UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2025

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-38407

RED VIOLET, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**82-2408531**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

2650 North Military Trail, Suite 300, Boca Raton, Florida 33431
(Address of Principal Executive Offices) (Zip Code)

(561) 757-4000
(Registrant's Telephone Number, Including Area Code)

None
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		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. ☐

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

As of May 5, 2025, the registrant had 13,955,918 shares of common stock outstanding.

RED VIOLET, INC.
TABLE OF CONTENTS FOR FORM 10-Q

		Page
PART I - FINANCIAL INFORMATION		
Item 1.	Financial Statements (unaudited)	
	Condensed consolidated balance sheets as of March 31, 2025 and December 31, 2024	1
	Condensed consolidated statements of operations for the three months ended March 31, 2025 and 2024	2
	Condensed consolidated statements of changes in shareholders' equity for the three months ended March 31, 2025 and 2024	3
	Condensed consolidated statements of cash flows for the three months ended March 31, 2025 and 2024	4
	Notes to condensed consolidated financial statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	21
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings	22
Item 1A.	Risk Factors	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3.	Defaults Upon Senior Securities	22
Item 4.	Mine Safety Disclosures	22
Item 5.	Other Information	22
Item 6.	Exhibits	23
SIGNATURES		24

PART I - FINANCIAL INFORMATION

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

Item 1. Financial Statements.

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

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

See notes to condensed consolidated financial statements.

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

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

See notes to condensed consolidated financial statements.

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

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings (accumulated deficit)	Total
	Shares	Amount	Shares	Amount			
Balance at December 31, 2023	13,980,274	$ 14	(9,428)	$ (188)	$ 94,159	$ (7,873)	$ 86,112
Vesting of restricted stock units	67,125	-	-	-	-	-	-
Increase in treasury stock resulting from shares withheld to cover statutory taxes	-	-	(20,867)	(383)	-	-	(383)
Common stock repurchased	-	-	(276,940)	(5,514)	-	-	(5,514)
Retirement of treasury stock	(105,235)	-	105,235	1,942	(1,942)	-	-
Share-based compensation	-	-	-	-	1,848	-	1,848
Net income	-	-	-	-	-	1,784	1,784
Balance at March 31, 2024	13,942,164	$ 14	(202,000)	$ (4,143)	$ 94,065	$ (6,089)	$ 83,847
Balance at December 31, 2024	13,936,329	$ 14	-	$ -	$ 87,488	$ (870)	$ 86,632
Vesting of restricted stock units	19,500	-	-	-	-	-	-
Increase in treasury stock resulting from shares withheld to cover statutory taxes	-	-	(5,032)	(202)	-	-	(202)
Retirement of treasury stock	(5,032)	-	5,032	202	(202)	-	-
Share-based compensation	-	-	-	-	1,978	-	1,978
Net income	-	-	-	-	-	3,440	3,440
Balance at March 31, 2025	13,950,797	$ 14	-	$ -	$ 89,264	$ 2,570	$ 91,848

See notes to condensed consolidated financial statements.

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

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

See notes to condensed consolidated financial statements.

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

1. Summary of significant accounting policies

(a) Basis of preparation

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

The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for any future interim periods or for the full year ending December 31, 2025.

The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on February 27, 2025 ("Form 10-K").

The condensed consolidated balance sheet as of December 31, 2024 included herein was derived from the audited financial statements as of that date included in the Form 10-K, but does not include all disclosures required by US GAAP.

Principles of consolidation

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

(b) Recently issued accounting standards

In December 2023, the Financial Accounting Standard Board (the "FASB") issued Accounting Standard Updates ("ASU") No. 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09)*," which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning after December 31, 2024. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company is currently evaluating the guidance to determine the impact on its condensed consolidated financial statements and related disclosures.

In November, 2024, the FASB issued ASU No. 2024-03, "*Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-04), Disaggregation of Income Statement Expenses (ASU 2024-03),*" which requires disclosure within the notes to financial statements of specific information about certain costs and expenses including more detailed disclosures of certain categories of expenses such as employee compensation, depreciation, and intangible asset amortization that are components of existing expense captions presented on the face of the income statement. The update is effective for annual periods for fiscal years beginning after December 15, 2026 and interim periods beginning after December 15, 2027 on a prospective or retrospective basis. Early adoption is permitted. The Company is currently assessing the impact adopting this ASU will have on its condensed consolidated financial statements.

2. Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the periods. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock and is calculated using the treasury stock method for unvested shares.

