

REFINITIV

DELTA REPORT

10-Q

VERRA MOBILITY CORP

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1061
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 CHANGES	452
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 DELETIONS	319
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 ADDITIONS	290
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 **June** **September** 30, 2023

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: 001-37979

VERRA MOBILITY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of
Incorporation)

81-3563824

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

1150 North Alma School Road

Mesa, Arizona

(Address of Principal Executive Offices)

85201

(Zip Code)

(480) 443-7000

(Registrant's telephone number, including area code)

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

(Title of Each Class)

(Trading Symbol)

(Name of Each Exchange on Which Registered)

Class A Common Stock, par value \$0.0001 per share

VRRM

Nasdaq Capital Market

Warrants to purchase Class A Common Stock

VRRMW

OTC Pink Marketplace

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 August 4, 2023 November 6, 2023, there were 169,670,795 166,313,632 shares of the Company's Class A Common Stock, par value \$0.0001 per share, issued and outstanding.

VERRA MOBILITY CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED JUNE SEPTEMBER 30, 2023

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of federal securities laws. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, products, services, and technology offerings, market conditions, growth and trends, expansion plans and opportunities, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” “potentially,” “preliminary,” “likely” and similar expressions, and the negative of these expressions, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q and in Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2022. In light of these risks, uncertainties, and assumptions, the

The future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Factors that could cause actual results to differ materially from those expressed or implied include the risks and uncertainties described in forward-looking statements include, Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022, which highlight, among other things: risks:

- customer concentration in our Commercial Services and Government Solutions segments;
- our ability to manage our substantial level of indebtedness;
- risks and uncertainties related to our government contracts, including legislative changes, termination rights, delay payments, audits and investigations;
- decreases in the prevalence of automated and other similar methods of photo enforcement, parking solutions or use of tolling;
- our ability to keep up with technological developments and changing customer preferences;
- our ability to compete in a highly competitive and rapidly evolving market;
- decreased interest in outsourcing from our customers;
- the success of our new products and changes to existing products and services;
- our ability to successfully implement our acquisition strategy or integrate acquisitions;
- failure in or breaches of our networks or systems, including as a result of cyber-attacks; and
- our ability to manage the risks, uncertainties and exposures related to our international operations;
- our ability to acquire necessary intellectual property and adequately protect our existing intellectual property;
- risks and uncertainties related to our share repurchase program;
- our reliance on a limited number of third-party vendors and service providers;
- our ability to maintain an effective system of internal controls;
- risks and uncertainties related to litigation, disputes and regulatory investigations;
- our ability to properly perform under our contracts and otherwise satisfy our customers; and
- the impact of COVID-19 on our business and results of operations.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will occur. Moreover, we We operate in a very competitive and rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or revised expectations.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, are available free of charge on our website, verramobility.com, under the heading “Investors” immediately after they are filed with, or furnished to, the SEC. We use our Investor Relations website, ir.verramobility.com, as a means of disclosing information, which may be of interest or material to our investors and for complying with disclosure obligations under Regulation FD. Accordingly, investors should monitor our Investor Relations website, in addition to following our press releases, SEC filings, public conference calls, webcasts, and social media. Information contained on or accessible through, including any reports available on, our website is not a part of, and is not incorporated by reference into, this Quarterly Report on Form 10-Q or any other report or document we file with the SEC. Any reference to our website in this Form 10-Q is intended to be an inactive textual reference only.

Unless the context indicates otherwise, the terms “Verra Mobility,” the “Company,” “we,” “us,” and “our” as used in this Quarterly Report on Form 10-Q refer to Verra Mobility Corporation, a Delaware corporation, and its subsidiaries taken as a whole.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

VERRA MOBILITY CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	December			
	June 30,	31,		
(\$ in thousands, except per share data)	2023	2022		
			September 30,	December 31,
(In thousands, except per share data)			2023	2022
Assets				
Current assets:				
Cash and cash equivalents	210,083	105,204	114,379	105,204
Restricted cash	3,416	3,911	3,951	3,911

Accounts receivable (net of allowance for credit losses of \$20.1 million and \$15.9 million at June 30, 2023 and December 31, 2022, respectively)				
	179,9	163,7		
	44	86		
Accounts receivable (net of allowance for credit losses of \$17.6 million and \$15.9 million at September 30, 2023 and December 31, 2022, respectively)				
			191,7	163,
			53	786
Unbilled receivables	36,84	30,78	40,06	30,7
	3	2	9	82
Inventory	19,79	19,30	19,94	19,3
	1	7	3	07
Prepaid expenses and other current assets	92,50	39,60	41,19	39,6
	9	4	7	04
Total current assets	542,5	362,5	411,2	362,
	86	94	92	594
Installation and service parts, net	25,39	22,92	26,12	22,9
	3	3	7	23
Property and equipment, net	114,4	109,7	117,8	109,
	67	75	27	775
Operating lease assets	37,17	37,59	35,29	37,5
	0	3	9	93
Intangible assets, net	335,7	377,4	315,7	377,
	81	20	54	420
Goodwill	835,3	833,4	832,8	833,
	23	80	17	480
Other non-current assets	15,44	12,48	16,95	12,4
	0	4	9	84
Total assets				1,75
	1,906	1,756	1,756	6,26
	<u>\$,160</u>	<u>\$,269</u>	<u>\$,075</u>	<u>\$ 9</u>
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	78,41	79,86	89,76	79,8
	\$ 0	\$ 9	\$ 0	\$ 69
Deferred revenue	36,74	31,16	34,32	31,1
	4	4	2	64

Accrued liabilities	51,64	48,84	59,45	48,8
	2	7	9	47
Tax receivable agreement liability, current portion				4,99
	4,994	4,994	5,007	4
Current portion of long-term debt		21,93		21,9
	9,019	5	9,019	35
Total current liabilities	180,8	186,8	197,5	186,
	09	09	67	809
Long-term debt, net of current portion				1,19
	1,129	1,190	1,030	0,04
	,692	,045	,351	5
Operating lease liabilities, net of current portion	32,33	33,36	30,55	33,3
	1	2	2	62
Tax receivable agreement liability, net of current portion	50,90	50,90	50,90	50,9
	0	0	0	00
Private placement warrant liabilities		24,06		24,0
	5,430	6	—	66
Asset retirement obligations	13,72	12,99	14,07	12,9
	9	3	5	93
Deferred tax liabilities, net	20,58	21,14	19,01	21,1
	3	9	5	49
Other long-term liabilities				5,87
	7,386	5,875	9,559	5
Total liabilities				1,52
	1,440	1,525	1,352	5,19
	,860	,199	,019	9
Commitments and contingencies (Note 13)				
Stockholders' equity				
Preferred stock, \$0.0001 par value	—	—		
Common stock, \$0.0001 par value	17	15		
Preferred stock, \$0.0001 par value, 1,000 shares authorized with no shares issued and outstanding at September 30, 2023 and December 31, 2022			—	—
Common stock, \$0.0001 par value, 260,000 shares authorized with 166,310 and 148,962 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively			17	15

	18,28	36,57		36,5
Common stock contingent consideration	7	5	—	75
Additional paid-in capital	533,6	305,4	549,3	305,
	26	23	74	423
Accumulated deficit	(74,3	(98,0	(128,	(98,0
	93)	78)	909)	78)
Accumulated other comprehensive loss	(12,2	(12,8	(16,4	(12,8
	37)	65)	26)	65)
Total stockholders' equity	465,3	231,0	404,0	231,
	00	70	56	070
Total liabilities and stockholders' equity				1,75
	1,906	1,756	1,756	6,26
	\$,160	\$,269	\$,075	\$ 9

See accompanying Notes to the Condensed Consolidated Financial Statements.

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VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
(\$ in thousands, except per share data)	2023	2022	2023	2022				
(In thousands, except per share data)					2023	2022	2023	2022
Service revenue	196	174	380	335				
	,05	,50	,74	,63	201,	180,	581,	516,
	\$ 0	\$ 2	\$ 8	\$ 6	\$ 029	\$ 617	\$ 777	\$ 253
Product sales	8,4	12,	15,	22,	8,90	17,0	24,5	39,2
	11	985	616	236	4	39	20	75

Total revenue	204	187	396	357				
	,46	,48	,36	,87	209,	197,	606,	555,
	1	7	4	2	933	656	297	528
Cost of service revenue	4,3	3,7	8,5	7,4	5,15	4,14	13,7	11,6
	38	13	68	92	0	4	18	36
Cost of product sales	5,9	8,3	11,	14,	6,86	11,3	18,2	25,6
	62	26	345	321	4	17	09	38
Operating expenses			127	106				
	65,	55,	,50	,25	68,8	60,5	196,	166,
	657	196	0	9	73	36	373	795
Selling, general and administrative expenses	43,	40,	83,	81,	42,2	41,1	125,	122,
	205	152	218	787	76	26	494	913
Depreciation, amortization and (gain) loss on disposal of assets, net	29,	34,	59,	70,	27,5	35,0	87,0	105,
	088	939	421	846	97	35	18	881
Total costs and expenses	148	142	290	280				
	,25	,32	,05	,70	150,	152,	440,	432,
	0	6	2	5	760	158	812	863
Income from operations			106					
	56,	45,	,31	77,	59,1	45,4	165,	122,
	211	161	2	167	73	98	485	665
Interest expense, net	22,	14,	45,	28,	20,3	20,2	65,8	49,0
	771	485	458	764	84	60	42	24
Change in fair value of private placement warrants	10,	(6,6	25,	(2,8		(2,2	24,9	(5,1
	918	00)	519	66)	(553)	67)	66	33)
Tax receivable agreement liability adjustment		(96		(96				
	—	5)	—	5)	—	—	—	(965)
Gain on interest rate swap	(4,8		(2,0					
	05)	—	07)	—				

Loss on extinguishment of debt	209	—	1,558	—				
Loss (gain) on interest rate swap					60	—	(1,947)	—
Loss (gain) on extinguishment of debt					1,975	(3,005)	3,533	(3,005)
Other income, net	(4,512)	(4,039)	(8,268)	(6,905)	(4,498)	(2,462)	(12,766)	(9,367)
Total other expenses	24,581	2,881	62,260	18,028	17,368	12,526	79,628	30,554
Income before income taxes	31,630	42,280	44,052	59,139	41,805	32,972	85,857	92,111
Income tax provision	12,522	12,639	20,367	19,458	11,497	8,339	31,864	27,854
Net income	19,108	29,641	23,685	39,681	30,308	24,576	53,993	64,257
Other comprehensive income (loss):								
Other comprehensive loss:								
Change in foreign currency translation adjustment	718	(10,381)	628	(7,673)	(4,189)	(8,167)	(3,561)	(15,840)
Total comprehensive income	19,826	19,260	24,313	32,008	26,119	16,409	50,432	48,417
Net income per share:								
Basic	0.13	0.19	0.16	0.26	\$ 0.18	\$ 0.16	\$ 0.35	\$ 0.42
Diluted	0.13	0.15	0.16	0.23	\$ 0.18	\$ 0.15	\$ 0.34	\$ 0.38

Weighted average shares outstanding:									
Basic	151,132	154,694	150,151	155,408	168,089	151,429	156,196	154,067	
Diluted	152,590	160,344	151,586	161,507	169,497	158,304	157,133	160,433	

See accompanying Notes to the Condensed Consolidated Financial Statements.

VERRA MOBILITY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

For the Three and Six Months Ended June 30, 2023	
For the Three and Nine Months Ended September 30, 2023	For the Three and Nine Months Ended September 30, 2023

(In thousands)	Balance sheet as of December 31, 2022							Net income						
	Common Stock		Common Stock	Additional Paid-in	Accumulated	Other Comprehensive Income	Total Stockholders'	Common Stock		Common Stock	Additional Paid-in	Accumulated	Other Comprehensive Income	Total Stockholders'
	Shares	Amount	Contribution	Capital	Deficit	Loss	Equity	Shares	Amount	Contribution	Capital	Deficit	Loss	Equity
Balance as of December 31, 2022	14,896,622	\$ 15	\$ 5	\$ 23	\$ 78)	\$ 65)	\$ 70	14,896,622	\$ 15	\$ 75	\$ 3	\$ 8)	\$ 5)	\$ 0
Net income	—	—	—	—	4,577	—	4,577	—	—	—	—	4,577	—	4,577
Vesting of restricted stock units ("RSUs") and performance share units ("PSUs")	313	—	—	—	—	—	—	313	—	—	—	—	—	—
Exercise of stock options	53	—	—	69	—	—	69	53	—	—	69	—	—	69

Payment of employee tax withholding related to RSUs and PSUs vesting	—	—	—	(2,526)	—	—	(2,526)	—	—	—	(2,526)	—	—	(2,526)
Exercise of warrants	633	—	—	—	—	—	—	633	—	—	—	—	—	—
Stock-based compensation	—	—	—	3,378	—	—	3,378	—	—	—	3,378	—	—	3,378
Other comprehensive loss, net of tax	—	—	—	—	—	(90)	(90)	—	—	—	—	—	(90)	(90)
Balance as of March 31, 2023	149,961	15	36,575	30,693	(9,350)	(1,295)	23,718	149,961	15	36,575	30,693	(9,350)	(1,295)	23,718
Net income	—	—	—	—	8	—	8	—	—	—	—	08	—	08
Earn-out shares issued to Platinum Stockholder	2,500	—	(188)	18,8	—	—	—	2,500	—	(188)	18,88	—	—	—

Vesting of RSUs and PSUs	12							12						
	1	—	—	—	—	—	—	1	—	—	—	—	—	—
Exercise of stock options	12			1,6			1,6	12			1,		1,	
	7	—	—	89	—	—	89	7	—	—	9	—	—	9
Payment of employee tax withholding related to RSUs and PSUs vesting				(5			(5				(5			(5
	—	—	—	02)	—	—	02)	—	—	—	02)	—	—	02)
Exercise of warrants	14,20			20			20	14			2,		2,	
	8	2	—	52	—	—	54	08	2	—	2	—	—	4
Stock-based compensation				4,5			4,5				4,		4,	
	—	—	—	25	—	—	25	—	—	—	5	—	—	5
Other comprehensive income, net of tax						71	71					71	71	
	—	—	—	—	—	8	8	—	—	—	—	—	8	8
Balance as of June 30, 2023	16		18,	53	(7	(1	46	16		18	53	(7	(1	46
	6,9		28	3,6	4,3	2,2	5,3	6,		,2	62	39	23	30
	17	\$ 17	\$ 7	\$ 26	\$ 93)	\$ 37)	\$ 00	7	17	87	6	3)	7)	0

For the Three and Six Months Ended June 30, 2022

Balance as of December 31, 2021	15,607,79	\$ 16	\$ 5	\$ 83	\$ 16)	\$ 4)	\$ 64							
Net income	—	—	—	—	0	—	0	—	—	—	—	—	—	—
Vesting of RSUs	154	—	—	—	—	—	—							
Earn-out shares issued to Platinum Stockholder														
Share repurchases and retirement														
Vesting of RSUs and PSUs														
Exercise of stock options														

Payment of employee tax withholding related to RSUs vesting	—	—	—	(1,436)	—	—	(1,436)
Stock-based compensation	—	—	—	4,446	—	—	4,446
Other comprehensive income, net of tax	—	—	—	—	—	2,708	2,708
Balance as of March 31, 2022	15		36,	31	(7	(2,	27
	6,2		57	2,9	1,3	38	5,8
	40	16	5	86	76)	6)	15
					29,		29,
Net income	—	—	—	—	641	—	641
Share repurchases and retirement	(3,076)	(1)	—	(6,163)	(49,17)	(5)	(55,281)
Vesting of RSUs	51	—	—	—	—	—	—
Exercise of stock options	5	—	—	66	—	—	66

Payment of employee tax withholding related to RSUs vesting	—	—	—	(203)	—	—	(203)									
Payment of employee tax withholding related to RSUs and PSUs vesting													(49)	—	—	(49)
Exercise of warrants								1,433					7,786			7,786
Stock-based compensation	—	—	—	4,566	—	—	4,566						4,443	—	—	4,443
Other comprehensive loss, net of tax	—	—	—	—	—	(81)	(81)	—	—	—	—	—	—	—	(9)	(9)
Balance as of June 30, 2022	15	3,220	36,575	31,120	(908)	(127)	24,425									
	20	\$ 15	\$ 5	\$ 52	\$ 52)	\$ 67)	\$ 23									

Balance							
as of	16			54	(1	(1	40
Septem	6,			9,	28	6,	4,
ber 30,	31			37	,9	42	05
2023	0	\$ 17	\$ —	\$ 4	\$ 09)	\$ 6)	\$ 6

See accompanying Notes to the Condensed Consolidated Financial Statements.

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VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(Unaudited)

For the Three and Nine Months Ended September 30, 2022

	Common		Common	Additional	Accumulat	Accumulat	Total
	Stock		Stock	Paid-in	ed	Other	Stockholde
			Contingent	Capital	ed	Comprehe	rs'
			Considerat		Deficit	nsive	Equity
(In thousands)	Shares	Amount	ion			Loss	
Balance as of December 31,							
2021	156,079	\$ 16	\$ 36,575	\$ 309,883	\$ (81,416)	\$ (5,094)	\$ 259,964
Net income	—	—	—	—	10,040	—	10,040
Vesting of RSUs	154	—	—	—	—	—	—
Exercise of stock options	7	—	—	93	—	—	93
Payment of employee tax							
withholding related to RSUs							
vesting	—	—	—	(1,436)	—	—	(1,436)
Stock-based compensation	—	—	—	4,446	—	—	4,446
Other comprehensive income,							
net of tax	—	—	—	—	—	2,708	2,708
Balance as of March 31, 2022	156,240	16	36,575	312,986	(71,376)	(2,386)	275,815
Net income	—	—	—	—	29,641	—	29,641
Share repurchases and							
retirement	(3,076)	(1)	—	(6,163)	(49,117)	—	(55,281)
Vesting of RSUs	51	—	—	—	—	—	—

Exercise of stock options	5	—	—	66	—	—	66
Payment of employee tax withholding related to RSUs vesting	—	—	—	(203)	—	—	(203)
Stock-based compensation	—	—	—	4,566	—	—	4,566
Other comprehensive loss, net of tax	—	—	—	—	—	(10,381)	(10,381)
Balance as of June 30, 2022	153,220	15	36,575	311,252	(90,852)	(12,767)	244,223
Net income	—	—	—	—	24,576	—	24,576
Share repurchases and retirement	(3,855)	—	—	(7,830)	(61,960)	—	(69,790)
Vesting of RSUs	122	—	—	—	—	—	—
Exercise of stock options	64	—	—	838	—	—	838
Payment of employee tax withholding related to RSUs vesting	—	—	—	(1,433)	—	—	(1,433)
Stock-based compensation	—	—	—	4,644	—	—	4,644
Other comprehensive loss, net of tax	—	—	—	—	—	(8,167)	(8,167)
Balance as of September 30, 2022	149,551	\$ 15	\$ 36,575	\$ 307,471	\$ (128,236)	\$ (20,934)	\$ 194,891

See accompanying Notes to the Condensed Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(\$ in thousands)	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cash Flows from Operating Activities:				
Net income	\$ 23,685	\$ 39,681	\$ 53,993	\$ 64,257

Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	59,305	70,215	86,835	105,294
Amortization of deferred financing costs and discounts	2,469	2,693	3,600	4,122
Change in fair value of private placement warrants	25,519	(2,866)	24,966	(5,133)
Tax receivable agreement liability adjustment	—	(965)	—	(965)
Gain on interest rate swap	(3,563)	—	(3,361)	—
Loss on extinguishment of debt	1,558	—		
Loss (gain) on extinguishment of debt			3,533	(3,005)
Credit loss expense	4,956	7,036	7,553	10,892
		(15,70		
Deferred income taxes	(4,733)	0)	(7,236)	(17,310)
Stock-based compensation	7,903	9,012	12,346	13,656
Other	134	760	306	624
Changes in operating assets and liabilities:				
	(21,07	(19,11		
Accounts receivable	1)	2)	(35,854)	(25,846)
Unbilled receivables	(6,120)	(4,918)	(9,529)	(4,205)
Inventory	(55)	(7,397)	(1,061)	(9,056)
Prepaid expenses and other assets	3,000	8,931	2,948	8,405
Deferred revenue	5,768	2,917	3,475	6,291
Accounts payable and other current liabilities	8,890	1,711	27,059	(1,978)
Other liabilities	282	4,377	798	2,733
	107,92			
Net cash provided by operating activities	7	96,375	170,371	148,776
Cash Flows from Investing Activities:				
Payment of contingent consideration	—	(647)	—	(647)
Payments for interest rate swap	(1,556)	—	(1,414)	—
Purchases of installation and service parts and property and equipment	(30,09	(22,72		
	8)	4)	(40,501)	(35,927)
Cash proceeds from the sale of assets	129	72	222	140
	(31,52	(23,29		
Net cash used in investing activities	5)	9)	(41,693)	(36,434)
Cash Flows from Financing Activities:				

		(25,00		
Repayment on the revolver	—	0)	—	(25,000)
	(77,00		(179,26	
Repayment of long-term debt	9)	(4,510)	4)	(6,764)
Payment of debt issuance costs	(192)	(246)	(362)	(410)
	105,75			
Proceeds from the exercise of warrants	0	—	161,408	—
		(55,28	(100,00	(125,07
Share repurchases and retirement	—	1)	0)	1)
Proceeds from the exercise of stock options	2,388	159	2,845	997
Payment of employee tax withholding related to RSUs and PSUs vesting	(3,028)	(1,639)	(3,077)	(3,072)
		(86,51		
Net cash provided by (used in) financing activities	27,909	7)		
Settlement of contingent consideration			—	(205)
			(118,45	(159,52
Net cash used in financing activities			0)	5)
Effect of exchange rate changes on cash and cash equivalents	73	(430)	(1,013)	(1,620)
Net increase (decrease) in cash, cash equivalents and restricted cash	104,38	(13,87		
	4	1)	9,215	(48,803)
Cash, cash equivalents and restricted cash - beginning of period	109,11	104,43		
	5	2	109,115	104,432
Cash, cash equivalents and restricted cash - end of period	213,49			
	\$ 9	\$ 90,561	\$ 118,330	\$ 55,629

See accompanying Notes to the Condensed Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Supplemental cash flow information:				
Interest paid	43,9	26,0	60,37	40,06
	\$ 60	\$ 36	\$ 0	\$ 8
Income taxes paid, net of refunds	22,9	26,0	37,62	43,45
	04	27	7	5
Supplemental non-cash investing and financing activities:				
Earn-out shares issued to Platinum Stockholder	18,2		36,57	
	88	—	5	—
Purchases of installation and service parts and property and equipment in accounts payable and accrued liabilities at period-end	4,37	4,61		
	4	7	6,927	6,420
Proceeds receivable from the exercise of warrants at period-end	52,7			
	47	—		
Reclassification of private placement warrant liabilities to additional paid-in capital upon exercise	44,1			
	55	—		
Increase in additional paid-in capital due to exercise of private placement warrants			49,03	
			2	—

See accompanying Notes to the Condensed Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business

Verra Mobility Corporation (collectively with its subsidiaries, the “**Company**” or “**Verra Mobility**”) offers integrated technology solutions and services to its customers who are located throughout the world, primarily within the United States, Australia, Canada and Europe. The Company is organized into three operating segments: Commercial Services, Government Solutions and Parking Solutions (see Note 14, Segment Reporting).

