
(Dollars in thousands)	**Q2'22**	**Q3'22**	**Q4'22**	**Q1'23**	**Q2'23**	**Q3'23**	**Q4'23**	**Q1'24**
Customer metrics								
IDI - billable customers[(1)]	6,817	6,873	7,021	7,256	7,497	7,769	7,875	8,241
FOREWARN - users[(2)]	101,261	110,051	116,960	131,348	146,537	168,356	185,380	236,639
Revenue metrics								
Contractual revenue %[(3)]	80 %	68 %	77 %	75 %	79 %	79 %	82 %	78 %
Gross revenue retention %[(4)]	95 %	94 %	95 %	94 %	94 %	94 %	92 %	93 %
Other metrics								
Employees - sales and marketing	57	64	68	61	63	65	71	76
Employees - support	9	10	10	10	9	9	9	10
Employees - infrastructure	25	25	28	27	26	27	27	29
Employees - engineering	52	52	54	47	47	47	51	51
Employees - administration	27	26	27	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. Prior to Q1'22, FOREWARN revenue was excluded from our gross revenue retention calculation. 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)

First 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 first 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 first 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 thank you for joining us today to discuss our first quarter 2024 results. 2024 is off to a great start as we posted our highest quarterly revenue and adjusted EBITDA in our company history driven by broad-based demand across verticals and strong volumes experienced throughout the quarter. Our strategic initiatives executed over the last 18 months are paying off. We have been investing in our technology, the expansion of our product suite, and our go-to-market capabilities, and these investments are clearly bearing fruit. Our team executed superbly, capitalizing on the increasing realization by our target markets that our innovative solutions are indispensable tools for identity verification, fraud prevention, and

investigations. Our performance this quarter positions us well for 2024 and, in fact, we just closed out the month of April which produced a record revenue month for red violet.
Now, turning to the numbers. Total revenue for the quarter was a record $17.5 million, a 20% increase over prior year. We produced a record $13.8 million in adjusted gross profit, resulting in a margin of 79% in the first quarter. Adjusted EBITDA for the quarter was a record $5.7 million, up 54% over prior year. Adjusted EBITDA margin was 32%, up 7-percentage points. Adjusted net income increased 36% to $3.2 million for the quarter, resulting in adjusted earnings of 22 cents per diluted share.

Our IDI billable customer base grew by a very strong 366 customers sequentially from the fourth quarter, which is our largest sequential quarterly increase since 2020, ending the first quarter at 8,241 customers. FOREWARN added over 51,000 users during the first quarter, the largest quarterly increase in our history, ending the quarter at 236,639 users. Over 425 Realtor® Associations are now contracted to use FOREWARN.

We saw solid contribution from Law Enforcement and Legal, two segments that we have been very focused on and continue to make substantial progress in. We experienced increasing volumes from the diverse identity verification platforms that we power as Financial and Corporate Risk were also strong contributors. Consistent with the last few quarters, we saw continued progress in our Collections vertical, with double-digit percentage growth. We continue to see significant opportunities ahead, in both further penetrating these markets as well as those where we are still very early stage, including Marketing Services, Background Screening, and Government.

We generated $4.3 million in cash from operating activities in the first quarter, a 181% increase from the same period in 2023. Given our continued healthy cash generation, as we previously indicated, we have been leaning into these market opportunities, investing in our technology, various product developments and enhancements, and strategically adding personnel to bolster our go-to-market capabilities. In addition to investing in our business, we purchased just under 300,000 shares of the Company's common stock year to date through April 30, 2024, at an average price of $19.81 per share pursuant to the Company's $15.0 million Stock Repurchase Program. The Company currently has $4.6 million remaining under its Stock Repurchase Program.

To sum up, red violet had a terrific quarter driven by robust and balanced demand across verticals. Given the continuing momentum we are currently experiencing and the opportunities in front of us, we are very optimistic about the remainder of the year. With that, I turn it over to Dan to discuss the financials.