(In thousands, except share data)	Three Months Ended March 31, 2025	2024
Numerator:		
Net income	$ 3,440	$ 1,784
Denominator:		
Weighted average shares outstanding:		
Basic	13,998,028	13,997,064
Diluted[(1)]	14,491,713	14,164,506
Earnings per share:		
Basic	$ 0.25	$ 0.13
Diluted	$ 0.24	$ 0.13

(1)For the three months ended March 31, 2025 and 2024, diluted weighted average shares outstanding are calculated by the inclusion of unvested restricted stock units ("RSUs").

3. Intangible assets, net

Intangible assets other than goodwill consist of the following:

		March 31, 2025			December 31, 2024		
(In thousands)	Amortization period	Gross amount	Accumulated amortization	Net	Gross amount	Accumulated amortization	Net
Software developed for internal use	5-10 years	$ 77,075	$ (40,864)	$ 36,211	$ 74,409	$ (38,412)	$ 35,997
Acquired intangible assets	10 years	1,325	(48)	1,277	-	-	-
Total		$ 78,400	$ (40,912)	$ 37,488	$ 74,409	$ (38,412)	$ 35,997

The gross carrying amount of software developed for internal use includes capitalized costs related to the design, development, and testing of internal-use software. These costs primarily consist of eligible personnel-related expenses, share-based compensation, travel expenses, and other directly attributable costs incurred during the application development stage. The gross carrying amount of acquired intangible assets reflects the acquisition cost of certain data assets for which the Company has obtained perpetual usage rights.

Amortization expenses of $2,500 and $2,214 for the three months ended March 31, 2025 and 2024, respectively, were included in depreciation and amortization expense. As of March 31, 2025, intangible assets of $6,692, included in the gross carrying amounts of software developed for internal use, have not started amortization, as they are not ready for their intended use.

The Company capitalized costs of intangible assets of $3,991 and $2,773 during the three months ended March 31, 2025 and 2024, respectively.

As of March 31, 2025, estimated amortization expense related to the Company's intangible assets for the remainder of 2025 through 2030 and thereafter are as follows:

(In thousands) Year	March 31, 2025
Remainder of 2025	7,748
2026	9,571
2027	7,955
2028	5,523
2029	3,560
2030 and thereafter	3,131
Total	$ 37,488

4. Goodwill

Goodwill represents the cost in excess of the fair value of the net assets acquired in a business combination. As of March 31, 2025 and December 31, 2024, the balance of goodwill of $5,227 was as a result of the acquisition of Interactive Data, LLC, a wholly-owned subsidiary of red violet, effective on October 2, 2014.

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

The Company did not record a goodwill impairment loss during the three months ended March 31, 2025 and 2024, and there was no accumulated goodwill impairment loss as of March 31, 2025.

5. Revenue recognition

The Company recognized revenue in accordance with ASC 606, *"Revenue from Contracts with Customers"* ("Topic 606"). Under this standard, revenue is recognized when control of goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company's performance obligation is to provide on demand information and identity intelligence solutions to its customers by leveraging its proprietary technology and applying machine learning and advanced analytics to its massive data repository. The pricing for the customer contracts is based on usage, a monthly fee, or a combination of both.

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

Revenue is recognized over a period of time. The Company's customers simultaneously receive and consume the benefits provided by the Company's performance as and when provided. Furthermore, the Company has elected the "right to invoice" practical expedient, available within Topic 606, as its measure of progress, since it has a right to payment from a customer in an amount that corresponds directly with the value of its performance completed-to-date. In some arrangements, a right to consideration for the Company's performance under the customer contract may occur before invoicing to the customer, resulting in an unbilled accounts receivable. As of March 31, 2025, the current and noncurrent portion unbilled accounts receivable of $1,334 and $1,484, respectively, were included within accounts receivable and other noncurrent assets, respectively, on the condensed consolidated balance sheets. As of December 31, 2024, the current and noncurrent portion unbilled accounts receivable of $937 and $1,080, respectively, were included within accounts receivable and other noncurrent assets, respectively, on the consolidated balance sheets. The Company's revenue arrangements do not contain significant financing components.

For the three months ended March 31, 2025 and 2024, 74% and 78% of total revenue was attributable to customers with pricing contracts, respectively, versus 26% and 22% attributable to transactional customers, respectively. Pricing contracts are generally annual contracts or longer, with auto renewal.

If a customer pays consideration before the Company transfers services to the customer, those amounts are classified as deferred revenue. As of March 31, 2025 and December 31, 2024, the balance of deferred revenue was $754 and $712, respectively, all of which is expected to be realized in the next 12 months. In relation to the deferred revenue balance as of December 31, 2024, $311 was recognized into revenue during the three months ended March 31, 2025.