The Company's Commercial Services segment offers toll and violation management solutions for the commercial fleet and rental car industries by partnering with the leading fleet management and rental car companies in North America. Electronic toll payment services enable fleet drivers and rental car customers to use high-speed cashless toll lanes or all-electronic cashless toll roads. The service helps commercial fleets reduce toll management costs, while it provides rental car companies with a revenue-generating, value-added service for their customers. Electronic violation processing services reduce the cost and risk associated with vehicle-issued violations, such as toll, parking or camera-enforced tickets. Title and registration services offer title and registration processing for individuals, rental car companies and fleet management companies. In Europe, the Company provides violations processing through Euro Parking Collection plc and consumer tolling services through Pagatelia S.L.

The Company's Government Solutions segment offers photo enforcement solutions and services to its customers. The Government Solutions segment provides complete, end-to-end speed, red-light, school bus stop arm and bus lane enforcement solutions within the United States and Canada. These programs are designed to reduce traffic violations and resulting collisions, injuries and fatalities. The Company implements and administers traffic safety programs for municipalities, counties, school districts and law enforcement agencies of all sizes. The international operations for this segment primarily involve the sale of traffic enforcement products and related maintenance services.

The Company's Parking Solutions segment offers an integrated suite of parking software and hardware solutions to its customers, which include universities, municipalities, healthcare facilities and commercial parking operators. This segment develops specialized hardware and parking management software that provides a platform for the issuance of parking permits, enforcement, gateless vehicle counting, event parking and citation services. It also produces and markets its proprietary software as a service to its customers throughout the United States and Canada.

The Company was originally incorporated in Delaware on August 15, 2016, under the name "Gores Holdings II, Inc." ("**Gores**") as a special purpose acquisition company. On January 19, 2017, Gores consummated its initial public offering (the "**IPO**"), following which its shares began trading on Nasdaq. On June 21, 2018, Gores entered into an Agreement and Plan of Merger (as amended, the "**Merger Agreement**") with Greenlight Holding II Corporation, PE Greenlight Holdings, LLC (the "**Platinum Stockholder**"), AM Merger Sub I, Inc., a direct, wholly owned subsidiary of Gores, and AM Merger Sub II, LLC, a direct, wholly owned subsidiary of Gores. On October 17, 2018, the Company consummated the transactions contemplated by the Merger Agreement (the "**Business Combination**") and changed its name to "Verra Mobility Corporation." As a result of the Business Combination, Verra Mobility Corporation became the owner, directly or indirectly, of all of the equity interests of Verra Mobility Holdings, LLC and its subsidiaries.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company prepared in accordance with generally accepted accounting principles in the United States of America ("**GAAP**"). All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company's

management, the unaudited condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Significant estimates and assumptions include those related to allocating the transaction price for revenue recognition, inventory valuation, allowance for credit losses, fair value of the private placement warrant liabilities, fair value of the interest rate swap, self-insurance liability, valuation allowance on deferred tax assets, uncertain tax positions, apportionment for state income taxes, the tax receivable agreement liability, fair value of privately-held securities, impairment assessments of goodwill, intangible assets and other long-lived assets, asset retirement obligations, contingent consideration and the recognition and measurement of loss contingencies.

Management believes that its estimates and assumptions are reasonable in the circumstances; however, actual results could differ materially from those estimates.

Concentration of Credit Risk

Significant customers are those which represent more than 10% of the Company's total revenue or accounts receivable, net. Revenue from the single Government Solutions customer exceeding 10% of total revenue is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
City of New York Department of Transportation	16.9 %	18.6 %	17.4 %	18.9 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
City of New York Department of Transportation	16.5 %	20.5 %	17.1 %	19.5 %

The City of New York Department of Transportation ("NYCDOT") represented 17.13% and 22% of total accounts receivable, net as of June 30, 2023 and September 30, 2023 and December 31, 2022, respectively. There is no material reserve related to NYCDOT open receivables as amounts are deemed collectible based on current conditions and expectations. No other Government Solutions customer exceeded 10% of total accounts receivable, net as of any period presented.

Significant customer revenues generated through the Company's Commercial Services partners as a percent of total revenue are presented below:

	Three Months Ended		Six Months Ended June		Three Months Ended		Nine Months Ended	
	June 30,		30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Hertz Corporation	12.3 %	11.7 %	11.8 %	11.4 %	11.8 %	12.6 %	11.8 %	11.8 %
Avis Budget Group, Inc.	13.6 %	13.2 %	13.1 %	12.4 %	15.1 %	13.9 %	13.8 %	12.9 %
Enterprise Holdings, Inc.	9.7 %	9.7 %	9.9 %	9.3 %	11.6 %	10.3 %	10.5 %	9.7 %

No Commercial Services customer exceeded 10% of total accounts receivable, net as of any period presented.

There were no significant customer concentrations that exceeded 10% of total revenue or accounts receivable, net for the Parking Solutions segment as of or for any period presented.

Allowance for Credit Losses

The Company reviews historical credit losses and customer payment trends on receivables and develops loss rate estimates as of the balance sheet date, which includes adjustments for current and future expectations using probability-weighted assumptions about potential outcomes. Receivables are written off against the allowance for credit losses when it is probable that amounts will not be collected based on the terms of the customer contracts, and subsequent recoveries reverse the previous write-off and apply to the receivable in the period recovered. No interest or late fees are charged on delinquent accounts. The Company evaluates the adequacy of its allowance for expected credit losses by comparing its actual write-offs to its previously recorded estimates and adjusts appropriately.

The Company identified portfolio segments based on the type of business, industry in which the customer operates and historical credit loss patterns. The following presents the activity in the allowance for credit losses for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively:

(\$ in thousands)	Commercial Services (Driver-billed) (1)	Commercial Services (All other)	Government Solutions	Parking Solutions	Total	Commercial Services (Driver-billed) (1)	Commercial Services (All other)	Government Solutions	Parking Solutions	Total
Balance at January 1, 2023		1,579	4,573	157	15,907		1,579	4,573	157	15,907
Credit loss expense	5,639	(94)	(760)	171	4,956			(1,964)	139	7,153
Write-offs, net of recoveries	(359)	5	(147)	(225)	(726)	(5,031)	(104)	(185)	(562)	(5,882)
Balance at June 30, 2023	14,880	1,488	3,666	103	20,117					

Balan										
nce										1
at										7,
Sept										5
embe						13,	2,			
r 30,						19	22	2,4	(26	7
2023						\$ 1	\$ 9	\$ 24	\$ 6)	\$ 8
	Comme					Comm				
	rcial	Comm				ercial	Comm			
	Service	ercial				Service	ercial			
	s	Service	Govern			s	Service	Govern		
(\$ in	(Driver-	es	ment	Parking		(Driver-	es	ment	Parking	
thousa	billed)	(All	Solutio	Solutio		billed)	(All	Solutio	Solutio	
nds)	(1)	other)	ns	ns	Total	(1)	other)	ns	ns	Total
Bala										1
nce										2,
at										1
Janu		3,			12		3,			
ary 1,	5,3	09	3,6		,1	5,3	09	3,6		3
2022	\$ 97	\$ 2	\$ 49	\$ —	\$ 38	\$ 97	\$ 2	\$ 49	\$ —	\$ 8
Cre										
dit										1
loss										0,
exp					7,					8
ens	5,8	42	39	33	03	8,8	83	69	49	9
e	79	8	7	2	6	67	5	4	6	2
Writ										
e-										
offs,										
net										
of										(5
reco	(1,				(2,	(2,	(2,			,3
veri	90	(1			08	81	08		(43	5
es	2)	00)	(12)	(68)	2)	0)	9)	(26)	0)	5)

Balan					
ce					
at					
June		3,			17
30,	9,3	42	4,0	26	,0
2022	\$ 74	\$ 0	\$ 34	\$ 4	\$ 92
Balan					
ce					
at					1
Sept					7,
embe		11,	1,		6
r 30,		45	83	4,3	7
2022		\$ 4	\$ 8	\$ 17	\$ 66 \$ 5

- (1) Driver-billed consists of receivables from drivers of rental cars and fleet management companies for which the Company bills on behalf of its customers. Receivables not collected from drivers within a defined number of days are transferred to customers subject to applicable bad debt sharing agreements.

The Commercial Services (Driver-billed) portfolio segment's credit loss estimate as of June 30, 2023 increased compared to the prior year due to increased revenue that impacted the volume of transactions year over year.

Deferred Revenue

Deferred revenue represents amounts that have been invoiced in advance and are expected to be recognized as revenue in future periods, and it primarily relates to Government Solutions and Parking Solutions customers. The Company had approximately \$17.2 million and \$12.9 million of deferred revenue in the Government Solutions segment as of June 30, 2023 and September 30, 2023, respectively. The majority of the remaining performance obligations as of June 30, 2023 are expected to be completed and recognized as revenue in the next 12 months and \$4.2 million is expected to be recognized from 2024 through 2027. The Company had approximately \$22.4 million and \$21.2 million of deferred revenue in the Parking Solutions segment as of June 30, 2023 and September 30, 2023, respectively. The majority of the remaining performance obligations as of June 30, 2023 are expected to be completed and recognized as revenue in the next 12 months and \$1.0 million is expected to be recognized after June 30, 2024.

Interest Rate Swap

In December 2022, the Company entered into a cancellable interest rate swap agreement to hedge its exposure to interest rate fluctuations associated with the LIBOR (now transitioned to Term Secured Overnight Financing Rate "SOFR," as discussed below) portion of the variable interest rate on its 2021 Term Loan. Under the interest rate swap agreement, the Company pays a fixed rate of 5.17% and the counterparty pays a variable interest rate. The Company entered into an

International Swaps and Derivatives Association, Inc. Master Agreement with the counterparty which provides for the net settlement of all, or a specified group, of derivative transactions through a single payment. The notional amount on the interest rate swap is \$675.0 million. The Company has the option to effectively terminate the interest rate swap agreement starting in December 2023, and monthly thereafter until December 2025. The Company is treating the interest rate swap as an economic hedge for accounting purposes and any changes in the fair value of the derivative instrument (including accrued interest) and related cash payments are recorded in the condensed consolidated statements of operations within the **gain loss (gain)** on interest rate swap line item.

The Company recorded a \$**4.80.1** million **gain loss** during the three months ended **June 30, 2023** **September 30, 2023**, of which \$**5.10.2** million is associated with the derivative instrument re-measured to fair value at the end of the reporting period, netted by \$**0.30.1** million related to the monthly cash payments. The Company recorded a \$**2.01.9** million gain during the **six nine** months ended **June 30, 2023** **September 30, 2023**, of which **approximately \$3.63.3** million is associated with the derivative instrument re-measured to fair value at the end of the reporting period, netted by \$**1.61.4** million related to the monthly cash payments. The effect of remeasurement to fair value is recorded within the operating activities section and the monthly cash payments are recorded within the investing activities section in the condensed consolidated statements of cash flows. See below for further discussion on the fair value measurement of the interest rate swap, and Note 6, *Long-term Debt*, for additional information on the Company's mix of fixed and variable debt.

Recent Accounting Pronouncements

Accounting Standards Adopted

In March 2020, the Financial Accounting Standards Board ("**FASB**") issued Accounting Standards Update ("**ASU**") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. It provides optional expedients and exceptions for applying GAAP to contract modifications, subject to meeting certain criteria, that reference LIBOR or another reference rate that **will be is** discontinued. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition.

In March 2023, the Company amended its 2021 Term Loan agreement to transition away from LIBOR to Term SOFR with the cessation of LIBOR in June 2023. As a result, the Company adopted the standard and elected to apply the optional expedients which **enable enabled** it to consider the change in the benchmark interest rate as a continuation of the existing

loan agreement and account for it prospectively. The adoption of this standard did not have a material impact to the condensed consolidated financial statements.

Accounting Standards Not Yet Adopted

On June 30, 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. It also requires entities with investments in equity securities subject to contractual sale restrictions to disclose certain qualitative and quantitative information about such securities. The guidance is effective for fiscal years, including interim periods beginning after December 15, 2023. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its financial statements.

3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at:

(\$ in thousands)	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Proceeds receivable from the exercise of warrants	\$ 52,747	\$ —		
Prepaid services	10,138	9,171	\$ 10,942	\$ 9,171
Prepaid tolls	8,435	9,978	9,005	9,978
Costs to fulfill a customer contract	6,378	3,193	5,452	3,193
Prepaid computer maintenance	5,071	5,492	4,290	5,492
Prepaid income taxes	4,483	4,629	5,814	4,629
Interest rate swap asset	2,263	—	2,266	—
Deposits	1,604	2,057	1,778	2,057
Other	1,390	5,084	1,650	5,084
Total prepaid expenses and other current assets	\$ 92,509	\$ 39,604	\$ 41,197	\$ 39,604

4. Goodwill and Intangible Assets

The following table presents the changes in the carrying amount of goodwill by reportable segment:

Commer cial	Governm ent	Parking	Commer cial	Governm ent	Parking
----------------	----------------	---------	----------------	----------------	---------

(\$ in thousands)	Solution	Solution		Solution	Solution		
	Services	s	s	Total	Services	s	Total
Balance at							
December 31,	419,	214,	199,	833,	419,	214,	833,
2022	\$ 720	\$ 618	\$ 142	\$ 480	\$ 720	\$ 618	\$ 480
Foreign							
currency							
translation	2,14			1,84			(66
adjustment	1	(298)	—	3	88	(751)	— 3)
Balance at June	421,	214,	199,	835,			
30, 2023	\$ 861	\$ 320	\$ 142	\$ 323			
Balance at							
September 30,					419,	213,	199,
2023					\$ 808	\$ 867	\$ 142 \$ 817

13

Intangible assets consist of the following as of the respective period-ends:

	June 30, 2023			December 31, 2022			September 30, 2023			December 31, 2022		
	We			We			We			We		
	igh			igh			igh			igh		
	ted			ted			ted			ted		
	Av			Av			Av			Av		
	era			era			era			era		
	ge	Gross		ge	Gross		ge	Gross		ge	Gross	
	Re			Re			Re			Re		
	ma			ma		Accu	ma		Accu	ma		Accu
	ini	Carryi	Accum	ini	Carryi	mulate	ini	Carryi	mulate	ini	Carryi	mulate
	ng	ng	ulated	ng	ng	d	ng	ng	d	ng	ng	d
	Us			Us			Us			Us		
	efu			efu			efu			efu		
(\$ in	I			I			I			I		
thousands	Lif	Amoun	Amorti	Lif	Amou	Amorti	Lif	Amou	Amorti	Lif	Amou	Amorti
)	e	t	zation	e	nt	zation	e	nt	zation	e	nt	zation

	0.			0.			0.			0.		
	4			4			4			4		
	ye	36	32	4 y	36	32	ye	36	32	ye	36	32
Tradema	ar	,1	,5	ea	,1	,2	ar	,1	,7	ar	,1	,2
rks	s	\$ 64	\$ 95	rs	\$ 51	\$ 33	s	\$ 13	\$ 18	s	\$ 51	\$ 33
										0.		
Non-				0.						1		
compet		62	62	1 y	62	60		62	62	ye	62	60
agreeme	ze	,5	,5	ea	,5	,9	ze	,5	,5	ar	,5	,9
nts	ro	41	41	rs	29	26	ro	41	41	s	29	26
	5.						4.			5.		
Custome	0	55	25	5.	55	22	7	55	27	5	55	22
r	ye	8,	8,	5 y	7,	7,	ye	7,	3,	ye	7,	7,
relations	ar	53	45	ea	57	10	ar	22	10	ar	57	10
hips	s	8	8	rs	0	2	s	3	8	s	0	2
	1.						0.			1.		
Develop	0	20	16	1.	20	16	9	20	17	2	20	16
ed	ye	1,	9,	2 y	1,	0,	ye	0,	2,	ye	1,	0,
technolo	ar	25	12	ea	54	11	ar	55	30	ar	54	11
gy	s	6	4	rs	8	7	s	3	9	s	8	7
Gross												
carrying		85	52		85	48		85	54		85	48
value of		8,	2,		7,	0,		6,	0,		7,	0,
intangibl		49	71		79	37		43	67		79	37
e assets		9	\$ 8		8	\$ 8		0	\$ 6		8	\$ 8
Less:												
accumul		(5			(4			(5			(4	
ated		22			80			40			80	
amortizat		,7			,3			,6			,3	
ion		18)			78)			76)			78)	
Intangib		33			37			31			37	
le		5,			7,			5,			7,	
assets,		78			42			75			42	
net		\$ 1			\$ 0			\$ 4			\$ 0	

Amortization expense was \$20.0 18.9 million and \$27.1 26.6 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and was \$42.0 60.9 million and \$54.4 81.0 million for the six nine months

ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

Estimated amortization expense in future years is expected to be:

(\$ in thousands)			
Remainder of 2023	\$	35,715	\$ 16,721
2024		67,017	66,881
2025		64,319	64,183
2026		57,332	57,229
2027		28,325	28,125
Thereafter		83,073	82,615
Total	\$	<u>335,781</u>	<u>\$ 315,754</u>

5. Accrued Liabilities

Accrued liabilities consist of the following at:

(\$ in thousands)	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Accrued salaries and wages	\$ 19,110	\$ 19,109	\$ 21,690	\$ 19,109
Accrued interest payable			9,235	4,459
Current deferred tax liabilities	7,562	7,559	7,519	7,559
Current portion of operating lease liabilities	7,117	6,355	7,088	6,355
Accrued interest payable	4,271	4,459		
Restricted cash due to customers	3,045	3,541	3,204	3,541
Payroll liabilities			3,025	2,136
Advance deposits	2,721	1,029	2,781	1,029
Payroll liabilities	2,526	2,136		
Accrued self-insurance	1,283	858		
Accrued commissions			1,195	857
Income tax payable	1,273	269	963	269
Other	2,734	3,532	2,759	3,533
Total accrued liabilities	<u>\$ 51,642</u>	<u>\$ 48,847</u>	<u>\$ 59,459</u>	<u>\$ 48,847</u>

6. Long-term Debt

The following table provides a summary of the Company's long-term debt at:

(\$ in thousands)	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
2021 Term Loan, due 2028	\$ 809,097	\$ 886,106	\$ 706,842	\$ 886,106
Senior Notes, due 2029	350,000	350,000	350,000	350,000
Less: original issue discounts	(4,670)	(5,637)	(3,869)	(5,637)
Less: unamortized deferred financing costs	(15,716)	(18,489)	(13,603)	(18,489)
Total long-term debt	1,138,711	1,211,980	1,039,370	1,211,980
Less: current portion of long-term debt	(9,019)	(21,935)	(9,019)	(21,935)
Total long-term debt, net of current portion	\$ 1,129,692	\$ 1,190,045	\$ 1,030,351	\$ 1,190,045

2021 Term Loan

In March 2021, VM Consolidated, Inc. ("**VM Consolidated**"), the Company's wholly owned subsidiary, entered into an Amendment and Restatement Agreement No.1 to the First Lien Term Loan Credit Agreement (the "**2021 Term Loan**") with a syndicate of lenders. The 2021 Term Loan has an aggregate borrowing of \$900.0 million, maturing on March 26, 2028, which includes the incremental borrowing of \$250.0 million in December 2021 as a result of exercising the accordion feature available under the agreement. In connection with the 2021 Term Loan borrowings, the Company had \$4.6 million of offering discount costs and \$4.5 million in deferred financing costs, both of which were capitalized and are being amortized over the remaining life of the 2021 Term Loan.