Dan MacLachlan:

Thank you, Derek, and good afternoon. We are pleased to report a great start to the year. Led by strong and increasing volume across the customer base, revenue growth reaccelerated to 20%. We achieved record revenue of $17.5 million and record adjusted EBITDA of $5.7 million in the first quarter, translating nicely into strong EPS and healthy free cash flow. As we discussed last quarter, we continue to see real opportunity in our current endeavors to lean in and accelerate our revenue growth in 2024. The team continues to execute well on these endeavors, with increasing opportunity pipeline and converting that pipeline to wins.

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

Total revenue was a record $17.5 million, a 20% increase over prior year. We produced a record $13.8 million in adjusted gross profit, resulting in a margin of 79% in the first quarter, up 1-percentage point. Adjusted EBITDA for the quarter was a record $5.7 million, up 54% over prior year. Adjusted EBITDA margin was 32%, up 7-percentage points. Adjusted net income increased 36% to $3.2 million for the quarter, resulting in adjusted earnings of 22 cents per diluted share.

Moving through the details of our P&L, as mentioned, revenue was $17.5 million for the first quarter. Within IDI, we saw strong growth across verticals. Collections, for the first time in three years, broke into double-digit percentage revenue growth. Our Investigative vertical continues to perform well, led again by our Law Enforcement segment. The first quarter of 2024 represents the ninth consecutive quarter of sequential revenue growth for our Investigative vertical. Our Emerging Markets vertical also experienced nice growth in the first quarter, with strong contribution from our Legal segment. Within Financial and Corporate Risk, we had a tough comp from last year as the first quarter of 2023 included $0.7 million in one-time non-recurring batch revenue. Excluding this one-time revenue, Financial and Corporate Risk was up double-digits on a percentage basis. IDI's Real Estate vertical, which does not include FOREWARN, was down a few percentage points. Our IDI billable customer base grew by 366 customers sequentially from the fourth quarter, our largest sequential quarter increase since the third quarter of 2020. We ended the first quarter at 8,241 IDI customers.

As it relates to FOREWARN, we added 51,259 users during the first quarter, the largest quarterly increase in our history, led by the initial onboarding of Florida Realtors®, the largest state Realtor® Association in the United States. FOREWARN revenue growth remains strong, with the first quarter of 2024 representing the sixteenth consecutive quarter of sequential revenue growth. Over 425 Realtor® Associations are now contracted to use FOREWARN.

Our contractual revenue was 78% for the quarter, up 3-percentage points from prior year. Our gross revenue retention percentage was 93%, compared to 94% in prior year. We expect our gross revenue retention percentage to trend between 90% and 95% for the foreseeable future.

Moving back to the P&L, our cost of revenue (exclusive of depreciation and amortization) increased $0.6 million or 18% to $3.8 million. This $0.6 million increase was primarily a result of an increase in data acquisition costs from the addition of new data assets. Adjusted gross profit increased 20% to $13.8 million, producing an adjusted gross margin of 79%, a 1-percentage point increase over first quarter 2023.

Sales and marketing expenses decreased $0.2 million or 5% to $3.7 million for the quarter. This decrease was due primarily to a decrease in the provision for bad debts, partially offset by an increase in salaries and benefits. The $3.7 million of sales and marketing expense for the quarter consisted primarily of $2.2 million in employee salaries and benefits and $0.8 million in sales commissions.

General and administrative expenses increased $0.6 million or 10% to $5.8 million for the quarter. This increase was primarily the result of a $0.6 million increase in professional fees. The $5.8 million in general and administrative expenses for the quarter consisted primarily of $2.7 million of employee salaries and benefits, $1.3 million of non-cash share-based compensation expense, and $1.2 million in accounting, IT and other professional fees.

Depreciation and amortization increased $0.4 million or 18% to $2.3 million for the quarter. This increase was primarily the result of the amortization of internally developed software.

Our net income for the quarter increased $1.1 million or 149% to $1.8 million.

We reported earnings of 13 cents per basic and diluted share for the quarter based on a weighted average share count of 14.0 million shares basic and 14.2 million shares diluted.

Adjusted net income for the quarter increased $0.8 million or 36% to $3.2 million, which resulted in adjusted earnings per share of 23 cents basic and 22 cents diluted.