As of March 31, 2025, $22,035 of revenue is expected to be recognized in the future for performance obligations that are unsatisfied or partially unsatisfied, related to pricing contracts that have a term of more than 12 months, of which, $8,888 of revenue will be recognized in the remainder of 2025, $7,800 in 2026, $4,322 in 2027, $875 in 2028, $145 in 2029, and $5 in 2030. The actual timing of recognition may vary due to factors outside of the Company's control. The Company excludes variable consideration related entirely to wholly unsatisfied performance obligations and contracts and recognizes such variable consideration based upon the right to invoice the customer.

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

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

6. Income taxes

The Company is subject to federal and state income taxes in the United States. The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items arising in that quarter, unless a reliable estimate of ordinary income or the related tax expense/benefit cannot be made or the Company is in cumulative losses for which the benefit cannot be realized. In each quarter, the Company updates its estimate of the annual effective tax rate, and if its estimated annual tax rate changes, the Company makes a cumulative adjustment in that quarter. During the third quarter of 2023, the Company released the valuation allowance previously recorded on its deferred tax assets. The Company concluded that, due to its established historical cumulative positive income before income taxes plus permanent differences for the recent years, projections of future taxable income, and the reversal of taxable temporary differences, the realization of deferred tax assets as of March 31, 2025 was more likely than not.

The Company's effective income tax rate was 24% for the three months ended March 31, 2025 and 2024, differing from the U.S. corporate statutory federal income tax rate of 21%. The differences for the three months ended March 31, 2025 and 2024 were primarily the effect of state income taxes and certain nondeductible permanent differences, partially offset by the utilization of research and development tax credits.

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

The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Due to the existence of net operating loss carryforwards since inception, all of the Company's income tax filings remain open for tax examinations.

The Company does not have any material unrecognized tax benefits as of March 31, 2025 and December 31, 2024.

7. Shareholders' equity

Common stock and treasury stock

As of March 31, 2025 and December 31, 2024, the number of issued shares of common stock was 13,950,797 and 13,936,329, respectively. The Company held no shares of treasury stock as of either date. The changes in the number of issued shares of common stock and treasury stock were due to the following factor: an aggregate of 19,500 shares of common stock were issued as a result of the vesting of RSUs, of which, 5,032 shares of common stock were withheld to pay withholding taxes upon such vesting, which were reflected in treasury stock, with a cost of $202. All 5,032 shares of treasury stock were retired during the period.

Dividend

On December 3, 2024, the Company declared a special cash dividend on its common stock of $0.30 per share (the "Dividend") to shareholders of record as of January 31, 2025, and the aggregate amount of approximately $4.2 million was paid on February 14, 2025.

8. Share-based compensation

On March 22, 2018, the Board of Directors of the Company and Cogint, Inc. ("cogint") (now known as Fluent, Inc.), in its capacity as sole stockholder of the Company prior to the Company's spin-off from cogint on March 26, 2018 (the "Spin-off"), approved the Red Violet, Inc. 2018 Stock Incentive Plan (the "2018 Plan"), which became effective immediately prior to the Spin-off. A total of 3,000,000 shares of common stock were authorized to be issued under the 2018 Plan. Subsequently on June 3, 2020 and May 25, 2022, the Company's stockholders approved amendments to the 2018 Plan to increase the number of shares of common stock authorized for issuance under the 2018 Plan to 4,500,000 shares and 6,500,000 shares, respectively. On April 17, 2025, the Board of Directors of the Company approved, subject to stockholder approval at the Company's 2025 Annual Meeting, an amendment and restatement to the 2018 Plan to, among other things, further increase the number of shares of common stock authorized for issuance under the 2018 Plan from 6,500,000 shares to 7,500,000 shares.

The primary purpose of the 2018 Plan, as amended, is to attract, retain, reward and motivate certain individuals by providing them with an opportunity to acquire or increase a proprietary interest in the Company and to incentivize them to expend maximum effort for the growth and success of the Company, so as to strengthen the mutuality of the interests between such individuals and the stockholders of the Company.

As of March 31, 2025, there were 1,655,452 shares of common stock available for future issuance under the 2018 Plan, as amended.

To date, all stock incentives issued under the 2018 Plan, as amended, have been in the form of RSUs. RSUs granted under the 2018 Plan, as amended, vest and settle upon the satisfaction of a time-based condition or with both time- and performance-based conditions. The time-based condition for these awards is generally satisfied over three or four years with annual vesting. Details of unvested RSU activity during the three months ended March 31, 2025 were as follows:

	Number of units	Weighted average grant-date fair value
Unvested as of December 31, 2024	887,268	$ 21.67
Granted[(1)]	95,650	$ 35.80
Vested and delivered	(14,468)	$ 21.68
Withheld as treasury stock[(2)]	(5,032)	$ 23.06
Forfeited	(26,837)	$ 22.77
Unvested as of March 31, 2025	936,581	$ 23.07

(1)During the three months ended March 31, 2025, the Company granted an aggregate of 95,650 RSUs to certain employees and directors at grant date fair values ranging from $34.18 to $38.72 per share, with a vesting period ranging from three to four years.