During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company made early repayments of **\$72.5** **172.5** million on the 2021 Term Loan and as a result, the total principal outstanding was **\$809.1** **706.8** million as of **June 30, 2023** **September 30, 2023**. The Company recognized a loss on extinguishment of debt of **\$0.2** **2.0** million and **\$1.6** **3.5** million for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, respectively, related to the write-off of pre-existing deferred financing costs and discounts.

The 2021 Term Loan is repayable at 1.0% per annum of the amount initially borrowed, paid in quarterly installments. It bears interest based, at the Company's option, on either (1) LIBOR plus an applicable margin of 3.25% per annum, or (2)

an alternate base rate plus an applicable margin of 2.25% per annum. In March 2023, the Company amended its 2021 Term Loan agreement to transition away from LIBOR to Term SOFR with the cessation of LIBOR in June 2023. To compensate for the differences in reference rates utilized, the amended agreement also includes a credit spread adjustment of 0.11448% for an interest period of one-month duration, 0.26161% for a three-month duration, 0.42826% for a six-month duration, and 0.71513% for twelve-months duration in addition to Term SOFR and the applicable margin. The Company has applied the optional expedients in ASC 848, *Reference Rate Reform*, and elected to treat the change in the benchmark interest rate to Term SOFR as a continuation of the existing loan agreement and account for it prospectively. As of **June 30, 2023** **September 30, 2023**, the new all-in interest rate on the 2021 Term Loan was **8.58.7%**.

In addition, the 2021 Term Loan requires mandatory prepayments equal to the product of the excess cash flows of the Company (as defined in the 2021 Term Loan agreement) and the applicable prepayment percentages (calculated as of the last day of the fiscal year), as set forth in the following table:

Consolidated First Lien Net Leverage Ratio (As Defined by the 2021 Term Loan Agreement)	Applicable Prepayment Percentage
> 3.70:1.00	50%
≤ 3.70:1.00 and > 3.20:1.00	25%
≤ 3.20:1.00	0%

Senior Notes

In March 2021, VM Consolidated issued an aggregate principal amount of \$350.0 million in Senior Unsecured Notes (the “**Senior Notes**”), due on April 15, 2029. In connection with the issuance of the Senior Notes, the Company incurred \$5.7 million in lender and third-party costs, which were capitalized as deferred financing costs and are being amortized over the remaining life of the Senior Notes.

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Interest on the Senior Notes is fixed at 5.50% per annum and is payable on April 15 and October 15 of each year. On or after April 15, 2024, the Company may redeem all or a portion of the Senior Notes at the redemption prices set forth below in percentages by year, plus accrued and unpaid interest:

Year	Percentage
2024	102.750%
2025	101.375%
2026 and thereafter	100.000%

In addition, the Company may redeem up to 40% of the Senior Notes before April 15, 2024, with the net cash proceeds from certain equity offerings.

PPP Loan

During fiscal year 2020, one of the Company's wholly owned subsidiaries received a \$2.9 million loan from the U.S. Small Business Administration ("SBA") as part of the Paycheck Protection Program ("PPP Loan") to offset certain employment and other allowable costs incurred as a result of the COVID-19 pandemic. In early 2021, the Company applied for forgiveness of this loan, and on September 23, 2022, it was notified by the SBA that the loan, together with accrued interest, had been fully forgiven under the provisions of the PPP Loan program. Accordingly, the Company recognized a \$3.0 million gain on extinguishment of debt in the condensed consolidated statement of operations for the three and nine months ended September 30, 2022.

The Revolver

The Company has a Revolving Credit Agreement (the "**Revolver**") with a commitment of up to \$75.0 million available for loans and letters of credit. The Revolver matures on December 20, 2026. Borrowing eligibility under the Revolver is subject to a monthly borrowing base calculation based on (i) certain percentages of eligible accounts receivable and inventory, less (ii) certain reserve items, including outstanding letters of credit and other reserves. The Revolver bears interest on either (1) Term SOFR plus an applicable margin, or (2) an alternate base rate, plus an applicable margin. The margin percentage applied to (1) Term SOFR is either 1.25%, 1.50%, or 1.75%, or (2) the base rate is either 0.25%, 0.50%, or 0.75%, depending on the Company's average availability to borrow under the commitment. There is a credit spread adjustment of 0.10% for a one-month duration, 0.15% for a three-month duration, and 0.25% for a six-month duration, in addition to Term SOFR and the applicable margin percentages. There are no outstanding borrowings on the Revolver as of June 30, 2023 September 30, 2023 or December 31, 2022. The availability to borrow was \$74.8 million, net of \$0.2 million of outstanding letters of credit at June 30, 2023 September 30, 2023.

Interest on the unused portion of the Revolver is payable quarterly at 0.375% and the Company is also required to pay participation and fronting fees at 1.38% on \$0.2 million of outstanding letters of credit as of June 30, 2023 September 30, 2023.

All borrowings and other extensions of credits under the 2021 Term Loan, Senior Notes and the Revolver are subject to the satisfaction of customary conditions and restrictive covenants including absence of defaults and accuracy in material respects of representations and warranties. Substantially all of the Company's assets are pledged as collateral to secure the Company's indebtedness under the 2021 Term Loan. At June 30, 2023 September 30, 2023, the Company was compliant with all debt covenants.

Interest Expense

The Company recorded interest expense, including amortization of deferred financing costs and discounts, of \$22.8 20.4 million and \$14.5 20.3 million for the three months ended June 30, 2023 September 30, 2023 and 2022,

respectively, and \$45.5 65.8 million and \$28.8 49.0 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

The weighted average effective interest rates on the Company's outstanding borrowings were 7.6% and 7.0% at June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

See Note 2, *Significant Accounting Policies*, for additional information on the interest rate swap entered into in December 2022 to hedge the Company's exposure against rising interest rates.

7. Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurement*, includes a single definition of fair value to be used for financial reporting purposes, provides a framework for applying this definition and for measuring fair value under GAAP, and establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are summarized as follows:

Level 1 – Fair value is based on observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2 – Fair value is determined using quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are directly or indirectly observable.

Level 3 – Fair value is determined using one or more significant inputs that are unobservable in active markets at the measurement date, such as a pricing model, discounted cash flow, or similar technique.

The carrying amounts reported in the Company's condensed consolidated balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate fair value due to the immediate to short-term maturity of these financial instruments. The estimated fair value of the Company's long-term debt was calculated based upon available market information. The carrying value and the estimated fair value of long-term debt are as follows:

Lev			Lev		
el	June 30, 2023	December 31, 2022	el	September 30, 2023	December 31, 2022
in			in		

(\$ in thousands)	Hierarchy	Fair Value				Hierarchy	Fair Value			
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
2021		79	81	86	88		69	70	86	88
Term Loan	2	\$ 2,75	\$ 2,13	\$ 6,36	\$ 3,89	2	\$ 3,23	\$ 8,60	\$ 6,36	\$ 3,89
		2	1	5	\$ 1		4	9	5	\$ 1
Senior Note	2	34	32	34	31		34	31	34	31
		5,	9,	5,	3,		6,	8,	5,	3,
		95	87	61	25	2	13	50	61	25
		9	5	5	0		6	0	5	0

The Company had issued Private Placement Warrants in connection with the IPO to acquire shares of the Company's Class A Common Stock which had a five-year term and expired in October 2023. As of September 30, 2023, all Private Placement Warrants were exercised by the warrant holders. The fair value of the private placement warrant Private Placement Warrants liabilities is was measured on a recurring basis and is was estimated using the Black-Scholes option pricing model using significant unobservable inputs, primarily related to estimated volatility, and is was therefore classified within level 3 of the fair value hierarchy. The key assumptions used at December 31, 2022 were as follows:

	June 30, 2023	December 31, 2022	December 31, 2022
Stock price	\$ 19.72	\$ 13.83	\$ 13.83
Strike price	\$ 11.50	\$ 11.50	\$ 11.50
Volatility	43.0%	44.0%	44.0%
Remaining life (in years)	0.3	0.8	0.8
Risk-free interest rate	5.43%	4.74%	4.74%
Expected dividend yield	0.0%	0.0%	0.0%
Estimated fair value (per warrant)	\$ 8.41	\$ 3.61	\$ 3.61

The following summarizes the changes in fair value of private placement warrant Private Placement Warrant liabilities included in net income and the impact of exercises for the respective periods:

(\$ in thousands)	Three Months Ended		Six Months Ended June		Three Months Ended		Nine Months Ended	
	June 30,		30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Beginning balance	38,	42,	24,06	38,	5,4	35,6	24,0	38,
	\$ 667	\$ 200	\$ 6	\$ 466	\$ 30	\$ 00	\$ 66	\$ 466
Change in fair value of private placement warrants	10,918	(6,600)	25,519	(2,866)	(553)	(2,267)	24,966	(5,133)
Exercise of warrants	(44,155)	—	(44,155)	—	(4,877)	—	(49,032)	—
Ending balance	5,4	35,	5,4	35,	—	33,3	—	33,
	\$ 30	\$ 600	\$ 30	\$ 600	\$ —	\$ 33	\$ —	\$ 333

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Change in fair value of private placement warrants consists of adjustments related to the unexercised Private Placement Warrants liabilities re-measured to fair value at the end of each reporting period and the final mark-to-market adjustments for exercised warrants. During the six nine months ended June 30, 2023 September 30, 2023, there were approximately 6.0 6.7 million exercises of Private Placement Warrants which reduced our private placement warrant Private Placement Warrants liabilities by \$44.2 49.0 million with an offset to common stock at par value and the remaining to additional paid in capital.

The Company has an equity investment measured at cost with a carrying value of \$2.0 1.9 million as of June 30, 2023 September 30, 2023, and is only adjusted to fair value if there are identified events that would indicate a need for an upward or downward adjustment or changes in circumstances that may indicate impairment. The estimation of fair value requires the use of significant unobservable inputs, such as voting rights and obligations in the securities held, and is therefore classified within level 3 of the fair value hierarchy. There were no identified events that required a fair value adjustment during the six nine months ended June 30, 2023 September 30, 2023.

The recurring fair value measurement of the interest rate swap was valued based on observable inputs for similar assets and liabilities including swaption values and other observable inputs for interest rates and yield curves and is classified within level 2 of the fair value hierarchy. The following presents the changes in the fair value of the interest rate swap in the gross balances within the below line items for the respective periods:

	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
(\$ in thousands)				
Prepaid expenses and other current assets				
Beginning balance	\$ —	\$ —	\$ 2,263	\$ —
Change in fair value of interest rate swap	2,263	2,263	3	2,266
Ending balance	<u>\$ 2,263</u>	<u>\$ 2,263</u>	<u>\$ 2,266</u>	<u>\$ 2,266</u>
Other non-current assets				
Beginning balance	\$ 857	\$ 1,973	\$ 2,296	\$ 1,973
Change in fair value of interest rate swap	1,439	323	(204)	119
Ending balance	<u>\$ 2,296</u>	<u>\$ 2,296</u>	<u>\$ 2,092</u>	<u>\$ 2,092</u>
Accrued liabilities				
Beginning balance	\$ 1,413	\$ 977	\$ —	\$ 977
Change in fair value of interest rate swap	(1,413)	(977)	—	(977)
Ending balance	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Company separately classifies the current and non-current components based on the value of settlements due within 12 months (current) and greater than 12 months (non-current). For additional information on the interest rate swap, refer to Note 2.2, *Significant Accounting Policies*.

8. Net Income Per Share

Basic net income per share is calculated by dividing net income by the weighted average shares outstanding during the period, without consideration of common stock equivalents. Diluted net income per share is calculated by adjusting the weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method.

The components of basic and diluted net income per share are as follows:

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Numerator:								
Net income	19, \$ 108	29, \$ 641	23, 68 \$ 5	39, \$ 681	30,3 \$ 08	24,5 \$ 76	53, \$ 993	64, \$ 257
Denominator:								
Weighted average shares - basic	151 ,13 2	154 ,69 4	15 0,1 51	155 ,40 8	168, 089	151, 429	156 ,19 6	154 ,06 7
Common stock equivalents	1,4 58	5,6 50	1,4 35	6,0 99	1,40 8	6,87 5		6,3 66
Weighted average shares - diluted	152 ,59 0	160 ,34 4	15 1,5 86	161 ,50 7	169, 497	158, 304	157 ,13 3	160 ,43 3
Net income per share - basic	0.1 \$ 3	0.1 \$ 9	0.1 \$ 6	0.2 \$ 6	\$ 0.18	\$ 0.16	0.3 \$ 5	0.4 \$ 2
Net income per share - diluted	0.1 \$ 3	0.1 \$ 5	0.1 \$ 6	0.2 \$ 3	\$ 0.18	\$ 0.15	0.3 \$ 4	0.3 \$ 8
Antidilutive shares excluded from diluted net income per share:								
Contingently issuable shares (1)	2,5 00	5,0 00	2,5 00	5,0 00		5,00 0		5,0 00
Private placement warrants	646	—	64 6	—				
ASR shares (2)					985	984	985	984

Non-qualified stock options	750	1,502	789	1,502	139	1,110	761	1,224
Performance share units	329	179	329	179	12	—	341	166
Restricted stock units	—	1,007	1,204	1,007	107	51	114	20
Total antidilutive shares excluded	4,225	7,688	5,468	7,688	1,243	7,145	2,201	8,394

(1) Contingently issuable shares relate related to the earn-out agreement as discussed in Note 12, *Other Significant Transactions*.

(2) Had the accelerated share repurchase (“ASR”) initiated in the third quarter of 2023 described in Note 10, *Stockholders’ Equity*, been settled as of September 30, 2023, determined based on the volume-weighted average price per share since its effective date, the counterparties would have been required to deliver these additional estimated shares to the Company. However, the Company cannot predict the final number of shares to be received under the current ASR agreement until its completion, which is expected to occur during the first quarter of 2024. The final shares that were received by the Company for the August 2022 ASR were 943,361.

9. Income Taxes

The Company’s interim income tax provision is determined using an estimated annual effective tax rate, adjusted for discrete items arising in that period. The estimated annual effective tax rate requires judgment and is dependent upon several factors. The Company provides for income taxes under the liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of differences between the tax basis of assets or liabilities and their carrying amounts in the financial statements.

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The Company provides a valuation allowance for deferred tax assets if it is more likely than not that these items will expire before the Company is able to realize their benefit. The Company calculates the valuation allowance in accordance with the authoritative guidance relating to income taxes, which requires an assessment of both positive and negative evidence regarding the realizability of these deferred tax assets, when measuring the need for a valuation allowance. Significant judgment is required in determining any valuation allowance against deferred tax assets.

The Company’s effective income tax rate was 39.6 27.5% and 29.9 25.5% for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and 46.2 37.1% and 32.9 30.2% for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The primary driver for the effective tax rate variance is due to the permanent differences difference related to the mark-to-market adjustment adjustments on the Private Placement Warrants.

The total amount of unrecognized tax benefits increased by \$0.9 million during the six months ended June 30, 2023 primarily due to prior year tax positions. As of June 30, 2023, the total amount of unrecognized tax benefits was \$12.1 million, of which \$3.6 million would affect our effective tax rate if recognized. The Company recognizes interest and penalties related to unrecognized tax benefits through income tax expense. As of June 30, 2023, the Company had \$0.8 million accrued for the payment of interest and penalties.

The Company is subject to examination by the Internal Revenue Service and taxing authorities in various jurisdictions. The Company files U.S. federal and various foreign income tax returns which are subject to examination by the taxing authorities in the respective jurisdictions, generally for three or four years after they are filed. The Company's state income tax returns are generally no longer subject to income tax examination by tax authorities prior to 2018; however, the Company's net operating loss carryforwards and research credit carryforwards arising prior to that year are subject to adjustment. The Company is currently under audit by various state tax jurisdictions for the years 2018 and 2019, however, no material adjustments are anticipated. The Company regularly assesses the likelihood of tax deficiencies in each of the tax jurisdictions and, accordingly, makes appropriate adjustments to the tax provision as deemed necessary.

10. Stockholders' Equity

Warrants

As of December 31, 2022, there were 19,999,967 warrants outstanding to acquire shares of the Company's Class A Common Stock, including (i) 6,666,666 warrants originally issued to Gores Sponsor II, LLC in a private placement in connection with the IPO (the "**Private Placement Warrants**") and (ii) the remaining warrants issued in connection with the IPO (the "**Public Warrants**" and, together with the Private Placement Warrants, the "**Warrants**"). The Warrants have had a five-year term and will expire expired in October 2023, 2023, unless they were redeemed or liquidated prior to expiration. As of June 30, 2023 September 30, 2023, all Warrants were either exercised by the holder or redeemed by the Company.

2,959,609 19

total Warrants remain outstanding, of which 645,711 were determined to be Private Placement Warrants.

During the six nine months ended June 30, 2023 September 30, 2023, the Company processed the exercise of 17.0 19,999,333 million Warrants in exchange for the issuance of 14,840,070 16,273,406 shares of Class A Common Stock. There were 13,782,411 14,035,449 shares issued in exchange for cash-basis warrant exercises resulting in the receipt of \$105.8 161.4 million in cash proceeds as of June 30, 2023, and \$52.7 million of cash proceeds received in July 2023 which was recorded within prepaid expenses and other current assets. September 30, 2023. The remaining Warrant exercises were completed on a cashless basis. In addition, the Company redeemed 634 Public Warrants at a price of \$0.01 per warrant, as the last sale price of the Class A Common Stock was equal to or exceeded \$18.00 per share for 20 trading days within a 30 trading-day period before the Company sent the notice of redemption to the Warrant holders.

For details on the Private Placement Warrants liabilities as a result of the Warrant exercises and the changes in fair value of the liabilities recorded in the condensed consolidated statement of operations, refer to Note 7.7, *Fair Value of Financial Instruments*.

Subsequent to June 30, 2023, there were an additional 254,038 Warrants exercised in exchange for 253,478 shares of Class A Common Stock resulting in \$2.9 million in cash proceeds. Share Repurchases and Retirement

Share Repurchase Programs Fiscal Year 2023

In November 2022, the Company's Board of Directors authorized a share repurchase program for up to an aggregate amount of \$100.0 million of the Company's outstanding shares of Class A Common Stock over an 18-month period in open market, accelerated share repurchase ("ASR") or privately negotiated transactions, each as permitted under applicable rules and regulations, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1 of the Exchange Act.

The Company has not yet repurchased paid \$8.1 million to repurchase 449,432 shares of its Class A Common Stock through open market transactions during the three months ended September 30, 2023, which it subsequently retired. On September 5, 2023, the Company used the remaining availability under this program.

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In May 2022, the Company's Board of Directors authorized a share repurchase program for up to an aggregate amount of ASR and paid approximately \$125.0 91.9 million of its outstanding shares of Class A Common Stock over a twelve-month period. On May 12, 2022, the Company paid \$50.0 million and received to receive an initial delivery of 2,739,726 4,131,551 shares of its Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement occurred is expected to occur during the third first quarter of fiscal year 2022. 2024, at which time, a volume-weighted average price calculation over the term of the ASR agreement will be used to determine the final number and the average price of shares repurchased and retired. The Company accounted for the ASR as a common stock repurchase and a forward contract indexed to its own common stock. The Company determined that the equity classification criteria was met for the forward contract, therefore, it did not account for it as a derivative instrument. In addition, the Company paid \$5.2 million to repurchase 336,153 shares of its Class A Common Stock through open market transactions during the second quarter of fiscal year 2022, which it subsequently retired.

The Company paid a total of \$55.3 100.0 million for share repurchases including \$0.1 million of direct costs, during the second quarter of fiscal year 2022 which was three and nine months ended September 30, 2023, and accounted for the transactions by deducting the par value from the common stock, account, reducing \$6.2 15.2 million from additional paid-in capital calculated using an average share price, and by increasing accumulated deficit for the remaining cost of \$49.1 84.8 million.

Fiscal Year 2022

In May 2022, the Company's Board of Directors authorized a share repurchase program for up to an aggregate amount of \$125.0 million of its outstanding shares of Class A Common Stock over a twelve-month period.

On May 12, 2022, the Company paid \$50.0 million for an ASR and received an initial delivery of 2,739,726 shares of its Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement

occurred during the third quarter of fiscal year 2022, at which time, the Company received 445,086 additional shares calculated using a volume-weighted average price over the term of the ASR agreement. In addition, during the second and third quarters of 2022, the Company paid \$6.9 million and repurchased 445,791 shares of its Class A Common Stock through open market transactions. The Company then initiated a second ASR during the third quarter of 2022 for the remaining availability under the share repurchase program. On August 19, 2022, the Company paid \$68.1 million for the second ASR, and received an initial delivery of 3,300,000 shares of its Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement occurred during the fourth quarter of fiscal year 2022. The Company accounted for each ASR transaction as a common stock repurchase and a forward contract indexed to its own common stock. The Company determined that the equity classification criteria was met for the forward contracts, therefore, it did not account for them as derivative instruments.

The Company paid a total of \$125.0 million for shares repurchases and \$0.1 million for direct costs during the nine months ended September 30, 2022 and accounted for the transactions by deducting the par value from common stock, reducing \$14.0 million from additional paid-in capital calculated using an average share price, and by increasing accumulated deficit for the remaining cost of \$111.1 million. The repurchases under the May 2022 share repurchase program were completed prior to the authorization of the November 2022 share repurchase program discussed above.