Moving on to the balance sheet. Cash and cash equivalents were $32.1 million at March 31, 2024, compared to $32.0 million at December 31, 2023. Current assets were $41.5 million compared to $40.3 million and current liabilities were $8.3 million compared to $4.9 million. Of note, the $8.3 million dollars in current liabilities included $4.1 million due for the purchase of 200,000 shares of Company stock from the Greater Miami Jewish Federation that settled on April 1, 2024. Following the repurchase, the Greater Miami Jewish Federation was no longer a beneficial holder of any securities of the Company.

We generated $4.3 million in cash from operating activities in the first quarter, compared to generating $1.5 million in cash from operating activities for the same period in 2023.

We generated $1.9 million in free cash flow in the first quarter, compared to negative free cash flow of $0.8 million in the same period 2023.

Cash used in investing activities was $2.4 million for the first quarter, mainly the result of $2.3 million used for software developed for internal use. Cash used in investing activities was $2.3 million for the same period 2023.

Cash used in financing activities was $1.8 million for first quarter, mainly the result of two items. First, the purchase and settlement of 77,149 shares of Company stock for $1.4 million under our stock repurchase program at an average price of $18.30 per share. Second, we acquired 20,867 shares of Company stock for $0.4 million from the net share tax settlement of employee restricted stock units. These shares were withheld in treasury and retired prior to the end of the quarter. During the same period 2023, cash used in financing activities was $0.2 million.

As it relates to our stock repurchase program, we will continue to monitor prevailing market conditions and other opportunities that we have for the use or investment of our cash balances and, as applicable, strategically acquire additional shares in accordance with our repurchase program. Currently, we have approximately $4.6 million remaining under our stock repurchase program.

In closing, 2024 is off to a great start. Revenue is accelerating, we are investing for product and market expansion, our profitability and cash flow remains strong, and we continue to convert a growing opportunity pipeline to wins. We expect 2024 to be an exciting year for red violet.

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

Q&A

Operator:

Operator Instructions

Our first question comes from the line of Josh Nichols of B. Riley.

Josh Nichols:

Yeah, thanks for taking my question and great to see essentially record quarters, particularly for IDI and also FOREWARN customer adds. This quarter, I was curious if you could dive a little bit more into the details, specifically for IDI, where you're seeing such strength to get this acceleration in sub growth? And also if any of these customers are potentially going to be these

$100,000 plus annual revenue accounts that you've kind of been talking about going after more and more as you expand your marketing budget a little bit?

Derek Dubner:
Yes. Thanks, Josh. It's Derek. Great to talk to you.

We saw a very strong activity within IDI throughout the quarter. It was broad-based. As we mentioned, we've had a focus for the last 12 to 18 months on Legal and Law Enforcement, and we have made substantial progress there onboarding new customers and seeing good volume there.

Aside from that, we also mentioned that, as you know, due to the uniqueness of our AI/ML powered platform and the consumer identity graph that we have built out and the accuracy of that identity graph and the way that organizations of all types can access that identity graph through various channels in performing their work,we've seen robust activities, strong volumes from the identity verification platforms where we have become an integral part of their solutions in serving many use cases and in serving a diverse set of industries.

So, we genuinely saw some very good strength, and it was very consistent throughout the quarter.

What I would add there is sentiment seems to be pretty strong within the verticals that we serve with the outbound sales, with some of the subject matter expert sales that we have, we're seeing some real nice sentiment in wanting to hear more about our solutions, what we can do for the end user, how differentiated we are. And so that's very positive, and we believe that's going to be a tailwind.

We've also invested a bit as you know, Josh, in some of our marketing as in the early days, we did very little marketing of our products and solutions. And so we've been building out our marketing capabilities over the last 12 months, and that market awareness has definitely improved and done well for us. Dan, perhaps can comment upon size of customer. Dan, if you will?

Daniel MacLachlan:

Yes. Sure. Josh, this is Dan. Great to talk to you again.

Yeah, I mean when we look at the adds in the first quarter on the IDI side, really good logos across the board, across industries, a lot of opportunity potential within those customers, as it relates to customers who are generating over $100,000 in a yearly basis.

If we look at Q1 on a trailing 12-month basis compared to what we reported at the end of fourth quarter, we have approximately 10 additional customers that are now within that $100,000 or over cohort. So, seeing nice additions there as well as the cohort between $25,000 to $50,000 a year. But when we look at the adds of the 300-plus customers in the first quarter, quality logos across the board, across industries with a lot of potential for future growth.