(2)Withheld as treasury stock represents shares withheld to pay statutory taxes upon the vesting of RSUs. Refer to Note 7 for details.

As of March 31, 2025, unrecognized share-based compensation expense associated with the granted RSUs amounted to $17,364, which is expected to be recognized over a remaining weighted average period of 2.7 years.

Share-based compensation was allocated to the following accounts in the condensed consolidated financial statements for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,	
(In thousands)	2025	2024
Sales and marketing expenses	$ 195	$ 138
General and administrative expenses	1,401	1,264
Share-based compensation expense	1,596	1,402
Capitalized in intangible assets	382	446
Total	$ 1,978	$ 1,848

9. Leases

The Company leases its corporate headquarters of 21,020 rentable square feet in accordance with a non-cancellable operating lease agreement as amended and effective in January 2017, and the Company entered into a further amendment on September 20, 2023 to exercise the extension option for an additional 60 months through June 30, 2029, with an option to further extend for an additional 60 months. The Company also leases an additional office space of 6,003 rentable square feet in accordance with a non-cancellable operating lease agreement entered into in April 2017, which expired in March 2025. The extension options of such agreements were not included in the determination of the lease terms.

On December 20, 2024, the Company entered into a non-cancellable 80-month operating lease agreement for its new Seattle office space of 6,709 rentable square feet (the "New Seattle Lease Agreement"), with the lease term preliminarily set to commence on May 1, 2025.

For the three months ended March 31, 2025 and 2024, a summary of the Company's lease information is shown below:

	Three Months Ended March 31,	
(In thousands)	2025	2024
Lease cost:		
Operating lease costs	$ 194	$ 194
Other information:		
Cash paid for operating leases	$ 201	$ 194

As of March 31, 2025, the weighted average remaining operating lease term was 4.2 years.

As of March 31, 2025, scheduled future maturities and present value of the operating lease liabilities are as follows:

(In thousands) Year	March 31, 2025
Remainder of 2025	380
2026	519
2027	737
2028	859
2029	596
2030 and thereafter	663
Total maturities	$ 3,754
Less: Lease not yet commenced[(1)]	1,491
Total maturities, excluding lease not yet commenced	$ 2,263
Present value included in consolidated balance sheet:	
Current portion of operating lease liabilities	$ 343
Noncurrent operating lease liabilities	1,502
Total operating lease liabilities	$ 1,845
Difference between the maturities, excluding lease not yet commenced, and related present value of operating lease liabilities	$ 418

(1) On December 20, 2024, the Company entered into the New Seattle Lease Agreement, with the lease term preliminarily set to commence on May 1, 2025, at which point the Company will recognize a right-of-use asset and a corresponding lease liability on its consolidated balance sheet under ASC 842. The right-of-use asset and lease liability will be determined based on the pertinent information available as of the commencement date. As of March 31, 2025, the total undiscounted future lease payments for this lease are included into total maturities as presented in the table above, but its lease liability has not been recognized.

10. Segment information

The Company currently has one single operating and reporting segment, identity and information solutions, as defined by ASC 280, "Segment Reporting." The Company adopted ASU 2023-07 as of December 31, 2024. There have been no significant changes in the basis of segmentation or in the basis of measurement of segment profit since the last annual report.

The Company's chief operating decision maker (the "CODM") assesses performance for the identity and information solutions segment and decides how to allocate resources based on net income that also is reported on the condensed consolidated statements of operations as net income. The measure of segment assets is reported on the condensed consolidated balance sheet as total assets.

Information about reported segment revenue, segment net income, and significant segment expenses is shown as follows:

(Dollars in thousands)	Three Months Ended March 31, 2025	2024
Revenue	$ 22,003	$ 17,511
Less:		
Cost of revenue (exclusive of depreciation and amortization)	3,661	3,756
Personnel-related expenses	7,693	5,789
Advertising, marketing and agency expenses	224	159
Provision for bad debts	62	70
Share-based compensation expense	1,596	1,402
Occupancy expenses	306	306
Professional fees	1,051	1,198
Other segment items[(1)]	649	578
Depreciation and amortization	2,550	2,270
Interest income	(308)	(365)
Income tax expense	1,079	564
Segment net income	$ 3,440	$ 1,784
Consolidated net income	$ 3,440	$ 1,784

(1) Other segment items included in segment net income includes primarily travel and entertainments, acquisition costs, write-off of long-lived assets, and other selling, general and administrative expenses.