11. Stock-Based Compensation

The following details the components of stock-based compensation for the respective periods:

(\$ in thousands)	Three Months Ended		Six Months Ended June		Three Months Ended		Nine Months Ended	
	June 30,		30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Operating expenses	\$ 547	\$ 284	\$ 9	\$ 8	\$ 628	\$ 331	\$ 7	\$ 829
Selling, general and administrative expenses	3,9	4,2	7,0	8,5	3,81	4,31	10,8	12,8
	78	82	24	14	5	3	39	27
Total stock-based compensation expense	4,5	4,5	7,9	9,0	4,44	4,64	12,3	13,6
	\$ 25	\$ 66	\$ 03	\$ 12	\$ 3	\$ 4	\$ 46	\$ 56

The decrease in stock-based compensation expense of \$1.1 million during the six months ended June 30, 2023 as compared to the 2022 period is primarily due to the accelerated vesting of RSUs granted in 2022 to an executive officer as

part of a separation agreement.

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12. Other Significant Transactions

Tax Receivable Agreement

At the closing of the Business Combination, the Company entered into a Tax Receivable Agreement (“**TRA**”) with the Platinum Stockholder. On August 3, 2022, the Platinum Stockholder sold and transferred to Lakeside Smart Holdco L.P (“**Lakeside**”), all of its rights, remaining interests and obligations as of that date under the TRA. The TRA provides for the payment to Lakeside of 50.0% of the net cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the closing of the Business Combination as a result of the increased tax basis of certain acquired intangibles prior to the Business Combination. The Company generally retains the benefit of the remaining 50.0% of these cash savings. The Company estimated the potential maximum benefit to be paid will be approximately \$70.0 million, and recorded an initial liability and corresponding charge to equity at the closing of the Business Combination.

At June 30, 2023 September 30, 2023, the TRA liability was approximately \$55.9 million of which \$5.0 million was the current portion and \$50.9 million was the non-current portion, both of which are included in the respective tax receivable agreement liability line items on the condensed consolidated balance sheet.sheets.

There were no changes to the TRA liability for the nine months ended September 30, 2023. The Company recorded a \$1.0 million benefit for the three and six nine months ended June 30, 2022 September 30, 2022 which resulted from lower estimated state tax rates due to changes in apportionment.

Earn-Out Agreement

Under the Merger Agreement, the Platinum Stockholder is was entitled to receive additional shares of Class A Common Stock (the “**Earn-Out Shares**”) if the volume weighted average closing sale price of one share of Class A Common Stock on the Nasdaq exceeds exceeded certain thresholds for a period of at least 10 days out of 20 consecutive trading days at any time during the five-year period following the closing of the Business Combination (the “**Common Stock Price**”).

The Earn-Out Shares are were issued by the Company to the Platinum Stockholder upon meeting the below Common Stock Price Thresholds (each, a “**Triggering Event**”):

Common Stock Price Thresholds	One-time Issuance of Shares
> \$13.00 (a)	2,500,000
> \$15.50 (a)	2,500,000

> \$18.00 (a)	2,500,000
> \$20.50 (a)	2,500,000

(a)All four tranches of Earn-Out Shares have been issued, as discussed below.

The Company estimated the original fair value of the contingently issuable shares to be \$73.15 million, of which \$18.3 million remains contingently issuable as of June 30, 2023. The estimated value is was not subject to future revisions during the five-year period discussed above. The Company used a Monte Carlo simulation option-pricing model to arrive at its original estimate. Each tranche was valued separately giving specific consideration to the tranche’s price target. The simulation considered volatility and risk-free rates utilizing a peer group based on a five-year term. This was initially recorded as a distribution to shareholders and was presented as common stock contingent consideration. Upon the occurrence of a each Triggering Event, any issuable shares are were transferred from common stock contingent consideration to common stock and additional paid-in capital accounts.

On April 26, 2019, January 27, 2020, June 14, 2023, and June 14, 2023 July 26, 2023, the Triggering Events for the issuance of the first, second, third and third fourth tranches of Earn-Out Shares occurred, as the volume weighted average closing sale price per share of the Company’s Class A Common Stock as of that each date had been greater than \$13.00, \$15.50, \$18.00, and \$18.00 20.50, respectively, for 10 out of 20 consecutive trading days. These Triggering Events resulted in the issuance of an aggregate 7,500,000 10,000,000 shares of the Company’s Class A Common Stock to the Platinum Stockholder and an aggregate increase in the Company’s common stock and additional paid-in capital accounts of \$54.9 73.15 million, with a corresponding decrease to the common stock contingent consideration account.

On July 26, 2023 As of September 30, 2023, there are no shares that remain contingently issuable under the Triggering Event for the issuance of the last tranche of Earn-out Shares occurred as the volume weighted average closing sale price per share of the Company’s Class A Common Stock as of that date had been greater than \$20.50 for 10 out of 20 consecutive trading days. This resulted in the issuance of 2,500,000 shares to the Platinum Stockholder. Earn-Out agreement.

13. Commitments and Contingencies

The Company had \$2.0 1.9 million of bank guarantees at June 30, 2023 September 30, 2023 required to support bids and contracts with certain international customers.

The Company has non-cancelable purchase commitments to certain vendors. The aggregate non-cancelable purchase commitments outstanding at June 30, 2023 September 30, 2023 were \$21.6 20.0 million. The majority of these outstanding commitments are expected to be incurred in 2023, the next twelve months, and approximately \$1.7 2.9 million is expected to be incurred between 2024 and 2025. subsequent to September 30, 2024.

The Company is subject to tax audits in the normal course of business and does not have material contingencies recorded related to such audits.

The Company accrues for claims and contingencies when losses become probable and reasonably estimable. As of the end of each applicable reporting period, the Company reviews each of its matters and, where it is probable that a liability has been or will be incurred, the Company accrues for all probable and reasonably estimable losses. Where the Company can reasonably estimate a range of loss it may incur regarding such a matter, the Company records an accrual for the amount within the range that constitutes its best estimate. If the Company can reasonably estimate a range but no amount within the range appears to be a better estimate than any other, the Company uses the amount that is the low end of such range.

Legal Proceedings

The Company is subject to legal and regulatory actions that arise from time to time in the ordinary course of business. The Company records a liability when it believes it is probable a loss will be incurred and the amount of loss or range of loss can be reasonably estimated. The assessment as to whether a loss is probable, reasonably possible or remote, and as to whether a loss or a range of such loss is estimable, often involves significant judgment about future events. The Company has determined that resolution of pending matters is not probable to have a material adverse impact on its results of operations, cash flows, or financial position, and accordingly, no material contingency accruals are recorded. However, the outcome of litigation is inherently uncertain. As additional information becomes available, the Company reassesses the potential liability.

Brantley v. City of Gretna is a class action lawsuit filed in the 24th Judicial District Court of Jefferson Parish, Louisiana against the City of Gretna ("**City**") and its safety camera vendor, Redflex Traffic Systems, Inc. in April 2016. The plaintiff class, which was certified on March 30, 2021, alleges that the City's safety camera program was implemented and operated in violation of local ordinances and the state constitution, including that the City's hearing process violated the plaintiffs' due process rights for lack of a "neutral" arbiter of liability for traffic infractions. Plaintiffs seek recovery of traffic infraction fines paid. The City and Redflex Traffic Systems, Inc. appealed the trial court's ruling granting class certification, which was denied and their petition for discretionary review of the certification ruling by the Louisiana Supreme Court was declined. Merits discovery in the trial court is underway. No trial date Trial has been set. scheduled for March 2025. Based on the information available to the Company at present, it cannot reasonably estimate a range of loss for this action and, accordingly, it has not accrued any liability associated with this action.

PlusPass Inc. ("PlusPass") v. Verra Mobility Corporation, et al. is a lawsuit filed in the United States District Court, Central District of California, against Verra Mobility, The Gores Group LLC, Platinum Equity LLC, and ATS Processing Services, Inc., in November 2020. PlusPass filed amended complaints on November 20, 2020 and April 27, 2021. PlusPass alleges that Verra Mobility violated Section 7 of the Clayton Act through a merger of Highway Toll Administration, LLC ("**HTA**") and American Traffic Solutions, Inc. ("**ATS**") in 2018, and that Verra Mobility violated Sections 1 and 2 of the Sherman Antitrust Act of 1890 by using exclusive agreements in restraint of trade and other allegedly anticompetitive means to acquire and maintain monopoly power in the market for the administration of electronic toll payment collection for

rental cars. PlusPass seeks injunctive relief, divestiture by Verra Mobility of HTA, damages in an amount to be determined, and attorneys' fees and costs. On May 28, 2021, Verra Mobility filed a motion to dismiss PlusPass' second amended complaint in its entirety, which was denied in August 2021. Discovery is closed. Verra Mobility filed a motion for summary judgment on June 21, 2023, which is pending. Trial has had been set for November 2023, 2023, but was moved by the court to April 2024. Verra Mobility believes that all of PlusPass' claims are without merit and will defend itself vigorously in this litigation. Based on the information available to the Company at present, it cannot reasonably estimate a range of loss for this action and, accordingly, it has not accrued any liability associated with this action.

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14. Segment Reporting

The Company has three operating and reportable segments: Commercial Services, Government Solutions and Parking Solutions. Commercial Services offers toll and violation management solutions and title and registration services to commercial fleet vehicle owners, rental car companies and violation-issuing authorities. Government Solutions implements and administers traffic safety programs and products for municipalities and government agencies of all sizes. Parking Solutions provides an integrated suite of parking software and hardware solutions to its customers. The Company's Chief Operating Decision Maker function ("CODM") is comprised of the Company's CEO and certain defined representatives of the Company's executive management team. The Company's CODM monitors operating performance, allocates resources and deploys capital based on these three segments.

Segment performance is based on revenues and income from operations before depreciation, amortization and stock-based compensation. The measure also excludes interest expense, net, income taxes and certain other transactions and is inclusive of other income, net. The tables below refer to this measure as segment profit. The aforementioned items are not indicative of operating performance, and, as a result are not included in the measures that are reviewed by the CODM for the segments. Other income, net included in segment profit below consists primarily of credit card rebates earned on the prepayment of tolling transactions and gains or losses on foreign currency transactions, and excludes certain non-operating expenses inapplicable to segments.

During the third quarter of 2022, the Company changed its measure of segment profit to include loss on disposal of assets, net, and to exclude transaction and transformation expenses that were previously included within the selling, general and administrative expenses and other income, net line items below. The comparable prior periods have been recast to conform to the revised presentation although the impact of this revision to previously reported segment profit was not material.

The following tables set forth financial information by segment for the respective periods:

	For the Three Months Ended June 30, 2023
--	--

	Commercial	Government	Parking	Corporate	
(\$ in thousands)	Services	Solutions	Solutions	and Other	Total
Service revenue	\$ 94,455	\$ 84,994	\$ 16,601	\$ —	\$ 196,050
Product sales	—	3,260	5,151	—	8,411
Total revenue	94,455	88,254	21,752	—	204,461
Cost of service revenue	688	681	2,969	—	4,338
Cost of product sales	—	2,011	3,951	—	5,962
Operating expenses	20,780	39,399	4,931	—	65,110
Selling, general and administrative expenses	16,131	15,926	6,441	—	38,498
Loss on disposal of assets, net	—	92	—	—	92
Other income, net	(4,237)	(215)	(60)	—	(4,512)
Segment profit	\$ 61,093	\$ 30,360	\$ 3,520	\$ —	\$ 94,973
Segment profit	\$ 61,093	\$ 30,360	\$ 3,520	\$ —	\$ 94,973
Depreciation and amortization	—	—	—	28,996	28,996
Transaction and other related expenses	—	—	—	64	64
Transformation expenses	—	—	—	665	665
Change in fair value of private placement warrants	—	—	—	10,918	10,918
Gain on interest rate swap	—	—	—	(4,805)	(4,805)
Loss on extinguishment of debt	—	—	—	209	209
Stock-based compensation	—	—	—	4,525	4,525
Interest expense, net	—	—	—	22,771	22,771
Income before income taxes	\$ 61,093	\$ 30,360	\$ 3,520	\$ (63,343)	\$ 31,630

	For the Three Months Ended June 30, 2022				
	Commercial	Government	Parking	Corporate	
(\$ in thousands)	Services	Solutions	Solutions	and Other	Total
Service revenue	\$ 84,888	\$ 74,672	\$ 14,942	\$ —	\$ 174,502
Product sales	—	8,856	4,129	—	12,985
Total revenue	84,888	83,528	19,071	—	187,487
Cost of service revenue	496	563	2,654	—	3,713
Cost of product sales	—	4,893	3,433	—	8,326
Operating expenses	18,105	34,401	2,406	—	54,912
Selling, general and administrative expenses	13,591	14,255	7,571	—	35,417

Loss on disposal of assets, net	—	385	14	—	399
Other (income) expense, net	(3,840)	(218)	19	—	(4,039)
Segment profit	<u>\$ 56,536</u>	<u>\$ 29,249</u>	<u>\$ 2,974</u>	<u>\$ —</u>	<u>\$ 88,759</u>
Segment profit	\$ 56,536	\$ 29,249	\$ 2,974	\$ —	\$ 88,759
Depreciation and amortization	—	—	—	34,540	34,540
Transaction and other related expenses	—	—	—	273	273
Transformation expenses	—	—	—	180	180
Change in fair value of private placement warrants	—	—	—	(6,600)	(6,600)
Tax receivable agreement liability adjustment	—	—	—	(965)	(965)
Stock-based compensation	—	—	—	4,566	4,566
Interest expense, net	—	—	—	14,485	14,485
Income before income taxes	<u>\$ 56,536</u>	<u>\$ 29,249</u>	<u>\$ 2,974</u>	<u>\$ (46,479)</u>	<u>\$ 42,280</u>

	For the Six Months Ended June 30, 2023					For the Three Months Ended September 30, 2023				
	Comm ercial Service s	Govern ment Solutio ns	Parkin g Solutio ns	Corpor ate and Other	Total	Comm ercial Servic es	Gover nment Soluti ons	Parkin g Soluti ons	Corpor ate and Other	Total
(\$ in thousands)										
Service revenue	18,000	16,820	32,420	—	67,240	98,140	85,090	17,780	—	202,010
Product sales	—	5,950	9,660	—	15,610	—	5,193	3,711	—	8,904
Total revenue	18,000	22,770	42,080	—	82,850	98,140	90,283	21,491	—	210,914
Cost of service revenue	1,171	1,192	6,205	—	8,568	567	578	4,005	—	10,150
Cost of product sales	—	3,725	7,620	—	11,345	—	3,584	3,280	—	6,864

Operating expenses	40,645	77,003	8,973	—	126,621	21,174	42,395	4,676	—	68,245
Selling, general and administrative expenses	31,583	30,566	12,998	—	75,138	15,544	15,181	6,002	—	36,727
Loss on disposal of assets, net	—	116	—	—	116	—	54	13	—	67
Other income, net	(7,954)	(250)	(64)	—	(8,268)	(4,418)	(75)	(5)	—	(4,498)
Segment profit	11,464	61,825	6,370	\$ —	2,844	65,282	28,563	3,528	\$ —	97,378
Segment profit	11,464	61,825	6,370	\$ —	2,844	65,282	28,563	3,528	\$ —	97,378
Depreciation and amortization	—	—	—	59,305	59,305	—	—	—	27,530	27,530
Transaction and other related expenses	—	—	—	332	332	—	—	—	152	152
Transformation expenses	—	—	—	724	724	—	—	—	1,582	1,582
Change in fair value of private placement warrants	—	—	—	25,519	25,519	—	—	—	(553)	(553)

Gain on interest rate swap	—	—	—	(2,007)	(2,007)					
Loss on interest rate swap						—	—	—	60	60
Loss on extinguishment of debt	—	—	—	1,558	1,558	—	—	—	1,975	1,975
Stock-based compensation				7,903	7,903				4,443	4,443
Interest expense, net	—	—	—	45,458	45,458	—	—	—	20,384	20,384
Income before income taxes	114,649	61,825	—	(138,792)	44,052	65,288	28,563	—	(55,573)	41,805
	\$ 49	\$ 5	\$ 70	\$ 92)	\$ 52	\$ 2	\$ 8	\$ 28	\$ 3)	\$ 05

(\$ in thousands)	For the Three Months Ended September 30, 2022				
	Commercial	Government	Parking	Corporate	Total
	Services	Solutions	Solutions	and Other	
Service revenue	\$ 86,056	\$ 77,441	\$ 17,120	\$ —	\$ 180,617
Product sales	—	12,287	4,752	—	17,039
Total revenue	86,056	89,728	21,872	—	197,656
Cost of service revenue	478	481	3,185	—	4,144
Cost of product sales	—	7,496	3,821	—	11,317
Operating expenses	18,952	36,868	4,385	—	60,205
Selling, general and administrative expenses	14,126	15,034	6,218	—	35,378

(Gain) loss on disposal of assets, net	—	(54)	10	—	(44)
Other (income) expense, net	(3,869)	(454)	85	—	(4,238)
Segment profit	<u>\$ 56,369</u>	<u>\$ 30,357</u>	<u>\$ 4,168</u>	<u>\$ —</u>	<u>\$ 90,894</u>
Segment profit	\$ 56,369	\$ 30,357	\$ 4,168	\$ —	\$ 90,894
Depreciation and amortization	—	—	—	35,079	35,079
Transaction and other related expenses	—	—	—	2,968	2,968
Transformation expenses	—	—	—	243	243
Change in fair value of private placement warrants	—	—	—	(2,267)	(2,267)
Gain on extinguishment of debt	—	—	—	(3,005)	(3,005)
Stock-based compensation	—	—	—	4,644	4,644
Interest expense, net	—	—	—	20,260	20,260
Income before income taxes	<u>\$ 56,369</u>	<u>\$ 30,357</u>	<u>\$ 4,168</u>	<u>\$ (57,922)</u>	<u>\$ 32,972</u>

(\$ in thousands)	For the Six Months Ended June 30, 2022				
	Commercial	Government	Parking	Corporate	Total
	Services	Solutions	Solutions	and Other	
Service revenue	\$ 158,353	\$ 147,896	\$ 29,387	\$ —	\$ 335,636
Product sales	—	14,460	7,776	—	22,236
Total revenue	158,353	162,356	37,163	—	357,872
Cost of service revenue	1,098	1,036	5,358	—	7,492
Cost of product sales	—	8,620	5,701	—	14,321
Operating expenses	34,052	66,792	4,917	—	105,761
Selling, general and administrative expenses	26,854	30,698	14,966	—	72,518
Loss on disposal of assets, net	—	626	5	—	631
Other (income) expense, net	(6,795)	(146)	36	—	(6,905)
Segment profit	<u>\$ 103,144</u>	<u>\$ 54,730</u>	<u>\$ 6,180</u>	<u>\$ —</u>	<u>\$ 164,054</u>
Segment profit	\$ 103,144	\$ 54,730	\$ 6,180	\$ —	\$ 164,054
Depreciation and amortization	—	—	—	70,215	70,215
Transaction and other related expenses	—	—	—	489	489
Transformation expenses	—	—	—	266	266
Change in fair value of private placement warrants	—	—	—	(2,866)	(2,866)
Tax receivable agreement liability adjustment	—	—	—	(965)	(965)
Stock-based compensation	—	—	—	9,012	9,012

Interest expense, net	—	—	—	28,764	28,764
Income before income taxes	\$ 103,144	\$ 54,730	\$ 6,180	\$ (104,915)	\$ 59,139
For the Nine Months Ended September 30, 2023					
	Commercial	Government	Parking	Corporate	
(\$ in thousands)	Services	Solutions	Solutions	and Other	Total
Service revenue	\$ 278,243	\$ 253,319	\$ 50,215	\$ —	\$ 581,777
Product sales	—	11,143	13,377	—	24,520
Total revenue	278,243	264,462	63,592	—	606,297
Cost of service revenue	1,738	1,770	10,210	—	13,718
Cost of product sales	—	7,309	10,900	—	18,209
Operating expenses	61,819	119,398	13,649	—	194,866
Selling, general and administrative expenses	47,127	45,747	18,991	—	111,865
Loss on disposal of assets, net	—	170	13	—	183
Other income, net	(12,372)	(325)	(69)	—	(12,766)
Segment profit	\$ 179,931	\$ 90,393	\$ 9,898	\$ —	\$ 280,222
Segment profit	\$ 179,931	\$ 90,393	\$ 9,898	\$ —	\$ 280,222
Depreciation and amortization	—	—	—	86,835	86,835
Transaction and other related expenses	—	—	—	484	484
Transformation expenses	—	—	—	2,306	2,306
Change in fair value of private placement warrants	—	—	—	24,966	24,966
Gain on interest rate swap	—	—	—	(1,947)	(1,947)
Loss on extinguishment of debt	—	—	—	3,533	3,533
Stock-based compensation	—	—	—	12,346	12,346
Interest expense, net	—	—	—	65,842	65,842
Income before income taxes	\$ 179,931	\$ 90,393	\$ 9,898	\$ (194,365)	\$ 85,857

For the Nine Months Ended September 30, 2022					
	Commercial	Government	Parking	Corporate	
(\$ in thousands)	Services	Solutions	Solutions	and Other	Total
Service revenue	\$ 244,409	\$ 225,337	\$ 46,507	\$ —	\$ 516,253
Product sales	—	26,747	12,528	—	39,275
Total revenue	244,409	252,084	59,035	—	555,528

Cost of service revenue	1,576	1,517	8,543	—	11,636
Cost of product sales	—	16,116	9,522	—	25,638
Operating expenses	53,004	103,660	9,302	—	165,966
Selling, general and administrative expenses	40,980	45,732	21,184	—	107,896
Loss on disposal of assets, net	—	572	15	—	587
Other (income) expense, net	(10,664)	(600)	121	—	(11,143)
Segment profit	<u>\$ 159,513</u>	<u>\$ 85,087</u>	<u>\$ 10,348</u>	<u>\$ —</u>	<u>\$ 254,948</u>
Segment profit	\$ 159,513	\$ 85,087	\$ 10,348	\$ —	\$ 254,948
Depreciation and amortization	—	—	—	105,294	105,294
Transaction and other related expenses	—	—	—	3,457	3,457
Transformation expenses	—	—	—	509	509
Change in fair value of private placement warrants	—	—	—	(5,133)	(5,133)
Tax receivable agreement liability adjustment	—	—	—	(965)	(965)
Gain on extinguishment of debt	—	—	—	(3,005)	(3,005)
Stock-based compensation	—	—	—	13,656	13,656
Interest expense, net	—	—	—	49,024	49,024
Income before income taxes	<u>\$ 159,513</u>	<u>\$ 85,087</u>	<u>\$ 10,348</u>	<u>\$ (162,837)</u>	<u>\$ 92,111</u>

The Company primarily operates within the United States, Australia, Canada, United Kingdom and in various other countries in Europe and Asia. Revenues earned from goods transferred to customers at a point in time were approximately \$8.48.9 million and \$13.017.0 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively and were \$15.624.5 million and \$22.239.3 million for the sixnine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

The following table details the revenues from international operations for the respective periods:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Australia	\$ 10,269	\$ 8,436	\$ 19,970	\$ 16,218
Canada	8,580	7,984	15,801	15,660
United Kingdom	5,926	4,992	12,662	11,198
All other	734	472	1,422	1,154
Total international revenues	<u>\$ 25,509</u>	<u>\$ 21,884</u>	<u>\$ 49,855</u>	<u>\$ 44,230</u>
	Three Months Ended September 30,		Nine Months Ended September 30,	

(\$ in thousands)	2023	2022	2023	2022
Australia	\$ 13,461	\$ 9,576	\$ 33,431	\$ 25,793
Canada	6,535	8,097	22,336	23,757
United Kingdom	4,923	4,517	17,585	15,716
All other	1,008	986	2,430	2,140
Total international revenues	\$ 25,927	\$ 23,176	\$ 75,782	\$ 67,406

15. Guarantor/Non-Guarantor Financial Information

VM Consolidated is the lead borrower of the 2021 Term Loan and Senior Notes. VM Consolidated is wholly owned by Greenlight Acquisition Corporation, which is wholly owned by Verra Mobility Corporation. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions, including transactions with the Company's wholly owned guarantor subsidiaries and non-guarantor subsidiaries.