Josh Nichols:

Thanks. It's great to hear that you're also adding some larger potential revenue generators to that part as well.

I wanted to touch on FOREWARN for a minute.

It's not talked about as much, but you've had so many positive press releases about some of the wins.

I'm just curious what your expectation for the trajectory going forward is for adding new subs to the platform, given the number of wins that you've announced just over the last 90 days or so?

Daniel MacLachlan:

Yes. Sure. This is Dan again. Yes. When we talk about FOREWARN, over the last several years, we've seen great expansion within the market.

We really saw last year a tremendous uptake with associations across the board, an acceleration, if you will, on the amount of associations that we had wins last year.

We would expect to continue to see that trend throughout '24 and into '25.

When we look at kind of the overall level, there's approximately about 1,100 to 1,200 associations throughout the U.S.

As we just reported, we have over 425 associations today.

So plenty of go-get. When we think about it from a realtor perspective, there's approximately 1.6 million realtors under the National Association of REALTORS®.

Of that, I would probably say close to 800,000 to 900,000 are active realtors.

They were selling more than one house a year and so on and so forth. And so, I think where we're at today with the number of users still have plenty of go-get.

So, 2024, we would expect to continue to see that acceleration in the onboarding of associations and carry that into '25.

Josh Nichols:

Thanks, last question for me, then I'll pass it to our chair.

It sounds like really all the end markets are doing pretty well.

I guess, collections have been like the one piece of the business that for the last few years have kind of been facing some challenges, but now that's back to double-digit growth. Do you think the collections business is likely to continue growing this year?

Daniel MacLachlan:

So throughout the year, we've seen good signs.

We've talked about it over the last several quarters, anecdotally hearing from our customers, seeing good metrics come through that vertical. And we're starting to see that actually turn into revenue.

We're very conservative when we look at the business. And I think conservatively, as we look at collections, we're looking that as any significant growth this year as all upside.

But first quarter saw great numbers, good strong volume in April as well. And, so the expectation is we're going to see a nice reversion in that industry. The expectation that would be probably leaving '24 when we'll start to see real solid significant continued growth.

But everything we're seeing now gives us really good indication that the next few quarters should be pretty healthy for collections compared to being flat or down over the last three years.

Derek Dubner:

Yes, Josh, it's Derek. Just adding to that, as you probably know, and as many see, that the consumer, a certain section of the consumer is challenged. Government subsidies have worn off and they're now having to pay their bills; forbearance is gone. And, therefore, first, what we saw were the autos going back, where many bought autos, rates have peaked, or not peaked but at least hit a high level. It looks like we're going to be higher for longer perhaps, or at least until that changes.

And, so, consumers have definitely been challenged there. After autos, credit card delinquencies have moved up. They're at the highest they've been since probably 2012 or so. And, so given those indications and the fact that inflation, at least as of right now, seems to be a little sticky as the deceleration has slowed, it appears that the consumer will continue to be challenged or at least a good number of consumers.

And as we know, it takes a little bit of a process where a consumer goes through that process and it ends up being a collection effort.

Now, given that unemployment is still relatively low, and as long as the consumer is working and able to pay some bills, and continue to be the American consumer, whose always been a robust spender, that may continue for some time.

So, jury's out a little bit on collections, but it's certainly showing durability over the last few quarters.

Josh Nichols:

I appreciate the update. Glad to see everything off to such a good start for the first quarter. Thanks, guys.

Derek Dubner:

Thanks Josh.

Dan MacLachlan:

Thanks Josh.

Operator:

I am 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 all for joining us today to report our first quarter financial results. We reported another record revenue quarter, the highest in our company history and a reacceleration of our business. The investments we have made over the past 18 months are translating to better market awareness, better use and volumes of our solutions, enhancing our product suite, and increasing our go-to-market capabilities as we continue to execute upon our strategic plan. Given our highly leverageable, fixed-cost model and healthy cash generation, we are well positioned to continue investing in our business and enhancing shareholder value. We are excited about the remainder of 2024 and beyond. Good afternoon.