11. Commitments and contingencies

(a) Capital commitment

The Company incurred data costs of $2,542 and $2,434 for the three months ended March 31, 2025 and 2024, respectively, under certain data licensing agreements. As of March 31, 2025, material capital commitments under certain data licensing agreements were $11,533, shown as follows:

(In thousands) Year	March 31, 2025
Remainder of 2025	$ 6,596
2026	4,512
2027	383
2028	42
Total	$ 11,533

In April 2025, the Company entered into a five-year, non-cancellable cloud services agreement with a third-party provider. The agreement includes a minimum annual purchase commitment of $3.0 million, beginning May 1, 2025. Costs incurred under this agreement are either (i) expensed as infrastructure fees and included in cost of revenue (exclusive of depreciation and amortization) when used in the delivery of our services to customers, or (ii) capitalized as internal-use software costs within intangible assets when consumed in the development or enhancement of the Company's internal-use software.

(b) Contingencies

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

On February 7, 2024, the Company was named as a defendant by Atlas Data Privacy Corporation ("Atlas"), Jane Doe-1, Jane Doe-2, Edwin Maldonado, Scott Maloney, Justyna Maloney, Patrick Colligan, and William Sullivan in an action filed in the Superior Court of New Jersey, Law Division, Monmouth County (the "Action"). Each plaintiff, other than Atlas, alleges that they are a covered person under a New Jersey state statute known as "Daniel's Law"; Atlas alleges it is the assignee of claims from covered persons who allege Daniel's Law was violated as to them. Each plaintiff, on their own behalf, and Atlas, on behalf of the alleged assignors, alleges the Company failed to comply with Daniel's Law by not suppressing their home address and unpublished telephone number within 10 business days of receiving a suppression request.

The Company is one of over 150 companies sued by Atlas and a combination of individual plaintiffs in actions containing nearly identical allegations and seeking similar damages. The Company removed the matter to the United States District Court for the District of New Jersey, but the matter was remanded back to the Superior Court of New Jersey, Law Division, Monmouth County by order dated November 21, 2024, where the Action is pending. No trial date has been scheduled. Each plaintiff and Atlas seek to recover actual damages that are not less than liquidated damages under Daniel's Law, punitive damages, pre- and post-judgment interest, attorneys' fees and costs and injunctive relief. The Company is vigorously defending itself in the Action. Should the case be tried, an adverse ruling could have an immediate near-term impact on the Company's business, financial position, and/or operations. The Company has notified its insurer of the Action and has confirmed that the claim falls within the scope of its insurance coverage. As such, the Company anticipates that the insurer will cover defense costs and any potential liability, subject to policy limits and customary exclusions.

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

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

You should read the following discussion and analysis in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q"). This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), about our expectations, beliefs, or intentions regarding our business, financial condition, results of operations, strategies, or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends, or results as of the date they are made. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those contained in this Form 10-Q, as well as the disclosures made in the Company's Annual Report on Form 10-K for the year ended December 31, 2024 filed on February 27, 2025 ("Form 10-K"), and other filings we make with the Securities and Exchange Commission (the "SEC"). We do not undertake any obligation to update forward-looking statements, except as required by law. We intend that all forward-looking statements be subject to the safe harbor provisions of PSLRA. These forward-looking statements are only predictions and reflect our views as of the date they are made with respect to future events and financial performance.

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

Overview

Red Violet, Inc., a Delaware corporation, is dedicated to making the world a safer place and reducing the cost of doing business. 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 AI/ML-driven identity intelligence 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. We drive workflow efficiency and enable organizations to make better data-driven decisions.

Organizations are challenged by the structure, volume, and disparity of data. Our platform and applications provide real-time analytics, transforming the way our customers interact with information by presenting connections and relevance of information otherwise unattainable, which drives actionable insights and better outcomes. Leveraging cloud-native proprietary technology and applying machine learning and advanced analytical capabilities, CORE provides essential solutions to public and private sector organizations through intuitive, easy-to-use analytical interfaces. With massive data assets consisting of public record, proprietary, and publicly-available data, our differentiated information and innovative platform and solutions deliver identity intelligence – entities, relationships, affiliations, interactions, and events. Our solutions are used today to enable frictionless commerce, to ensure safety, and to reduce fraud and the concomitant expense borne by society.