The following financial information presents the condensed consolidated balance sheets as of June 30, 2023 and the related condensed consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2023 and the condensed consolidated statement of cash flows for the six months ended June 30, 2023 for the Company, the combined guarantor subsidiaries and the combined non-guarantor subsidiaries.

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Verra Mobility Corporation and Subsidiaries Condensed Consolidated Balance Sheets at June 30, 2023 (Unaudited)

(\$ in thousands)	Verra Mobility Corporation (Ultimate Parent)		Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$	—	\$ 185,418	\$ 24,665	\$ —	\$ 210,083
Restricted cash		—	3,378	38	—	3,416
Accounts receivable (net of allowance for credit losses of \$20.1 million)		—	164,707	15,237	—	179,944
Unbilled receivables		—	32,126	4,717	—	36,843
Investment in subsidiary		296,041	130,071	—	(426,112)	—

Inventory	—	2,408	17,383	—	19,791
Prepaid expenses and other current assets	—	82,777	9,732	—	92,509
Total current assets	296,041	600,885	71,772	(426,112)	542,586
Installation and service parts, net	—	25,393	—	—	25,393
Property and equipment, net	—	95,760	18,707	—	114,467
Operating lease assets	—	31,129	6,041	—	37,170
Intangible assets, net	—	241,688	94,093	—	335,781
Goodwill	—	689,697	145,626	—	835,323
Due from affiliates	169,259	—	—	(169,259)	—
Other non-current assets	—	12,823	2,617	—	15,440
Total assets	\$ 465,300	\$ 1,697,375	\$ 338,856	\$ (595,371)	\$ 1,906,160
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	\$ —	\$ 60,250	\$ 18,160	\$ —	\$ 78,410
Deferred revenue	—	21,323	15,421	—	36,744
Accrued liabilities	—	39,347	12,295	—	51,642
Tax receivable agreement liability, current portion	—	4,994	—	—	4,994
Current portion of long-term debt	—	9,019	—	—	9,019
Total current liabilities	—	134,933	45,876	—	180,809
Long-term debt, net of current portion	—	1,129,692	—	—	1,129,692
Operating lease liabilities, net of current portion	—	28,655	3,676	—	32,331
Tax receivable agreement liability, net of current portion	—	50,900	—	—	50,900
Private placement warrant liabilities	—	5,430	—	—	5,430
Due to affiliates	—	31,083	138,176	(169,259)	—
Asset retirement obligations	—	13,624	105	—	13,729
Deferred tax liabilities, net	—	(1)	20,584	—	20,583
Other long-term liabilities	—	7,018	368	—	7,386
Total liabilities	—	1,401,334	208,785	(169,259)	1,440,860
Total stockholders' equity	465,300	296,041	130,071	(426,112)	465,300
Total liabilities and stockholders' equity	\$ 465,300	\$ 1,697,375	\$ 338,856	\$ (595,371)	\$ 1,906,160

Verra Mobility Corporation and Subsidiaries 15. Subsequent Event

Condensed Consolidated Statements On October 30, 2023, the Company's Board of Operations and Comprehensive Income

Three Months Ended June 30, 2023 Directors authorized a share repurchase program for up to an aggregate amount of \$
(Unaudited)

	Verra Mobility Corporation	Guarantor	Non-guarantor		
(\$ in thousands)	(Ultimate Parent)	Subsidiaries	Subsidiaries	Eliminations	Consolidated
Service revenue	\$ —	\$ 174,830	\$ 21,220	\$ —	\$ 196,050
Product sales	—	4,122	4,289	—	8,411
Sales to affiliates	—	(2,668)	2,668	—	—
Total revenue	—	176,284	28,177	—	204,461
Cost of service revenue	—	2,972	1,366	—	4,338
Cost of product sales	—	1,802	4,160	—	5,962
Cost of sales to affiliates	—	(1,211)	1,211	—	—
Operating expenses	—	55,088	10,569	—	65,657
Selling, general and administrative expenses	—	38,189	5,016	—	43,205
Depreciation, amortization and (gain) loss on disposal of assets, net	—	23,979	5,109	—	29,088
Total costs and expenses	—	120,819	27,431	—	148,250
Income from operations	—	55,465	746	—	56,211
Income from equity investment	(19,108)	(1,022)	—	20,130	—
Interest expense, net	—	22,786	(15)	—	22,771
Change in fair value of private placement warrants	—	10,918	—	—	10,918
Gain on interest rate swap	—	(4,805)	—	—	(4,805)
Loss on extinguishment of debt	—	209	—	—	209
Other income, net	—	(4,207)	(305)	—	(4,512)
Total other (income) expenses	(19,108)	23,879	(320)	20,130	24,581
Income before income taxes	19,108	31,586	1,066	(20,130)	31,630
Income tax provision	—	12,478	44	—	12,522
Net income	\$ 19,108	\$ 19,108	\$ 1,022	\$ (20,130)	\$ 19,108
Other comprehensive income:					
Change in foreign currency translation adjustment	—	—	718	—	718

Total comprehensive income	\$	19,108	\$	19,108	\$	1,740	\$	(20,130)	\$	19,826
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Verra Mobility Corporation and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income
Six Months Ended June 30, 2023
(Unaudited)

(\$ in thousands)	Verra Mobility Corporation		Non-guarantor		Eliminations	Consolidated
	(Ultimate Parent)	Guarantor Subsidiaries	Subsidiaries			
Service revenue	\$ —	\$ 339,199	\$ 41,549	\$ —	\$ —	\$ 380,748
Product sales	—	7,310	8,306	—	—	15,616
Sales to affiliates	—	(4,140)	4,140	—	—	—
Total revenue	—	342,369	53,995	—	—	396,364
Cost of service revenue	—	6,120	2,448	—	—	8,568
Cost of product sales	—	3,236	8,109	—	—	11,345
Cost of sales to affiliates	—	(1,649)	1,649	—	—	—
Operating expenses	—	106,708	20,792	—	—	127,500
Selling, general and administrative expenses	—	73,235	9,983	—	—	83,218
Depreciation, amortization and (gain) loss on disposal of assets, net	—	49,150	10,271	—	—	59,421
Total costs and expenses	—	236,800	53,252	—	—	290,052
Income from operations	—	105,569	743	—	—	106,312
Income from equity investment	(23,685)	(1,439)	—	25,124	—	—
Interest expense, net	—	45,483	(25)	—	—	45,458
Change in fair value of private placement warrants	—	25,519	—	—	—	25,519
Gain on interest rate swap	—	(2,007)	—	—	—	(2,007)
Loss on extinguishment of debt	—	1,558	—	—	—	1,558
Other income, net	—	(7,673)	(595)	—	—	(8,268)
Total other (income) expenses	(23,685)	61,441	(620)	25,124	—	62,260
Income before income taxes	23,685	44,128	1,363	(25,124)	—	44,052
Income tax provision (benefit)	—	20,443	(76)	—	—	20,367

Net income	\$ 23,685	\$ 23,685	\$ 1,439	\$ (25,124)	\$ 23,685
Other comprehensive income:					
Change in foreign currency translation adjustment	—	—	628	—	628
Total comprehensive income	\$ 23,685	\$ 23,685	\$ 2,067	\$ (25,124)	\$ 24,313

Verra Mobility Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Six Months Ended June 30, 2023
(Unaudited)

	Verra Mobility Corporation		Non-guarantor		
	(Ultimate Parent)	Guarantor Subsidiaries	Subsidiaries	Eliminations	Consolidated
(\$ in thousands)					
Cash Flows from Operating Activities:					
Net income	\$ 23,685	\$ 23,685	\$ 1,439	\$ (25,124)	\$ 23,685
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	—	49,034	10,271	—	59,305
Amortization of deferred financing costs and discounts	—	2,469	—	—	2,469
Change in fair value of private placement warrants	—	25,519	—	—	25,519
Gain on interest rate swap	—	(3,563)	—	—	(3,563)
Loss on extinguishment of debt	—	1,558	—	—	1,558
Credit loss expense	—	4,856	100	—	4,956
Deferred income taxes	—	(3,347)	(1,386)	—	(4,733)
Stock-based compensation	—	7,903	—	—	7,903
Other	—	132	2	—	134
Income from equity investment	(23,685)	(1,439)	—	25,124	—
Changes in operating assets and liabilities:					
Accounts receivable	—	(17,682)	(3,389)	—	(21,071)
Unbilled receivables	—	(6,784)	664	—	(6,120)
Inventory	—	194	(249)	—	(55)
Prepaid expenses and other assets	—	5,530	(2,530)	—	3,000
Deferred revenue	—	969	4,799	—	5,768
Accounts payable and other current liabilities	—	11,236	(2,346)	—	8,890

Due to affiliates	—	18,154	(18,154)	—	—
Other liabilities	—	715	(433)	—	282
Net cash provided by (used in) operating activities	—	119,139	(11,212)	—	107,927
Cash Flows from Investing Activities:					
Payments for interest rate swap	—	(1,556)	—	—	(1,556)
Purchases of installation and service parts and property and equipment	—	(25,667)	(4,431)	—	(30,098)
Cash proceeds from the sale of assets	—	129	—	—	129
Net cash used in investing activities	—	(27,094)	(4,431)	—	(31,525)
Cash Flows from Financing Activities:					
Repayment of long-term debt	—	(77,009)	—	—	(77,009)
Payment of debt issuance costs	—	(192)	—	—	(192)
Proceeds from the exercise of warrants	—	105,750	—	—	105,750
Proceeds from the exercise of stock options	—	2,388	—	—	2,388
Payment of employee tax withholding related to RSUs and PSUs vesting	—	(3,028)	—	—	(3,028)
Net cash provided by financing activities	—	27,909	—	—	27,909
Effect of exchange rate changes on cash and cash equivalents	—	—	73	—	73
Net increase (decrease) in cash, cash equivalents and restricted cash	—	119,954	(15,570)	—	104,384
Cash, cash equivalents and restricted cash - beginning of period	—	68,842	40,273	—	109,115
Cash, cash equivalents and restricted cash - end of period	\$ —	\$ 188,796	\$ 24,703	\$ —	\$ 213,499

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Verra Mobility Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Continued)
Six Months Ended June 30, 2023
(Unaudited)

Verra Mobility Corporation (Ultimate Parent)	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated
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Supplemental cash flow information:

Interest paid	\$	—	\$	43,960	\$	—	\$	—	\$	43,960
Income taxes paid, net of refunds		—		22,188		716		—		22,904
Supplemental non-cash investing and financing activities:										
Earn-out shares issued to Platinum Stockholder		18,288		—		—		—		18,288
Purchases of installation and service parts and property and equipment in accounts payable and accrued liabilities at period-end		—		4,374		—		—		4,374
Proceeds receivable from the exercise of warrants at period-end		52,747		—		—		—		52,747
Reclassification of private placement warrant liabilities to additional paid-in capital upon exercise		44,155		—		—		—		44,155

16. Subsequent Events

Subsequent to June 30, 2023, there were an additional 254,038 100 Warrants exercised in exchange for 253,478 million of its outstanding shares of Class A Common Stock resulting in \$2.9 million in cash proceeds.

On July 26, 2023, common stock over the Triggering Event for the issuance of the last tranche of Earn-out Shares occurred as the volume weighted average closing sale price per share of the Company's Class A Common Stock as of that date had been greater than \$20.50 for 10 out of 20 consecutive trading days. This resulted in the issuance of 2,500,000 shares to the Platinum Stockholder. See Note 12, *Other Significant Transactions*, for additional discussion on Earn-out Shares.

On August 7, 2023, next eighteen months. The level at which the Company made an early repayment repurchases depends on a number of \$100.0 million on factors, including its 2021 Term Loan, financial condition, capital requirements, cash flows, results of operations, future business prospects and other factors its management may deem relevant. The timing, volume and nature of repurchases are subject to market conditions, applicable securities laws and other factors and may be amended, suspended or discontinued at any time.

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

The following discussion and analysis should be read together with our Annual Report on Form 10-K for the year ended December 31, 2022, and our financial statements included in Part I, Item 1 "Financial Statements" of this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q and in

Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022. Please also refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements."

Business Overview

We are a leading provider of smart mobility technology solutions throughout the United States, Australia, Canada and Europe. We make transportation safer, smarter and more connected through our integrated, data-driven solutions, including toll and violations management, title and registration services, automated safety and traffic enforcement and commercial parking management. We bring together vehicles, hardware, software, data, and people to solve transportation challenges for customers around the world, including fleet owners such as rental car companies ("**RACs**") and fleet management companies ("**FMCs**"), governments, universities, healthcare facilities, commercial parking operators and other violation-issuing authorities. Our vision is to continue to develop and use technology and data intelligence to make transportation safer, smarter and more connected.

Executive Summary

We operate under long-term contracts and a highly recurring service revenue model. We continue to execute our strategy to grow revenue organically year over year and focus on initiatives that support our long-term vision. During the periods presented, we:

- Increased total revenue by **\$38.5 million** **\$50.8 million**, or **10.8%** **9.1%**, from **\$357.9 million** **\$555.5 million** in the **six** months ended **June 30, 2022** **September 30, 2022** to **\$396.4 million** **\$606.3 million** in the same period in 2023. Increase was mainly due to service revenue resulting from increased travel volume and higher adoption of the inclusive product offering in the Commercial Services segment and **the** expansion of speed programs in Government Solutions segment.
- Generated cash flows from operating activities of **\$107.9 million** **\$170.4 million** and **\$96.4 million** **\$148.8 million** for **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. Our cash on hand was **\$2 million** **\$114.4 million** as of **June 30, 2023** **September 30, 2023**, due in part to **\$105.8 million** **\$161.4 million** of proceeds received from Warrant exercises partially offset by **\$100 million** paid for share repurchases during **six** **nine** months ended **June 30, 2023** **September 30, 2023**.
- Continued to focus on debt management and lowering our exposure to higher interest rates, and as a result, made early repayments totaling **\$72.5 million** **\$172.5 million** on our 2021 Term Loan during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

Recent Events

In November 2022, our Board of Directors authorized a share repurchase program for up to an aggregate amount of **\$100.0 million** of our outstanding shares of Class A Common Stock over an 18-month period in open market, accelerated share repurchase ("**ASR**") or privately negotiated transactions, each as permitted under applicable rules and regulations, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1 of the Exchange Act.

We paid **\$8.1 million** to repurchase 449,432 shares of our Class A Common Stock through open market transactions during the third quarter of fiscal year 2023, which we subsequently retired. On September 5, 2023, we used the remaining

availability under the share repurchase program for an ASR and paid approximately \$91.9 million to receive an initial delivery of 4,131,551 shares of our Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement is expected to occur during the first quarter of fiscal year 2024, at which time, a volume-weighted average price calculation over the term of the ASR agreement will be used to determine the final number and the average price of shares repurchased and retired. We paid a total of \$100.0 million for shares repurchases during the nine months ended September 30, 2023.

Segment Information

We have three operating and reportable segments, Commercial Services, Government Solutions and Parking Solutions:

- Our Commercial Services segment offers toll and violation management solutions and title and registration services for RACs and FMCs in North America. In Europe, we provide tolling and violations processing services.
- Our Government Solutions segment offers photo enforcement solutions and services to its customers. We provide complete, end-to-end speed, red-light, school bus stop arm and bus lane enforcement solutions within the United States and Canada. The international operations primarily involve the sale of traffic enforcement products and related maintenance services.
- Our Parking Solutions segment provides an integrated suite of parking software and hardware solutions to universities, municipalities, healthcare facilities and commercial parking operators in the United States and Canada.

Segment performance is based on revenues and income from operations before depreciation, amortization, and stock-based compensation. The measure also excludes interest expense, net, income taxes and certain other transactions and is inclusive of other income, net.

During the third quarter of 2022, we changed our measure of segment profit to include loss on disposal of assets, net, and to exclude transaction and transformation expenses that were previously included within the selling, general and administrative expenses and other income, net line items. The comparable prior periods have been recast to conform to the revised presentation, although the impact of this revision to previously reported segment profit was not material. See Note 14, *Segment Reporting*.

Primary Components of Our Operating Results

Revenues

Service Revenue. Our Commercial Services segment generates service revenue primarily through the operation and management of tolling programs and processing violations for RACs, FMCs and other large fleet customers. These solutions are full-service offerings by which we enroll the license plates of our customers' vehicles and transponders with

tolling authority accounts, pay tolls and violations on the customers' behalf and, through proprietary technology, integrate with customer data to match the toll or violation to the driver and then bill the driver (or our customer, as applicable) for use of the service. The cost of certain tolls, violations and our customers' share of administration fees are netted against revenue. We also generate service revenue in our Commercial Services segment through processing titles and registrations.

Our Government Solutions segment generates service revenue through the operation and maintenance of photo enforcement systems. Revenue drivers in this segment include the number of systems installed and the monthly revenue per system. Ancillary service revenue is generated in our Government Solutions segment from payment processing, pass-through fees for collection expense, and other fees.

Our Parking Solutions segment generates service revenue mainly from offering software as a service, subscription fees, professional services and citation processing services related to parking management solutions to its customers.

Product Sales. Product sales are generated by the sale of photo enforcement equipment in the Government Solutions segment and specialized hardware in the Parking Solutions segment. Customer buying patterns vary greatly from period to period related to product sales.

Costs and Expenses

Cost of Service Revenue. Cost of service revenue consists of recurring service costs, collection and other third-party costs in our segments.

Cost of Product Sales. Cost of product sales consists of the cost to acquire and install photo enforcement equipment purchased by Government Solutions customers and costs to develop and install hardware sold to Parking Solutions customers.

Operating Expenses. Operating expenses primarily include payroll and payroll-related costs (including stock-based compensation), subcontractor costs, payment processing and other operational costs, including print, postage and communication costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include payroll and payroll-related costs (including stock-based compensation), real estate lease expense, insurance costs, professional services fees, acquisition costs and general corporate expenses.

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net includes depreciation on property, plant and equipment, and amortization of definite-lived intangible assets. This line item also includes any one-time gains or losses incurred in connection with the disposal of certain assets.

Interest Expense, Net. This includes interest expense and amortization of deferred financing costs and discounts and is net of interest income.

Change in Fair Value of Private Placement Warrants. Change in fair value of private placement warrants consists of liability adjustments related to the Private Placement Warrants originally issued to Gores Sponsor II, LLC re-measured to fair value at the end of each reporting period, or a and the final re-measurement upon their exercise.

Tax Receivable Agreement Liability Adjustment. This consists of adjustments made to our Tax Receivable Agreement liability due to changes in estimates.

Gain Loss (Gain) on Interest Rate Swap. Gain Loss (gain) on interest rate swap relates to the gain changes associated with the derivative instrument re-measured to fair value at the end of the reporting period and the related periodic cash payments.

Loss (Gain) on Extinguishment of Debt. Loss (gain) on extinguishment of debt consists of the write-off of pre-existing original issue discounts and deferred financing costs associated with debt extinguishment, extinguishment, and any gains recognized as a result of loan forgiveness.

Other Income, Net. Other income, net primarily consists of volume rebates earned from total spend on purchasing cards, gains or losses on foreign currency transactions and other non-operating expenses.

Results of Operations

Three Months Ended June 30, 2023 September 30, 2023 Compared to Three Months Ended June 30, 2022 September 30, 2022

The following table sets forth our statements of operations data and expresses each item as a percentage of total revenue for the periods presented as well as the changes between periods. The tables and information provided in this section were derived from exact numbers and may have immaterial rounding differences.

(\$ in thousands)	Three Months Ended June 30,						Three Months Ended September 30,					
					Increase (Decrease)						Increase (Decrease)	
					2023 vs 2022						2023 vs 2022	
	Percentage of Revenue						Percentage of Revenue					
	2023	2022	2023	2022	\$	%	2023	2022	3	2022	\$	%

Service revenue												
	2						2					
	0						0					
	19	17			1,	1	1,	18	9		0,	1
Product sales	6,	4,			5	2	0	0,	5		4	1
	05	50	95	93	4	.	2	61	.	91	1	.
	\$ 0	\$ 2	.9%	.1%	\$ 8	3%	\$ 9	\$ 7	8%	.4%	\$ 2	3%
	((
	(4						(8					
	8,	12			,5	5	9	17	4		,1	7
	41	,9	4.	6.	7	.	0	,0	.	8.	3	.
	1	85	1%	9%	4)	2)%	4	39	2%	6%	5)	7)%
Total revenue	2						2					
	1						1					
	20	18			6,		9,	19	0		2,	
	4,	7,	10	10	9	9	9	7,	0	10	2	6
Cost of service revenue	46	48	0.	0.	7	.	3	65	.	0.	7	.
	1	7	0%	0%	4	1%	3	6	0%	0%	7	2%
	1						1,					
	4,	3,			6	6	1	4,	2		0	4
Cost of product sales	33	71	2.	2.	2	.	5	14	.	2.	0	.
	8	3	1%	0%	5	8%	0	4	5%	1%	6	3%
	((
	(2						(4					
Operating expenses	5,	8,			,3	8	8	11	3		,4	9
	96	32	2.	4.	6	.	6	,3	.	5.	5	.
	2	6	9%	5%	4)	4)%	4	17	3%	7%	3)	3)%
	1						6					
Selling, general and administrative expenses	0,						8,					
	65	55			4	9	8	60	2		3	3
	,6	,1	32	29	6	.	7	,5	.	30	3	.
	57	96	.1%	.4%	1	0%	3	36	8%	.6%	7	8%
	3,						2,					
	43	40			0	7	2	41	0		1	2
	,2	,1	21	21	5	.	7	,1	.	20	5	.
	05	52	.1%	.4%	3	6%	6	26	1%	.8%	0	8%

Depreciation, amortization and (gain) loss on disposal of assets, net	29,088	34,939	14.3%	18.6%	5,101	7.1%)	2,759	35,010	1.3%	17.7%	7,488	2.2%)
Total costs and expenses	14,825	14,232	72	75	5,240	2.4%	0,760	15,215	7.1%	76.9%	(1,388)	(.9%)
Income from operations	56,111	45,611	27.5%	24.1%	0	5%	1,733	45,498	8.2%	23.1%	6,705	14.7%
Interest expense, net	22,771	14,785	11.1%	7.7%	2,806	2.7%	3,084	20,260	9.2%	10.3%	1,404	6.9%
Change in fair value of private placement warrants	10,918	(6,600)	5.3%	(3.5)%	5,818	4.4%)	(5,533)	(2,267)	0.3%)	(1.1)%	7,144	5.6%)
Tax receivable agreement liability adjustment	—	(965)	—	(0.5)%	5	0.0%)	—	—	—	—	—	—
Gain on interest rate swap	(4,805)	—	(2.3)%	—	5	n/a	—	—	—	—	—	—

Loss on extinguishment of debt	2019	—	0.1%	—	2019	n/a							
Loss on interest rate swap							60	—	0%	—	60	n/a	
Loss (gain) on extinguishment of debt							1,975	(3,005)	1%	(1.5)%	4,980	6.7)%	
Other income, net	(4,512)	(4,039)	(2.2)%	(2.2)%	(4,173)	7%	(4,498)	(2,462)	2%	(1.1)%	(2,036)	8.7)%	
Total other expenses	24,581	2,881	12.0%	1.5%	27,000	2%	1,738	12,526	8.3%	5.5%	4,882	7.7)%	
Income before income taxes	31,630	42,800	15.5%	22.6%	36,600	2)%	4,185	32,972	9.0%	16.6%	8,333	8.8)%	
Income tax provision	12,522	12,393	6.2%	6.8%	(1,077)	9)%	(1,497)	8,396	5.5%	2.2%	(3,011)	3.9)%	
Net income	19,108	29,406	9.3%	15.8%	5,523	5)%	3,688	24,576	4.4%	12.4%	5,322	3.3)%	

Service Revenue. Service revenue increased by \$21.5 million \$20.4 million, or 12.3% 11.3%, to \$196.1 million \$201.0 million for the three months ended June 30, 2023 September 30, 2023 from \$174.5 million \$180.6 million for the three months ended June 30, 2022 September 30, 2022, representing 95.9% 95.8% and 93.1% 91.4% of total revenue, respectively. The following table depicts service revenue by segment:

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(\$ in thousands)	Three Months Ended June 30,						Three Months Ended September 30,					
	Percentage of Revenue				Increase (Decrease) 2023 vs 2022		Percentage of Revenue				Increase (Decrease) 2023 vs 2022	
	2023	2022	2023	2022	\$	%	2023	2022	2023	2022	\$	%
Service revenue												
Commercial					9,	1					1	
Service	94	84	4	4	5	1	98	86	4	4	0	4
s	,4	,8	6.	5.	6	.	,1	,0	6.	3.	9	.
	\$ 55	\$ 88	2%	3%	\$ 7	3%	\$ 49	\$ 56	8%	5%	\$ 3	1%
Government					1							
					0,	1					7,	
Solutions	84	74	4	3	3	3	85	77	4	3	6	9
	,9	,6	1.	9.	2	.	,0	,4	0.	9.	5	.
	94	72	6%	8%	2	8%	92	41	5%	2%	1	9%
Parking					1,	1						
Solutions	16	14			6	1	17	17			6	3
	,6	,9	8.	8.	5	.	,7	,1	8.	8.	6	.
	01	42	1%	0%	9	1%	88	20	5%	7%	8	9%

Total	2						2					
service	19	17			1,	1	20	18			0,	1
e	6,	4,	9	9	5	2	1,	0,	9	9	4	1
reven	05	50	5.	3.	4	.	02	61	5.	1.	1	.
ue	\$ 0	\$ 2	9%	1%	\$ 8	3%	\$ 9	\$ 7	8%	4%	\$ 2	3%

Commercial Services service revenue increased by \$9.6 million \$12.1 million, or 11.3% 14.1%, from \$84.9 million \$86.1 million for the three months ended June 30, 2022 September 30, 2022 to \$94.5 million \$98.1 million for the three months ended June 30, 2023 September 30, 2023, which was primarily due to increased travel volume and related tolling activity compared to the prior year. An increase in the volume of tolls incurred by RAC vehicles along with the continued adoption of the all-inclusive fee structure, shifting from an incidental or daily usage rate by our large RAC customers, contributed to a \$9.5 million \$11.3 million growth in revenue. In addition, the increase in enrolled vehicles as well as higher tolling activity for our FMC customers contributed to a \$2.2 million \$2.7 million growth in revenue during the three months ended June 30, 2023 September 30, 2023, compared to the same period in 2022. These increases were partially offset by lower revenue generated from processing titles and registrations compared to the prior year.

Government Solutions service revenue increased by \$10.3 million \$7.7 million to \$85.0 million \$85.1 million for the three months ended June 30, 2023 September 30, 2023 compared to \$74.7 million \$77.4 million in the same period in 2022. The increase was primarily driven by the expansion of speed programs, as speed is the largest product in this segment and contributed approximately \$8.0 million \$6.0 million to the service revenue growth. The remaining increase is attributable to expansions across red-light and bus lane and school bus stop-arm programs.

Parking Solutions service revenue grew by \$1.7 million \$0.7 million to \$16.6 million \$17.8 million for the three months ended June 30, 2023 September 30, 2023, from \$14.9 million \$17.1 million for the three months ended June 30, 2022 September 30, 2022. The growth was primarily due to increased revenue from software as a service product offerings professional services and citation processing services related to parking management solutions.

Product Sales. Product sales were \$8.4 million \$8.9 million and \$13.0 million \$17.0 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. Product sales decreased by approximately \$4.6 million \$8.1 million, which was mainly due to a \$5.6 million \$7.1 million decrease in product sales to Government Solutions customers offset by growth and a decrease of \$1.0 million in product sales in the Parking Solutions segment. Customer buying patterns vary greatly from period to period related to product sales.

Cost of Service Revenue. Cost of service revenue increased from \$3.7 million \$4.1 million for the three months ended June 30, 2022 September 30, 2022 to \$4.3 million \$5.2 million for the three months ended June 30, 2023 September 30, 2023. The \$0.6 million \$1.1 million increase was mainly due to increased recurring service costs in the Parking Solutions and the Commercial Services segments.

Cost of Product Sales. Cost of product sales decreased by \$2.3 million \$4.4 million from \$8.3 million \$11.3 million in the three months ended June 30, 2022 September 30, 2022 to \$6.0 million \$6.9 million in the three months ended June 30, 2023 September 30, 2023, which was mainly due to a in line with the decrease in costs product sales in the Government Solutions segment offset by an increase in costs in the and Parking Solutions segment. segments, discussed above.

Operating Expenses. Operating expenses increased by \$10.5 million \$8.3 million, or 19.0% 13.8%, from \$55.2 million \$60.5 million for the three months ended June 30, 2022 September 30, 2022 to \$65.7 million \$68.9 million for the three months ended June 30, 2023 September 30, 2023. The increase in 2023 was primarily attributable to increases of \$7.1 million \$5.4 million in wages expense, \$1.4 million for subcontractor \$1.1 million of recurring service costs and \$1.0 million of recurring service costs for information technology expenses compared to the prior period. Operating expenses as a percentage of total revenue increased from 29.4% 30.6% to 32.1% 32.8% for the three months ended June 30, 2022 September 30, 2022 and 2023, respectively. The following table presents operating expenses by segment:

34 31

(\$ in thousands)	Three Months Ended June 30,						Three Months Ended September 30,					
					Increase						Increase	
					(Decrease)						(Decrease)	
	Percentage of				2023 vs 2022		Percentage of				2023 vs 2022	
	Revenue						Revenue					
	2023	2022	202	202	\$	%	2023	2022	202	202	\$	%
			3	2					3	2		
Operating expenses												
Commercial	2	1					2	1				
Services	0,	8,			2,	1	1,	8,			2,	1
	7	1	1		6	4	1	9	1		2	1
	8	0	0.	9.	7	.	7	5	0.	9.	2	.
	\$ 0	\$ 5	1%	7%	\$ 5	8%	\$ 4	\$ 2	1%	6%	\$ 2	7%
Government Solutions												
	3	3					4	3				
	9,	4,			4,	1	2,	6,			5,	1
	3	4	1	1	9	4	3	8	2	1	5	5
	9	0	9.	8.	9	.	9	6	0.	8.	2	.
	9	1	3%	3%	8	5%	5	8	2%	6%	7	0%

Parking Solutions	1												
	4,931	2,406			2,520	04	4,676	4,382				29	61
			2.	1.	2	.	7	8	2.	2.		9	.
			4%	2%	5	9%	6	5	2%	2%		1	6%
Total operating expenses before stock-based compensation	6511	5492			1018	18	6845	6022				204	93
			3	2	1	8	2	2	3	3		0	3
			1.	9.	9	.	4	0	2.	0.		4	.
			8%	2%	8	6%	5	5	5%	4%		0	4%
Stock-based compensation	9												8
	547	284			263	2.	628	331				297	9.
			0.	0.	6	.	2	3	0.	0.		9	.
			3%	2%	3	6%	8	1	3%	2%		7	7%
Total operating expenses	6511	5492			1018	18	6845	6022				204	93
			3	2	4	9	8	5	3	3		3	3
			2.	9.	6	.	7	3	2.	0.		3	.
	\$ 7	\$ 6	1%	4%	\$ 1	0%	\$ 3	\$ 6	8%	6%		\$ 7	8%

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$1.1 million to \$43.2 million \$42.3 million for the three months ended June 30, 2023 September 30, 2023 compared to \$40.2 million \$41.1 million for the same period in 2022. The increase was primarily due to \$1.9 million \$2.3 million of higher wages expense, partially offset by decreases in professional services costs expense and \$0.7 million of information technology expenses compared to credit loss expense based on customer payment trends in the prior period. last 12 months. Selling, general and administrative expenses as a percentage of total revenue decreased from 21.4% 20.8% to 21.1% 20.1% for the three months ended June 30, 2022 September 30, 2022 and 2023, respectively. The following table presents selling, general and administrative expenses by segment:

(\$ in thousands)	Three Months Ended June 30,						Three Months Ended September 30,					
						Increase						Increase
						(Decrease)						(Decrease)
						2023 vs 2022						2023 vs 2022
	2023	2022	3	2	\$	%	2023	2022	3	2	\$	%

Selling, general and administrative expenses												
	Commercial Services	1	1				1	1				
		6,	3,		2,	1	5	4			1,	1
		1	5	7	7	5	5	1	7	7	4	0
		3	9	.	.	4	4	2	.	.	1	.
		\$ 1	\$ 1	9%	3%	\$ 0	\$ 4	\$ 6	4%	2%	\$ 8	0%
Government Solutions		1	1				1	1				
		5,	4,		1,	1	5	5				
		9	2	7	7	6	1	0	7	7	1	1
		2	5	.	.	7	8	3	.	.	4	.
		6	5	8%	6%	1	1	4	2%	6%	7	0%
Parking Solutions						(6	6				
		6,	7,		(1	1	,	,				(
		4	5	3	4	,1	0	2	2	3	(2	3
		4	7	.	.	3	0	1	.	.	1	.
		1	1	2%	0%	0)	2	8	9%	1%	6)	5)%
Corporate and other						6	1	1				
		7	4	0	0	2	,	,				2
		2	5	.	.	7	7	4	0	0	2	0
							3	3	.	.	9	.
		9	3	3%	2%	6	4	5	8%	7%	9	8%
Total selling, general and administrative expenses before stock-based compensation		3	3				3	3				
		9,	5,	1	1	3,	8	6				
		2	8	9	9	3	4	8	8	8	6	4
		2	7	.	.	5	6	1	.	.	4	.
		7	0	2%	1%	7	1	3	3%	6%	8	5%
Stock-based compensation		3,	4,			(3	4				(
		9	2	1	2	(3	,	,				1
		7	8	.	.	0	8	3	1	2	(4	1
							1	1	.	.	9	.
		8	2	9%	3%	4)	5	3	8%	2%	8)	5)%

Total selling,							4	4				
general and	4	4					2	1				
administrative	3,	0,	2	2	3,		,	,	2	2	1,	
expenses	2	1	1	1	0	7	2	1	0	0	1	2
	0	5	.	.	5	.	7	2	.	.	5	.
	\$ 5	\$ 2	1%	4%	\$ 3	6%	\$ 6	\$ 6	1%	8%	\$ 0	8%

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net, decreased by **\$5.8 million** **\$7.4 million** to **\$29.1 million** **\$27.6 million** for the three months ended **June 30, 2023** **September 30, 2023** from **\$34.9 million** **\$35.0 million** for the same period in 2022. This was mainly due to certain non-compete and developed technology intangible assets being fully amortized for the three-month period ended **June 30, 2023** **September 30, 2023** as compared to the prior year which included the amortization expense. This decrease was partially offset by **an** increase in depreciation expense in the 2023 period.

Interest Expense, Net. Interest expense, net increased by **\$8.3 million** **\$0.1 million** from **\$14.5 million** **\$20.3 million** for the three months ended **June 30, 2022** **September 30, 2022** to **\$22.8 million** **\$20.4 million** for the same period in 2023 which is primarily attributable to rising interest **rates**. The average variable interest rate on the 2021 Term Loan was 470 basis points higher for the three months ended June 30, 2023 compared to the prior period. **rates offset by voluntary early repayments**. See "Liquidity and Capital Resources."

Change in Fair Value of Private Placement Warrants. We recorded **a loss** **gains** of **\$10.9 million** **\$0.6 million** and **a gain** of **\$6.6 million** **\$2.3 million** for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively, related to the changes in fair value of our Private Placement Warrants, which **are** **were** accounted for as liabilities on our condensed consolidated balance sheets. The change in fair value **is** **was** the result of re-measurement of the liability at the end of each reporting period, **or a** **and the** final re-measurement upon their exercise.

Tax Receivable Agreement Liability Adjustment. We recorded a \$1.0 million benefit for the three months ended June 30, 2022 which arose from lower estimated state tax rates due to changes in apportionment.

Gain *Loss* *on Interest Rate Swap.* We recorded a **\$4.8 million gain** **\$0.1 million loss** during the three months ended **June 30, 2023** **September 30, 2023**, of which approximately **\$5.1 million** **\$0.2 million** is associated with the derivative instrument re-measured to fair value at the end of the reporting period, offset by **\$0.3 million** **\$0.1 million** related to the monthly cash payments on the interest rate swap.

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Loss (Gain) on extinguishment *Extinguishment* *of debt* *Debt*. We recorded a **\$0.2 million** **\$2.0 million** loss on extinguishment of debt during the three months ended **June 30, 2023** **September 30, 2023** related to the write-off of pre-existing deferred financing costs and discounts in connection with the

early repayment of \$10.0 million \$100 million on the 2021 Term Loan. We recorded a \$3.0 million gain on extinguishment of debt during the three months ended September 30, 2022 related to the forgiveness of the PPP loan, discussed below.

Other Income, Net. Other income, net was \$4.5 million for the three months ended June 30, 2023 September 30, 2023 compared to \$4.0 million \$2.5 million for the three months ended June 30, 2022 September 30, 2022. The increase of \$0.5 million \$2.0 million is primarily attributable to income resulting from volume rebates earned from total spend on purchasing cards from increased increasing tolling activity, and travel activity. a one-time adjustment recognized in the third quarter of 2022 for a previous acquisition subsequent to the measurement period with no comparable amount in the 2023 period.

Income Tax Provision. Income tax provision was \$12.5 million \$11.5 million representing an effective tax rate of 39.6% 27.5% for the three months ended June 30, 2023 September 30, 2023 compared to a tax provision of \$12.6 million \$8.4 million, representing an effective tax rate of 29.9% 25.5% for the same period in 2022. The primary driver for the effective tax rate variance is due to the permanent differences related to the mark-to-market adjustment on the Private Placement Warrants. Warrants and the PPP loan forgiveness recorded in 2022.

Net Income. We had net income of \$19.1 million \$30.3 million for the three months ended June 30, 2023 September 30, 2023, as compared to a net income of \$29.6 million \$24.6 million for the three months ended June 30, 2022 September 30, 2022. The \$10.5 million decrease \$5.7 million increase in net income was primarily due to the change increase in fair value of Private Placement Warrants, increased interest total revenue, decreased amortization expense and the other statement of operations activity discussed above.

Six Nine Months Ended June 30, 2023 September 30, 2023 Compared to Six Nine Months Ended June 30, 2022 September 30, 2022

The following table sets forth our statements of operations data and expresses each item as a percentage of total revenue for the periods presented as well as the changes between periods. The tables and information provided in this section were derived from exact numbers and may have immaterial rounding differences.