While our platform powers a vast array of solutions for our customers, we presently market our solutions primarily through two brands, IDI™ and FOREWARN®. IDI is a leading-edge, analytics and information solutions provider delivering actionable intelligence to an expansive and diverse set of industries in support of use cases such as the verification and authentication of consumer identities, due diligence, prevention of fraud and abuse, legislative compliance, and debt recovery. idiCORE™ is IDI's flagship product. idiCORE is a next-generation, investigative solution used to address a variety of organizational challenges, including, but not limited to, due diligence, risk mitigation, identity authentication, and regulatory compliance, by financial services companies, insurance companies, healthcare companies, law enforcement and government, identity verification platforms, collections, law firms, retail, telecommunication companies, corporate security, and investigative firms. FOREWARN is an app-based solution currently tailored for the real estate industry, providing instant knowledge prior to face-to-face engagement with a consumer, helping professionals identify and mitigate risk. As of March 31, 2025 and 2024, IDI had 9,241 and 8,241 billable customers, respectively, and FOREWARN had 325,336 and 236,639 users, respectively. We define a billable customer of IDI as a single entity that generated revenue during 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. 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.

We generate substantially all of our revenue from licensing our solutions. Customers access our solutions through a hosted environment using an online interface, batch processing, API and custom integrations. We recognize revenue from licensing fees (a) on a transactional basis determined by the customer's usage, (b) via a monthly fee or (c) from a combination of both. Revenue pursuant to pricing contracts containing a monthly fee is recognized ratably over the contract period. Pricing contracts are generally annual contracts or longer, with auto renewal. For the three months ended March 31, 2025 and 2024, 74% and 78% of total revenue was attributable to customers with pricing contracts, respectively, versus 26% and 22% attributable to transactional customers, respectively.

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

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

Critical Accounting Policies and Estimates

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

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

Recently issued accounting standards

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

First Quarter Financial Results

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

•Total revenue increased 26% to $22.0 million.

•Gross profit increased 37% to $15.8 million. Gross margin increased to 72% from 66%.

•Adjusted gross profit increased 33% to $18.3 million. Adjusted gross margin increased to 83% from 79%.

•Net income increased 93% to $3.4 million, which resulted in earnings of $0.25 and $0.24 per basic and diluted share, respectively. Net income margin increased to 16% from 10%.

•Adjusted EBITDA increased 47% to $8.4 million. Adjusted EBITDA margin increased to 38% from 32%.

•Adjusted net income increased 53% to $4.8 million, which resulted in adjusted earnings of $0.35 and $0.33 per basic and diluted share, respectively.

•Net cash provided by operating activities increased 16% to $5.0 million.

•Cash and cash equivalents were $34.6 million as of March 31, 2025.

First Quarter and Recent Business Highlights

•Added 315 customers to IDI during the first quarter, ending the quarter with 9,241 customers.

•Added 21,918 users to FOREWARN during the first quarter, ending the quarter with 325,336 users. Over 545 REALTOR® Associations throughout the U.S. are now contracted to use FOREWARN.

•Paid out a special cash dividend of $0.30 per share on our common stock to shareholders of record as of January 31, 2025. The dividend, totaling $4.2 million, was paid on February 14, 2025.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

Three months ended March 31, 2025 compared to three months ended March 31, 2024

Revenue

Revenue increased $4.5 million, or 26%, to $22.0 million for the three months ended March 31, 2025, compared to $17.5 million for the same period in 2024. The increase was driven by strong onboarding of new customers and stable recurring revenue from our existing customer base.

•Revenue from new customers increased $1.3 million, or 80%.

•Revenue from existing customers increased $3.2 million, or 20%.

Revenue from new customers represents total monthly revenue generated from customers during their first six full calendar months of revenue contribution. Revenue from existing customers represents total monthly revenue generated from customers beginning in their seventh full calendar month of revenue contribution.

Beginning in the first quarter of 2025, we consolidated our prior base revenue and growth revenue categories into a single revenue from existing customers metric to provide a more streamlined and meaningful view of ongoing customer contribution.

As of March 31, 2025, our IDI billable customer base increased to 9,241 customers, up from 8,241 customers a year earlier. Our FOREWARN user base increased to 325,336 users, up from 236,639 users a year earlier.

Cost of revenue (exclusive of depreciation and amortization)

Cost of revenue (exclusive of depreciation and amortization) decreased $0.1 million, or 3%, to $3.7 million for the three months ended March 31, 2025, compared to $3.8 million for the same period in 2024.