	Six Months Ended June 30,						Nine Months Ended September 30,					
					Increase (Decrease)						Increase (Decrease)	
					Percentage of Revenue						Percentage of Revenue	
					2023 vs 2022						2023 vs 2022	
(\$ in thousands)	2023	2022	2023	2022	\$	%	2023	2022	2023	2022	\$	%

Service revenue	4						6					
	38	33			5,	1	58	51			5,	1
	0,	5,			1	3	1,	6,			5	2
	74	63	96	93	1	.	77	25	96	92	2	.
	\$ 8	\$ 6	.1%	.8%	\$ 2	4%	\$ 7	\$ 3	.0%	.9%	\$ 4	7%
Product sales	((
	(1					
	(6						4,					
	15	22			,6	9	24	39			7	7
	,6	,2	3.	6.	2	.	,5	,2	4.	7.	5	.
	16	36	9%	2%	0)	8)%	20	75	0%	1%	5)	6)%
Total revenue	3						5					
	39	35			8,	1	60	55			0,	
	6,	7,	10	10	4	0	6,	5,	10	10	7	9
	36	87	0.	0.	9	.	29	52	0.	0.	6	.
	4	2	0%	0%	2	8%	7	8	0%	0%	9	1%
Cost of service revenue	1,						2,					
	8,	7,			0	4	13	11			0	7
	56	49	2.	2.	7	.	,7	,6	2.	2.	8	.
	8	2	1%	1%	6	4%	18	36	2%	1%	2	9%
Cost of product sales	((
	(2						7,					
	11	14			,9	0	18	25			4	9
	,3	,3	2.	4.	7	.	,2	,6	3.	4.	2	.
	45	21	9%	0%	6)	8)%	09	38	0%	6%	9)	0)%
Operating expenses	2						2					
	12	10			1,	2	19	16			9,	1
	7,	6,			2	0	6,	6,			5	7
	50	25	32	29	4	.	37	79	32	30	7	.
	0	9	.2%	.7%	1	0%	3	5	.4%	.0%	8	7%
Selling, general and administrative expenses	1,						2,					
	83	81			4	1	5,	2,			5	2
	,2	,7	21	22	3	.	49	91	20	22	8	.
	18	87	.0%	.9%	1	7%	4	3	.7%	.1%	1	1%

Depreciation, amortization and (gain) loss on disposal of assets, net					(1, 4, 21)	(1, 6, 5)						(1, 8, 3)	(1, 7, .)
	59, 21	70, 46	15, .0%	19, .8%	2, 5)	. 1)%	87, 18	5, 1	14, .4%	19, .1%	6, 3)	. 8)%	
Total costs and expenses	29, 05, 2	28, 0, 70, 5	73, .2%	78, .5%	9, 4, 7	3, . 3%	44, 81, 2	43, 86, 3			7, 4, 9		1, . 8%
Income from operations	10, 6, 31, 2		77, 26, .8%		9, 1, 4, 5	3, 7, . 8%	16, 5, 48, 5	12, 2, 66, 5			2, 8, 2, 0	3, 4, . 9%	
Interest expense, net					1, 6, 6, 9, 4	5, 8, . 0%					1, 6, 8, 1, 8	3, 4, . 3%	
Change in fair value of private placement warrants	25, .5, 19	(2, 86, 6)	6, . 4%	(0. 8)%	3, 8, 5	0, . 4)%	24, .9, 66	(5, 13, 3)			0, 9, 9	6, . 4)%	
Tax receivable agreement liability adjustment					(1, 0, 9, 6, 5)	(1, 0, . 0)%					(1, 9, 6, 5)	(1, 0, . 0)%	
Gain on interest rate swap	(2, 00, 7)		(0. 5)%		(2, 0, 7)	n/a	(1, 94, 7)		(0. 3)%		1, 4, 7)	n/a	

Loss on extinguishment of debt	1,558	—	0.4%	—	1,508	n/a							
Loss (gain) on extinguishment of debt							3,533	(3,005)	0.5%	(0.5)%		6,158	(2,176)%
Other income, net	(8,268)	(6,905)	(2.1)%	(1.9)%	(1,306)	19.3%	(1,276)	(9,367)	(2.1)%	(1.7)%		3,909	3.6%
					4,425							4,906	
Total other expenses	62,260	18,028			2,302	5.4%	79,628	30,545				0,404	0.6%
Income before income taxes	44,052	59,011			0,875		85,085	92,011				2,504	
					7)	5)%						4)	8)%
Income tax provision	20,036	19,045			9,009	4.0%	31,088	27,085				0,101	
					9	7%						0	4%
Net income	23,016	39,966			9,866		53,997	64,926				2,403	
					6)	3)%						4)	0)%

Service Revenue. Service revenue increased by **\$45.1 million** \$65.5 million, or **13.4%** 12.7%, to **\$380.7 million** \$581.8 million for the **six** nine months ended **June 30, 2023** September 30, 2023 from **\$335.6 million** \$516.3 million for the **six** nine

months ended **June 30, 2022** **September 30, 2022**, representing **96.1%** **96.0%** and **93.8%** **92.9%** of total revenue, respectively. The following table depicts service revenue by segment:

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(\$ in thousands)	Six Months Ended June 30,						Nine Months Ended September 30,					
	Percentage of Revenue				Increase (Decrease) 2023 vs 2022		Percentage of Revenue				Increase (Decrease) 2023 vs 2022	
	2023	2022	2023	2022	\$	%	2023	2022	2023	2022	\$	%
Service revenue												
Commercial	180,094	158,353	4.5%	4.3%	21,741	13.7%	278,403	244,409	4.5%	4.0%	33,994	8.8%
Government	168,227	147,896	4.2%	4.1%	20,331	13.7%	253,319	227,337	4.1%	4.0%	25,982	4.4%
Partners	32,427	29,387	8.2%	8.2%	3,040	3.0%	50,215	46,507	8.3%	8.3%	3,708	0.0%

Total	4						6					
service	38	33			5,	1	58	51			5,	1
e	0,	5,	9	9	1	3	1,	6,	9	9	5	2
reven	74	63	6.	3.	1	.	77	25	6.	2.	2	.
ue	\$ 8	\$ 6	1%	8%	\$ 2	4%	\$ 7	\$ 3	0%	9%	\$ 4	7%

Commercial Services service revenue increased by \$21.7 million \$33.8 million, or 13.7% 13.8%, from \$158.4 million \$244.4 million for the six nine months ended June 30, 2022 September 30, 2022 to \$180.1 million \$278.2 million for the six nine months ended June 30, 2023 September 30, 2023. The increase was primarily due to increased travel volume and related tolling activity compared to the prior year which was still recovering from the COVID-19 pandemic, especially during January and February of 2022. An increase in the volume of tolls incurred by RAC vehicles along with the continued adoption of the all-inclusive fee structure, shifting from an incidental or daily usage rate by our large RAC customers, contributed to a \$18.3 million \$29.6 million growth in revenue. In addition, the increase in enrolled vehicles as well as higher tolling activity for our FMC customers contributed to a \$3.8 million \$6.5 million growth in revenue during the six nine months ended June 30, 2023 September 30, 2023, compared to the same period in 2022. These increases were partially offset by lower revenue generated from processing titles and registrations compared to the prior year.

Government Solutions service revenue increased by \$20.3 million \$28.0 million to \$168.2 million \$253.3 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$147.9 million \$225.3 million in the same period in 2022. The increase was primarily driven by the expansion of speed programs, as speed is the largest product in this segment and contributed approximately \$17.7 million \$25.2 million to the service revenue growth. The remaining increase is attributable to expansions across red-light, bus lane and school bus stop-arm and bus lane programs.

Parking Solutions service revenue grew by \$3.0 million \$3.7 million to \$32.4 million \$50.2 million for the six nine months ended June 30, 2023 September 30, 2023, from \$29.4 million \$46.5 million for the six nine months ended June 30, 2022 September 30, 2022. The growth was primarily due to increased revenue from software as a service product offerings, professional services and citation processing services related to parking management solutions.

Product Sales. Product sales were \$15.6 million \$24.5 million and \$22.2 million \$39.3 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. Product sales decreased by approximately \$6.6 million \$14.8 million, which was mainly due to a \$8.5 million \$15.6 million decrease in product sales to Government Solutions customers, offset by a \$1.9 million \$0.8 million growth in product sales in the Parking Solutions segment. Customer buying patterns vary greatly from period to period related to product sales.

Cost of Service Revenue. Cost of service revenue increased from \$7.5 million \$11.6 million for the six nine months ended June 30, 2022 September 30, 2022 to \$8.6 million \$13.7 million for the six nine months ended June 30, 2023 September 30, 2023. The \$1.1 million \$2.1 million increase was mainly due to increased recurring service costs in the Parking Solutions segment.

Cost of Product Sales. Cost of product sales decreased by \$3.0 million \$7.4 million from \$14.3 million \$25.6 million in the six nine months ended June 30, 2022 September 30, 2022 to \$11.3 million \$18.2 million in the six nine months ended June 30, 2023 September 30, 2023, which was mainly due to a in line with the decrease in costs product sales in the Government Solutions segment offset by an increase in costs in the Parking Solutions segment.

Operating Expenses. Operating expenses increased by \$21.2 million \$29.6 million, or 20.0% 17.7%, from \$106.3 million \$166.8 million for the six nine months ended June 30, 2022 September 30, 2022 to \$127.5 million \$196.4 million for the six nine months ended June 30, 2023 September 30, 2023. The increase in 2023 was primarily attributable to increases of \$12.8 million \$18.2 million in wages expense, \$3.0 million \$3.7 million of recurring service costs, \$3.4 million for subcontractor costs and \$2.5 million \$2.4 million of recurring service information technology costs compared to the prior period. Operating expenses as a percentage of total revenue increased from 29.7% 30.0% to 32.2% 32.4% for the six nine months ended June 30, 2022 September 30, 2022 and 2023, respectively. The following table presents operating expenses by segment:

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(\$ in thousands)	Six Months Ended June 30,						Nine Months Ended September 30,					
	Percentage of				Increase		Percentage of				Increase	
	Revenue				(Decrease)		Revenue				(Decrease)	
			202	202	2023 vs 2022				202	202	2023 vs 2022	
	2023	2022	3	2	\$	%	2023	2022	3	2	\$	%
Operating expenses												
Commercial Services	40,644	34,000	10	9	6,644	16	11,388	3,988	10	9	8,400	20
	4	5	.	9.	9	.	1	0	.	9.	1	.
	\$ 5	\$ 2	3%	5%	\$ 3	4%	\$ 9	\$ 4	2%	5%	\$ 5	6%
Government Solutions												
	7	6			1		1	1				
	7,	6,	1		0,	1	9,	3,	1		5,	1
	0	7	9	1	2	5	3	6	9	1	7	5
	0	9	.	8.	1	.	9	6	.	8.	3	.
	3	2	4%	7%	1	3%	8	0	7%	7%	8	2%

Parking Solutions	8,973	4,917	2	1.	4,056	82	13,649	9,324	2	1.	4,057	46
			3%	4%		5%		3%	7%			7%
Total operating expenses before stock-based compensation	1261	1006	3	2	0,860	19	1,496	5,323	3	2	8,140	17
			0%	6%		7%		2%	9%			4%
Stock-based compensation	87	49	0	0.	38	6	50	82	0	0.	67	1
			2%	1%		5%		2%	1%			8%
Total operating expenses	1261	1006	3	2	0,860	19	1,496	5,323	3	2	8,140	17
			2%	7%		0%		4%	0%			7%

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to **\$83.2 million** \$125.5 million for the **six nine** months ended **June 30, 2023** September 30, 2023 compared to **\$81.8 million** \$122.9 million for the same period in 2022. This is primarily due to **an aggregate \$2.3 million increase** \$3.9 million in higher wage expenses, and **increases** in professional services, information technology and **marketing other general** expenses, which are partially offset by a decrease in **\$3.3 million of** credit loss expense **due to improved economic conditions** based on customer payment trends in the last 12 **months.** months and lower stock-based compensation expense compared to prior year. Selling, general and administrative expenses as a percentage of total revenue decreased from **22.9%** 22.1% to **21.0%** 20.7% for the **six nine** months ended **June 30, 2022** September 30, 2022 and 2023, respectively. The following table presents selling, general and administrative expenses by segment:

Six Months Ended June 30,		Nine Months Ended September 30,	
Percentage of Revenue	Increase (Decrease)	Percentage of Revenue	Increase (Decrease)
	2023 vs 2022		2023 vs 2022

(\$ in thousands)	2023						2022					
	2023	2022	2023	2022	\$	%	2023	2022	2023	2022	\$	%
Selling, general and administrative expenses												
Commercial Services	31,583	26,850	8	7	4,779	17%	47,791	40,000	8	7	6,791	15%
	\$ 31,583	\$ 26,850	0%	5%	\$ 4,779	6%	\$ 47,791	\$ 40,000	8%	4%	\$ 6,791	0%
Government Solutions	30,566	30,566	7	8	(136)	0%	7,743	7,743	7	8	15	0%
	30,566	30,566	7%	6%	2)	4)%	7	2	5%	2%	5	0%
Parking Solutions	12,989	14,606	3	4	(97)	3%	1,908	2,144	3	3	(136)	4)%
	12,989	14,606	3%	2%	7)	2)%	1	4	1%	8%	3)	4)%
Corporate and other	1,056	755	0	0	30	9%	2,709	2,144	0	0	6	7%
	1,056	755	2%	2%	1	9%	0	0	5%	4%	0	4%
Total selling, general and administrative expenses before stock-based compensation	76,194	72,371	19	20	2,992	4%	111,635	102,887	19	20	4,556	4%
	76,194	72,371	2%	5%	1	0%	5	6	9%	8%	9	2%

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	,	8,			(1	0,	2,			(1	1
	0	5	1	2	,4	8	8	1	2	,9	5
Stock-based	2	1	.	.	9	3	2	.	.	8	.
compensation	4	4	8%	4%	0)	9	7	8%	3%	8)	5)%
Total selling,	8					1	1				
general and	3	8				2	2				
administrative	,	1,	2	2	1,	5,	2,	2	2	2,	
expenses	2	7	1	2	4	4	9	0	2	5	2
	1	8	.	.	3	9	1	.	.	8	.
	\$ 8	\$ 7	0%	9%	\$ 1	\$ 4	\$ 3	7%	1%	\$ 1	1%

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net, decreased by \$11.4 million \$18.9 million to \$59.4 million \$87.0 million for the six nine months ended June 30, 2023 September 30, 2023 from \$70.8 million \$105.9 million for the same period in 2022. This was mainly due to certain non-competes and developed technology intangible assets being fully amortized in the six nine months ended June 30, 2023 September 30, 2023 as compared to the prior year. This decrease was partially offset by an increase in depreciation expense in the 2023 period.

Interest Expense, Net. Interest expense, net increased by \$16.7 million \$16.8 million from \$28.8 million \$49.0 million for the six nine months ended June 30, 2022 September 30, 2022 to \$45.5 million \$65.8 million for the same period in 2023 which is primarily attributable to rising interest rates. The average variable interest rate on the 2021 Term Loan was 450 380 basis points higher for the six nine months ended June 30, 2023 September 30, 2023 compared to the prior period. See “Liquidity and Capital Resources.”

Change in Fair Value of Private Placement Warrants. We recorded a loss of \$25.5 million \$25.0 million and a gain of \$2.9 million \$5.1 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively, related to the changes in fair value of our Private Placement Warrants, which are were accounted for as liabilities on our condensed consolidated balance sheets. The change in fair value is was the result of re-measurement of the liability at the end of each reporting period, or a and the final re-measurement upon their exercise.

Tax Receivable Agreement Liability Adjustment. We recorded a \$1.0 million benefit for the six nine months ended June 30, 2022 September 30, 2022 which is arising was from lower estimated state tax rates due to changes in apportionment.

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Gain on Interest Rate Swap. We recorded a \$2.0 million \$1.9 million gain during the six nine months ended June 30, 2023 September 30, 2023, of which approximately \$3.6 million \$3.3 million is associated with the derivative instrument re-measured to fair value at the end of the reporting period and \$1.6 million \$1.4 million related to the monthly cash payments on the interest rate swap.

Loss (Gain) on extinguishment Extinguishment of debt Debt. We recorded a \$1.6 million \$3.5 million loss on extinguishment of debt during the six nine months ended June 30, 2023 September 30, 2023 related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayment of \$72.5 million \$172.5 million on the 2021 Term Loan. We recorded a \$3.0 million gain on extinguishment of debt during the nine months ended September 30, 2022 related to the forgiveness of the PPP loan, discussed below.

Other Income, Net. Other income, net was \$8.3 million \$12.8 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$6.9 million \$9.4 million for the six nine months ended June 30, 2022 September 30, 2022. The increase of \$1.4 million \$3.4 million is primarily attributable to volume rebates earned from total spend on purchasing cards from increased tolling and travel activity.

Income Tax Provision. Income tax provision was \$20.4 million \$31.9 million representing an effective tax rate of 46.2% 37.1% for the six nine months ended June 30, 2023 September 30, 2023 compared to a tax provision of \$19.5 million \$27.9 million, representing an effective tax rate of 32.9% 30.2% for the same period in 2022. The primary driver for the effective tax rate variance is due to the permanent differences related to the mark-to-market adjustment adjustments on the Private Placement Warrants.

Net Income. We had net income of \$23.7 million \$54.0 million for the six nine months ended June 30, 2023 September 30, 2023, as compared to a net income of \$39.7 million \$64.3 million for the six nine months ended June 30, 2022 September 30, 2022. The \$16.0 million \$10.3 million decrease in net income was primarily due to the change in fair value of Private Placement Warrants, increased interest expense, and the other statement of operations activity discussed above.

Liquidity and Capital Resources

Our principal sources of liquidity are cash flows from operations and the available borrowing under our Revolver (defined below).

We have incurred significant long-term debt as a result of acquisitions completed in prior years.

We believe that our existing cash and cash equivalents, cash flows provided by operating activities and our ability to borrow under our Revolver (as defined below) will be sufficient to meet operating cash requirements and service debt obligations for at least the next 12 months. Our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control. In addition, our future capital expenditures and other cash requirements could be higher than currently expected

due to various factors, including any expansion of our business or strategic acquisitions. Should we pursue strategic acquisitions, we may need to raise additional capital, which may be in the form of additional long-term debt, borrowing on our Revolver, or equity financings, all of which may not be available to us on favorable terms or at all.

We have the ability to borrow under our Revolver to meet obligations as they come due. As of June 30, 2023 September 30, 2023, we had \$74.8 million available for borrowing, net of letters of credit, under our Revolver.

We made early repayments totaling \$10.0 million \$100.0 million and \$72.5 million \$172.5 million on our 2021 Term Loan during the three and six nine months ended June 30, 2023. September 30, 2023, respectively.

Warrants

During the six nine months ended June 30, 2023 September 30, 2023, we processed the exercise of 17.0 million 19,999,333 Warrants in exchange for the issuance of 14,840,070 16,273,406 shares of Class A Common Stock. There were 13,782,411 14,035,449 shares issued in exchange for cash-basis warrant exercises resulting in the receipt of \$105.8 million \$161.4 million in cash proceeds as of June 30, 2023 September 30, 2023, and \$52.7 million of cash proceeds received in July 2023. The the remaining Warrant exercises were completed on a cashless basis. In addition, there were 634 Public Warrants that were redeemed and as a result, there were no outstanding Warrants as of September 30, 2023 as further discussed in Note 10, *Stockholders' Equity*.

Share Repurchases and Retirement

In November 2022, our Board of Directors authorized a share repurchase program for up to an aggregate amount of \$100.0 million of our outstanding shares of Class A Common Stock over an 18-month period in open market, ASR or privately

negotiated transactions, each as permitted under applicable rules and regulations, any of which may use prearranged trading plans that are designed to meet the requirements of Rule 10b5-1 of the Exchange Act.

We paid \$8.1 million to repurchase 449,432 shares of our Class A Common Stock through open market transactions during the third quarter of fiscal year 2023, which we subsequently retired. On September 5, 2023, we used the remaining availability under the share repurchase program for an ASR and paid approximately \$91.9 million to receive an initial delivery of 4,131,551 shares of our Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement is expected to occur during the first quarter of fiscal year 2024, at which time, a volume-weighted average price calculation over the term of the ASR agreement will be used to determine the final number and the average price of shares repurchased and retired. We paid a total of \$100.0 million for share repurchases during the nine months ended September 30, 2023.

Concentration of Credit Risk

The City of New York Department of Transportation (“NYCDOT”) represented 17% 13% and 22% of total accounts receivable, net as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. There is no material reserve related to NYCDOT open receivables as amounts are deemed collectible based on current conditions and expectations.

The following table sets forth certain captions indicated on our statements of cash flows for the respective periods:

(\$ in thousands)	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 107,927	\$ 96,375	\$ 170,371	\$ 148,776
Net cash used in investing activities	(31,525)	(23,299)	(41,693)	(36,434)
Net cash provided by (used in) financing activities	27,909	(86,517)		
Net cash used in financing activities			(118,450)	(159,525)

Cash Flows from Operating Activities

Cash provided by operating activities increased by \$11.6 million \$21.6 million from \$96.4 million \$148.8 million for the six nine months ended June 30, 2022 September 30, 2022 to \$107.9 million \$170.4 million for the six nine months ended June 30, 2023 September 30, 2023. Net income year over year decreased by approximately \$16.0 million \$10.3 million, from \$39.7 million \$64.3 million in 2022 to \$23.7 million \$54.0 million in 2023. The aggregate adjustments to reconcile net income to net cash provided by operating activities increased \$23.4 million \$20.4 million mainly due to the change in fair value of private placement warrants, and the change in deferred income taxes and the loss (gain) on extinguishment of debt, partially offset by decreased amortization expense year over year. The aggregate changes in operating assets and liabilities increased by \$4.2 million \$11.5 million in 2023 compared to prior year primarily due to the timing of accrued and other payables and fluctuation in inventory levels offset by an increase in prepaid accounts receivables and other current expenses, unbilled receivables.

Cash Flows from Investing Activities

Cash used in investing activities was \$31.5 million \$41.7 million and \$23.3 million \$36.4 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. There was an increase in cash used in 2023 related to the purchases of installation and service parts and property and equipment compared to the prior year, and due to the monthly cash payments on the interest rate swap entered into in December 2022 to hedge our exposure to rising interest rates.

Cash Flows from Financing Activities

Cash provided by (used in) used in financing activities was \$27.9 million \$118.5 million and \$(86.5) million \$159.5 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The cash provided by used in financing activities in 2023 was mainly due to the \$105.8 million early repayments totaling \$172.5 million on our 2021 Term Loan and \$100.0 million of share repurchases, which were partially offset by \$161.4 million of proceeds from the exercise of warrants issued in connection with the IPO, partially offset by early repayments totaling \$72.5 million on our 2021 Term Loan. IPO. The cash used in 2022 was mainly due to the repurchases of 3.1 million 6.9 million shares of the Company's our Class A Common Stock for \$55.3 million and \$125.1 million, the repayment of \$25.0 million of borrowing on the Revolver in January 2022 and the quarterly principal payment payments on the 2021 Term Loan.