Our cost of revenue primarily consists of data acquisition costs, which includes the cost to acquire data under flat-fee licensing agreements, including unlimited usage arrangements, as well as purchases on a transactional basis. We continue to enhance the breadth and depth of our data by the addition and expansion of relationships with key data suppliers, including our largest data supplier, which accounted for 43% and 41% of our total data acquisition costs for the three months ended March 31, 2025 and 2024, respectively.

Additional components of our cost of revenue include cloud infrastructure fees and pertinent personnel-related costs.

Due to the fixed-cost nature of our primary data licensing structure, cost of revenue as a percentage of revenue decreased to 17% for the three months ended March 31, 2025, compared to 21% for the same period in 2024. We expect this percentage to continue to decline over time as our revenue increases.

Sales and marketing expenses

Sales and marketing expenses increased $1.7 million, or 46%, to $5.4 million for the three months ended March 31, 2025, compared to $3.7 million for the same period in 2024. The increase reflects our continued investment in expanding our go-to-market capabilities to support long-term revenue growth.

Sales and marketing expenses include personnel-related expenses, advertising, marketing and agency expenses, travel expenses, and share-based compensation expense incurred by our sales team, and provision for bad debts.

The increase was primarily driven by:

•an increase of $1.6 million in personnel-related expenses; and

•an increase of $0.1 million in share-based compensation expense.

General and administrative expenses

General and administrative expenses increased $0.4 million, or 7%, to $6.2 million for the three months ended March 31, 2025, compared to $5.8 million for the same period in 2024. The increase reflects higher personnel-related expenses and share-based compensation expense to support the continued growth of the business.

For the three months ended March 31, 2025 and 2024, general and administrative expenses consisted primarily of:

•personnel-related expenses of $3.1 million and $2.7 million, respectively;

•share-based compensation expense of $1.4 million and $1.3 million, respectively; and

•professional fees of $1.1 million and $1.2 million, respectively.

Depreciation and amortization

Depreciation and amortization expenses increased $0.3 million, or 12%, to $2.6 million for the three months ended March 31, 2025, compared to $2.3 million for the same period in 2024.

The increase was primarily driven by the amortization of intangible assets that became ready for their intended use after March 31, 2024.

Interest income

Interest income decreased $0.1 million, or 16%, to $0.3 million for the three months ended March 31, 2025, compared to $0.4 million for the same period in 2024.

The decrease was primarily attributable to lower yields on money market fund investments during the quarter.

Income before income taxes

Income before income taxes increased $2.2 million, or 92%, to $4.5 million for the three months ended March 31, 2025, compared to $2.3 million for the same period in 2024.

The increase was primarily driven by:

•an increase of $4.5 million in revenue; and

•a decrease of $0.1 million in cost of revenue (exclusive of depreciation and amortization),

partially offset by:

•an increase of $2.0 million in personnel-related expenses;

•an increase of $0.3 million in depreciation and amortization expense; and

•an increase of $0.2 million in share-based compensation expense.

Income tax expense

Income tax expense was $1.1 million for the three months ended March 31, 2025, compared to $0.6 million for the same period in 2024.

The increase in income tax expense was primarily attributable to higher pre-tax income, as the Company's effective tax rate remained consistent at 24% in both periods.

For additional information, refer to Note 6, "Income taxes," in the "Notes to Condensed Consolidated Financial Statements."

Net income

Net income increased $1.6 million, or 93%, to $3.4 million for the three months ended March 31, 2025, compared to $1.8 million for the same period in 2024, as a result of the foregoing.

Effect of Inflation

We believe that persistent inflationary pressures throughout 2024 and into the first quarter of 2025 have contributed to a more challenging macroeconomic environment, increasing recessionary concerns and prompting some businesses to moderate discretionary spending. These conditions have resulted in — and may continue to contribute to — fluctuations in transaction volumes, pricing dynamics, and operating margins across our services.

In addition, elevated interest rates implemented to curb inflation may reduce the demand for credit, which could in turn lead to lower usage of our services by customers in the banking, financial services, and adjacent industries.

Despite these broader market dynamics, inflation has not had a material impact on our financial results to date. Where feasible, we have taken proactive steps to mitigate inflation-related cost increases, including implementing pricing adjustments where permitted under contract terms and competitive conditions.

Liquidity and Capital Resources

Cash flows provided by operating activities

For the three months ended March 31, 2025, net cash provided by operating activities was $5.0 million. This was primarily driven by:

•net income of $3.4 million;

•non-cash adjustments totaling $5.3 million, including share-based compensation expense, depreciation and amortization, write-off of long-lived assets, provision for bad debts, noncash lease expenses, and deferred income tax expense; and

•changes in operating assets and liabilities, which resulted in a net use of cash of $3.7 million, primarily due to an increase in accounts receivable and other noncurrent assets, and a decrease in accrued expenses and other current liabilities.

For the three months ended March 31, 2024, net cash provided by operating activities was $4.3 million. This was primarily driven by:

•net income of $1.8 million;

•non-cash adjustments totaling $4.3 million, including share-based compensation expense, depreciation and amortization, provision for bad debts, noncash lease expenses, and deferred income tax expense; and

•changes in operating assets and liabilities, which resulted in a net use of cash of $1.8 million, primarily due to an increase in accounts receivable and prepaid expenses and other noncurrent assets, and a decrease in accrued expenses and other current liabilities, partially offset by the increase in accounts payable.

Cash flows used in investing activities

For the three months ended March 31, 2025 and 2024, net cash used in investing activities was $2.5 million and $2.4 million, respectively, primarily as a result of capitalized costs included in intangible assets.

Cash flows used in financing activities

For the three months ended March 31, 2025, net cash used in financing activities was $4.4 million. This was primarily driven by:

•the payment of a special cash dividend totaling $4.2 million; and

•taxes paid in connection with the net share settlement of vesting RSUs totaling $0.2 million.

On December 3, 2024, we declared a special cash dividend of $0.30 per share on our common stock to shareholders of record as of January 31, 2025. The dividend, totaling $4.2 million, was paid on February 14, 2025.

For the three months ended March 31, 2024, net cash used in financing activities was $1.8 million. This was primarily driven by:

•common stock repurchases totaling $1.4 million, conducted pursuant to the Company's Stock Repurchase Program; and

•taxes paid in connection with the net share settlement of vesting RSUs totaling $0.4 million.

The Stock Repurchase Program was originally authorized by the Board of Directors on May 2, 2022, permitting repurchases of up to $5.0 million of the Company's common stock. On December 19, 2023, and again on March 28, 2024, the Board approved additional authorizations of $5.0 million each, expanding the total program size.

Commitments

As of March 31, 2025, we had material commitments under certain data licensing agreements totaling $11.5 million.

We expect to fund these commitments, as well as our ongoing operating and capital requirements, using available cash on hand and cash flows generated from operations over the next twelve months.

Capital Resources

We reported net income of $3.4 million and $1.8 million for the three months ended March 31, 2025 and 2024, respectively. As of March 31, 2025, we had total shareholders' equity of $91.8 million and cash and cash equivalents of $34.6 million.

Based on our projected growth in revenue and operating results over the next twelve months, and the available cash on hand, we believe that our existing resources will be sufficient to fund operations and expected capital expenditures for at least the next twelve months.

While we anticipate continuing to fund our business through internally generated cash flows, future capital needs may arise based on the pace of revenue growth, investment in technology, or strategic initiatives. In such cases, we may seek to raise additional capital through the issuance of equity and/or debt securities. However, any such financing, if available, could result in dilution to existing stockholders and may involve terms that are not favorable to the Company.

Off-Balance Sheet Arrangements

As of March 31, 2025, we did not have any off-balance sheet arrangements, as defined in Item 303 of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d–15(e) of the Exchange Act) as of March 31, 2025. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Based on the evaluation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act), the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2025.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended March 31, 2025 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Information with respect to certain legal proceedings is included in Note 11, "Commitments and contingencies," included in "Notes to Condensed Consolidated Financial Statements" contained in Part I, Item 1 of this Form 10-Q, and is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on February 27, 2025.

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

Issuer Purchases of Equity Securities

On May 2, 2022, the Board of Directors of the Company authorized the Stock Repurchase Program to repurchase the Company's common stock from time to time, which was subsequently amended on each of December 19, 2023 and March 28, 2024. The Stock Repurchase Program does not obligate the Company to repurchase any shares and it may be modified, suspended, or terminated at any time and for any reason at the discretion of the board of directors.

The Company did not repurchase any common stock during the three months ended March 31, 2025 pursuant to the Stock Repurchase Program, and the approximate dollar value of shares that may yet be purchased under the Stock Repurchase Program is $4.6 million.

Shares of common stock withheld as payment of withholding taxes in connection with the vesting of equity awards are also treated as common stock repurchases. Those withheld shares of common stock are not required to be disclosed under Item 703 of Regulation S-K and accordingly are excluded from the amounts mentioned above.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Rule 10b5-1 Trading Plans

No officers or directors had any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" in effect at any time during the quarter ended March 31, 2025.

Item 6. Exhibits.

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

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
31.1	Certification of Chief Executive Officer filed pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer filed pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).					X

* This certification is deemed furnished and not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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

May 7, 2025

Red Violet, Inc.

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