Long-term Debt

2021 Term Loan

In March 2021, VM Consolidated, Inc. ("**VM Consolidated**"), the Company's our wholly owned subsidiary, entered into an Amendment and Restatement Agreement No.1 to the First Lien Term Loan Credit Agreement (the "**2021 Term Loan**") with a syndicate of

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lenders. The 2021 Term Loan has an aggregate borrowing of \$900.0 million, maturing on March 26, 2028, which includes the incremental borrowing of \$250.0 million in December 2021 as a result of exercising the accordion feature available under the agreement. In connection with the 2021 Term Loan borrowings, the Company we had \$4.6 million of offering discount costs and \$4.5 million in deferred financing costs, both of which were capitalized and are being amortized over the remaining life of the 2021 Term Loan.

During the six nine months ended June 30, 2023 September 30, 2023, the Company we made early repayments of \$72.5 million \$172.5 million on the 2021 Term Loan and as a result, the total principal outstanding was \$809.1 million \$706.8 million as of June 30, 2023 September 30, 2023. The Company We recognized a loss on extinguishment of debt of \$0.2 million \$2.0 million and \$1.6 million \$3.5 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, related to the write-off of pre-existing deferred financing costs and discounts.

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The 2021 Term Loan is repayable at 1.0% per annum of the amount initially borrowed, paid in quarterly installments. It bears interest based, at the Company's our option, on either (1) LIBOR plus an applicable margin of 3.25% per annum, or (2) an alternate base rate plus an applicable margin of 2.25% per annum. In March 2023, the Company we amended its our 2021 Term Loan agreement to transition away from LIBOR to Term SOFR with the cessation of LIBOR in June 2023. To compensate for the differences in reference rates utilized, the amended agreement also includes a credit spread adjustment of 0.11448% for an interest period of one-month duration, 0.26161% for a three-month duration, 0.42826% for a

six-month duration, and 0.71513% for twelve-months duration in addition to Term SOFR and the applicable margin. As of June 30, 2023 September 30, 2023, the new all-in interest rate on the 2021 Term Loan was 8.5% 8.7%.

In addition, the 2021 Term Loan requires mandatory prepayments equal to the product of the excess cash flows of the Company (as defined in the 2021 Term Loan agreement) and the applicable prepayment percentages (calculated as of the last day of the fiscal year), as set forth in the following table:

Consolidated First Lien Net Leverage Ratio (As Defined by the 2021 Term Loan Agreement)	Applicable Prepayment Percentage
> 3.70:1.00	50%
≤ 3.70:1.00 and > 3.20:1.00	25%
≤ 3.20:1.00	0%

Senior Notes

In March 2021, VM Consolidated issued an aggregate principal amount of \$350.0 million in Senior Unsecured Notes (the “**Senior Notes**”), due on April 15, 2029. In connection with the issuance of the Senior Notes, the Company we incurred \$5.7 million in lender and third-party costs, which were capitalized as deferred financing costs and are being amortized over the remaining life of the Senior Notes.

Interest on the Senior Notes is fixed at 5.50% per annum and is payable on April 15 and October 15 of each year. On or after April 15, 2024, the Company we may redeem all or a portion of the Senior Notes at the redemption prices set forth below in percentages by year, plus accrued and unpaid interest:

Year	Percentage
2024	102.750%
2025	101.375%
2026 and thereafter	100.000%

In addition, the Company we may redeem up to 40% of the Senior Notes before April 15, 2024, with the net cash proceeds from certain equity offerings.

PPP Loan

During fiscal year 2020, one of our wholly owned subsidiaries received a \$2.9 million loan from the U.S. Small Business Administration (“**SBA**”) as part of the Paycheck Protection Program (“**PPP Loan**”) to offset certain employment and other allowable costs incurred as a result of the COVID-19 pandemic. In early 2021, the Company applied for forgiveness of this loan, and on September 23, 2022, it was notified by the SBA that the loan, together with accrued interest, had been fully forgiven under the provisions of the PPP Loan program. Accordingly, we recognized a \$3.0 million

gain on extinguishment of debt in the condensed consolidated statement of operations for the three and nine months ended September 30, 2022.

The Revolver

The Company has We have a Revolving Credit Agreement (the “**Revolver**”) with a commitment of up to \$75.0 million available for loans and letters of credit. The Revolver matures on December 20, 2026. Borrowing eligibility under the Revolver is subject to a monthly borrowing base calculation based on (i) certain percentages of eligible accounts receivable and inventory, less (ii) certain reserve items, including outstanding letters of credit and other reserves. The Revolver bears interest on either (1) Term SOFR plus an applicable margin, or (2) an alternate base rate, plus an applicable margin. The margin percentage applied to (1) Term SOFR is either 1.25%, 1.50%, or 1.75%, or (2) the base rate is either 0.25%, 0.50%, or 0.75%, depending on the Company’s our average availability to borrow under the commitment. There is a credit spread adjustment of 0.10% for a one-month duration, 0.15% for a three-month duration, and 0.25% for a six-month duration, in addition to Term SOFR and the applicable margin percentages. There are no outstanding borrowings on the Revolver as of June 30, 2023 September 30, 2023 or December 31, 2022. The availability to borrow was \$74.8 million, net of \$0.2 million of outstanding letters of credit at June 30, 2023 September 30, 2023.

Interest on the unused portion of the Revolver is payable quarterly at 0.375% and the Company is we are also required to pay participation and fronting fees at 1.38% on \$0.2 million of outstanding letters of credit as of June 30, 2023 September 30, 2023.

All borrowings and other extensions of credits under the 2021 Term Loan, Senior Notes and the Revolver are subject to the satisfaction of customary conditions and restrictive covenants including absence of defaults and accuracy in material respects of representations and warranties. Substantially all of the Company’s our assets are pledged as collateral to secure the Company’s our indebtedness under the 2021 Term Loan. At June 30, 2023 September 30, 2023, the Company was we were compliant with all debt covenants.

Interest Expense

The Company We recorded interest expense, including amortization of deferred financing costs and discounts, of \$22.8 million \$20.4 million and \$14.5 million \$20.3 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$45.5 million \$65.8 million and \$28.8 million \$49.0 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

See Note 2, *Significant Accounting Policies*, in Part I, Item 1, Financial Statements, for additional information on the interest rate swap entered into in December 2022 to hedge the Company’s our exposure against rising interest rates.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet financing arrangements as of **June 30, 2023** **September 30, 2023**.

Critical Accounting Policies, Estimates and Judgments

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Refer to our 2022 Annual Report on Form 10-K for our critical accounting policies, estimates and judgments. We believe that our estimates and assumptions are reasonable in the circumstances; however, actual results could differ materially from those estimates.

For a discussion of our significant accounting policies, refer to Note 2, *Significant Accounting Policies*, in Part I, Item 1, Financial Statements.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, refer to Note 2, *Significant Accounting Policies*, in Part I, Item 1, Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate market risk due to the variable interest rate on the 2021 Term Loan described in Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*.

Interest rate risk represents our exposure to fluctuations in interest rates associated with the variable rate debt represented by the 2021 Term Loan, which has an outstanding balance of **\$809.1 million** **\$706.8 million** at **June 30, 2023** **September 30, 2023**. The 2021 Term Loan bears interest based, at our option, on either (1) LIBOR plus an applicable margin of 3.25% per annum, or (2) an alternate base rate plus an applicable margin of 2.25% per annum. In March 2023, we amended our 2021 Term Loan agreement to transition

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away from LIBOR to Term SOFR with the cessation of LIBOR in June 2023. To compensate for the differences in reference rates utilized, the amended agreement also includes a credit spread adjustment of 0.11448% for an interest period of one-month duration, 0.26161% for a three-month duration, 0.42826% for a six-month duration, and 0.71513% for twelve-months duration in addition to Term SOFR and the applicable margin. At **June 30, 2023** **September 30, 2023**, the new all-in interest rate on the 2021 Term Loan was **8.5%** **8.7%**.

Based on the **June 30, 2023** **September 30, 2023** balance outstanding, each 1% movement in interest rates will result in an approximately **\$8.1 million** **\$7.1 million** change in annual interest expense. Due to the limited history of the use of the

new benchmark rate, we are unable to estimate the future impact to our borrowing costs as a result of the discontinuation of the LIBOR benchmark.

In December 2022, we entered into a cancellable interest rate swap agreement to hedge our exposure to interest rate fluctuations associated with the LIBOR (now transitioned to Term SOFR) portion of the variable interest rate on our 2021 Term Loan. Under the interest rate swap agreement, we pay a fixed rate of 5.17% and the counterparty pays a variable interest rate which is net settled. The notional amount on the interest rate swap is \$675.0 million. We have the option to effectively terminate the interest rate swap agreement starting in December 2023, and monthly thereafter until December 2025, in the event interest rates decrease. We recorded a \$4.8 million gain \$0.1 million loss for the three months ended June 30, 2023 September 30, 2023 and a \$2.0 million \$1.9 million gain on the interest rate swap for the six nine months ended June 30, 2023 September 30, 2023. See Note 2, *Significant Accounting Policies*, in Part I, Item 1, Financial Statements for additional information on the interest rate swap.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. Our Chief Executive Officer and Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures. Based on the results of our assessment, our management concluded that our internal control over financial reporting was effective as of June 30, 2023 September 30, 2023.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the quarter ended June 30, 2023 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings

On November 2, 2020, PlusPass, Inc. ("**PlusPass**") commenced an action in the United States District Court, Central District of California, against Verra Mobility, The Gores Group LLC, Platinum Equity LLC, and ATS Processing Services, Inc., alleging civil violations of **federal antitrust statutes**: Section 7 of the Clayton Antitrust Act of 1914 (the "**Clayton Act**"), and Sections 1 and 2 of the Sherman Act. On November 20, 2020, PlusPass filed a First Amended Complaint. On February 9, 2021, the defendants filed motions to dismiss, and PlusPass subsequently abandoned various theories and claims and dismissed The Gores Group LLC, Platinum Equity LLC, and ATS Processing Services, Inc. On April 27, 2021, PlusPass filed a Second Amended Complaint ("**SAC**"), alleging that Verra Mobility violated Section 7 of the Clayton Act through the merger of Highway Toll Administration, LLC ("**HTA**") and American Traffic Solutions, Inc. ("**ATS**") in 2018, and that Verra Mobility violated Sections 1 and 2 of the Sherman Antitrust Act of 1890 by using exclusive agreements in restraint of trade and other allegedly anticompetitive means to acquire and maintain monopoly power in the market for the administration of electronic toll payment collection for rental cars. PlusPass seeks injunctive relief, divestiture by Verra Mobility of HTA, damages in an amount to be determined, and attorneys' fees and costs. On May 28, 2021, Verra Mobility filed a motion to dismiss the SAC in its entirety, which was denied in August 2021. Discovery is closed. Verra Mobility filed a motion for summary judgment on June 21, 2023, which is pending. Trial **has had** been set for November **2023**, **2023**, but was moved by the court to April 2024. Verra Mobility believes that all of PlusPass' claims are without merit and will defend itself vigorously in this litigation.

Item 1A. Risk Factors

Risks Related to Our Business

Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 includes a discussion of our risk factors. **Other than the risk factor below, there** **There** have been no material changes from the risk factors described in our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future SEC filings.

Numerous countries, including a number of those in which we do business, have agreed to a statement in support of Economic Co-operation and Development ("OECD") model rules that propose a global minimum tax, which if adopted, may increase and negatively impact our provision for income taxes.

Numerous countries, including a number of those in which we do business, have agreed to a statement in support of the OECD model rules that propose a global minimum tax rate of 15% that would apply to multinational companies with consolidated revenue above €750 million. Certain countries, including European Union member states, have enacted or are expected to enact legislation to be effective as early as 2024, with widespread implementation of a global minimum tax expected by 2025. As the legislation becomes effective in countries in which we do business, our taxes could increase and negatively impact our provision for income taxes. We will continue to monitor pending legislation and implementation by individual countries and evaluate the potential impact on our business in future periods.

Item 2. Unregistered Sales of Equity Securities, and Use of Proceeds, and Issuer Purchases of Equity Securities

Purchases of Equity Securities

None. In November 2022, our Board of Directors authorized a share repurchase program for up to an aggregate amount of \$100.0 million of our outstanding shares of Class A Common Stock over an 18-month period in open market, ASR or privately negotiated transactions, each as permitted under applicable rules and regulations, any of which may use prearranged trading plans that are designed to meet the requirements of Rule 10b5-1 of the Exchange Act.

We paid \$8.1 million to repurchase 449,432 shares of our Class A Common Stock through open market transactions during the third quarter of fiscal year 2023, which we subsequently retired. On September 5, 2023, we used the remaining availability under the share repurchase program for an ASR and paid approximately \$91.9 million to receive an initial delivery of 4,131,551 shares of our Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement is expected to occur during the first quarter of fiscal year 2024, at which time, a volume-weighted average price calculation over the term of the ASR agreement will be used to determine the final number and the average price of shares repurchased and retired. We paid a total of \$100.0 million for share repurchases during the nine months ended September 30, 2023.

The following details our purchases of our Class A Common Stock during the three months ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Publicly Announced Plans or Programs
As of July 1, 2023	—	\$ —	—	\$ 100,000,000
Share repurchases	—	\$ —	—	\$ —
As of July 31, 2023	—	\$ —	—	\$ 100,000,000
Share repurchases	209,444	\$ 18.67	209,444	\$ 96,206,656
As of August 31, 2023	209,444	\$ 18.67	209,444	\$ 96,206,656
Share repurchases	239,988	\$ 18.01	239,988	\$ 91,875,359
Share repurchases - ASR ⁽¹⁾	4,131,551	\$ 17.79	4,131,551	\$ —
As of September 30, 2023	4,580,983	\$ 18.36	4,580,983	\$ —

(1) On September 5, 2023, we paid approximately \$91.9 million to receive an initial delivery of 4,131,551 shares of our Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement is expected to occur during the first quarter of fiscal year 2024, at which time, a volume-weighted average price calculation over the term of the ASR agreement will be used to determine the final number and the average price of shares repurchased and retired.

Sales of Unregistered Securities

None.

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We did not have any sales of unregistered equity securities during the three months ended September 30, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Insider Trading Arrangements and Policies.

A significant portion of the compensation of our executive officers is delivered in the form of deferred equity awards, including performance share units, stock options and restricted stock unit awards. This compensation design is intended to align our executive compensation with the interests of our stockholders by emphasizing performance-based incentive compensation focused on objectives that our Board believes have a significant impact on stockholder value. Following the delivery of shares of our common stock under those equity awards, once any applicable service time or performance-based vesting standards have been satisfied, our executive officers from time to time engage in the open-market sale of some of those shares. Our executive officers may also engage from time to time in other transactions involving our securities.

Transactions in our securities by our executive officers are required to be made in accordance with our Insider Trading Policy, which, among other things, requires that the transactions be in accordance with applicable U.S. federal securities laws that prohibit trading while in possession of material nonpublic information. Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables prearranged transactions in securities in a manner that avoids concerns about initiating transactions at a future date while possibly in possession of material nonpublic information. Our Insider Trading Policy permits our executive officers to enter into trading plans designed to comply with Rule 10b5-1. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving our company.

During the three months ended June 30, 2023 September 30, 2023, none of our directors or executive officers adopted, modified or terminated 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.”

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Item 6. Exhibits

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

EXHIBIT INDEX

Exhibit Number	Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
2.1	<u>Merger Agreement, dated as of June 21, 2018, by and among Gores Holdings II, Inc., AM Merger Sub I, Inc., AM Merger Sub II, LLC, Greenlight Holding II Corporation and PE Greenlight Holdings, LLC, in its capacity as the Stockholder Representative.</u>	8-K	001-37979	2.1	June 21, 2018	
2.2	<u>Amendment No. 1 to Agreement and Plan of Merger, dated as of August 23, 2018, by and among Gores Holdings II, Inc., AM Merger Sub I, Inc., AM Merger Sub II, LLC, Greenlight Holding II Corporation and PE Greenlight Holdings, LLC, in its capacity as the Stockholder Representative.</u>	8-K	001-37979	2.2	August 24, 2018	
3.1	<u>Second Amended and Restated Certificate of Incorporation of Verra Mobility Corporation.</u>	8-K	001-37979	3.1	October 22, 2018	
3.2	<u>Amended and Restated Bylaws of Verra Mobility Corporation.</u>	8-K	001-37979	3.2	October 22, 2018	
4.1	<u>Specimen Class A Common Stock Certificate.</u>	S-1	333-21503	4.2	December 9, 2016	
4.2	<u>Specimen Warrant Certificate.</u>	S-1	333-21503	4.3	December 9, 2016	
4.3	<u>Warrant Agreement, dated January 12, 2017, between the Registrant and Continental Stock Transfer & Trust Company, as warrant agent.</u>	8-K	001-37979	4.1	January 19, 2017	
4.4	<u>First Amendment to Warrant Agreement, dated January 15, 2020, by and among the Registrant, Continental Stock Transfer & Trust Company and American Stock Transfer & Trust Company, LLC.</u>	10-K	001-37979	4.4	March 2, 2020	

4.5	Second Amendment to Warrant Agreement, dated May 11, 2023, by and between the Registrant and American Stock Transfer & Trust Company, LLC.	8-K	001-37979	4.1	May 11, 2023
10.1	Form of Notice of Grant of Restricted Stock Units (U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.1	February 17, 2023
10.2	Form of Notice of Grant of Restricted Stock Units (Non-U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.2	February 17, 2023
10.3	Form of Notice of Grant of Stock Option (U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.3	February 17, 2023
10.4	Form of Notice of Grant of Stock Option (Non-U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.4	February 17, 2023
10.5	Form of Notice of Grant of Performance Share Units and Award Agreement (U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.5	February 17, 2023

Incorporated by Reference						
Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Merger Agreement, dated as of June 21, 2018, by and among Gores Holdings II, Inc., AM Merger Sub I, Inc., AM Merger Sub II, LLC, Greenlight Holding II Corporation and PE Greenlight Holdings, LLC, in its capacity as the Stockholder Representative.	8-K	001-37979	2.1	June 21, 2018	

2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of August 23, 2018, by and among Gores Holdings II, Inc., AM Merger Sub I, Inc., AM Merger Sub II, LLC, Greenlight Holding II Corporation and PE Greenlight Holdings, LLC, in its capacity as the Stockholder Representative.	8-K	001-37979	2.2	August 24, 2018	
3.1	Second Amended and Restated Certificate of Incorporation of Verra Mobility Corporation.	8-K	001-37979	3.1	October 22, 2018	
3.2	Amended and Restated Bylaws of Verra Mobility Corporation.	8-K	001-37979	3.2	October 22, 2018	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal 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 of Principal 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 does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X

101.DEF	Inline	XBRL	Taxonomy	Extension	Definition		X
					Linkbase Document.		
101.LAB	Inline	XBRL	Taxonomy	Extension	Label	Linkbase	X
					Document.		
101.PRE	Inline	XBRL	Taxonomy	Extension	Presentation		X
					Linkbase Document.		

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10.6	Form of Notice of Grant of Performance Share Units and Award Agreement (Non-U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.6	February 17, 2023	
10.7	Verra Mobility Corporation Second Amended and Restated Short-Term Incentive Plan.	8-K	001-37979	10.7	February 17, 2023	
10.8	Amendment No. 2 to Amended and Restated First Lien Term Loan Credit Agreement, dated as of March 29, 2023.	10-Q	001-37979	10.8	May 4, 2023	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

32.1*	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	X
32.2*	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	X
101.INS	Inline XBRL Instance Document (the instance does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X
* This certification is deemed not filed for purposes of Section 18 of the 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.		
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X

* This certification is deemed not filed for purposes of Section 18 of the 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.

VERRA MOBILITY CORPORATION

Date: August 9, 2023 November 9, 2023

By: /s/ Craig Conti

Craig Conti

Chief Financial Officer

(Principal Financial Officer)

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Exhibit 31.1

**Certification of Principal Executive Officer
Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David Roberts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verra Mobility Corporation;
2. Based on my knowledge, this Quarterly Report on Form 10-Q does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report on Form 10-Q;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this Quarterly Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation.

Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this Quarterly Report on Form 10-Q based on such evaluation; and

- d) Disclosed in this Quarterly Report on Form 10-Q any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2023 November 9, 2023

By: /s/ David Roberts

David Roberts

President and Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Craig Conti, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verra Mobility Corporation;
2. Based on my knowledge, this Quarterly Report on Form 10-Q does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report on Form 10-Q;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this Quarterly Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2023 November 9, 2023

By: /s/ Craig Conti

Craig Conti

Chief Financial Officer

Exhibit 32.1

VERRA MOBILITY CORPORATION
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the periodic report of Verra Mobility Corporation (the "**Company**") on Form 10-Q for the period ended June 30, 2023 September 30, 2023 as filed with the Securities and Exchange Commission (the "**Report**"), I, David Roberts, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: August 9, 2023 November 9, 2023

By: /s/ David Roberts

David Roberts

President and Chief Executive Officer

Exhibit 32.2

VERRA MOBILITY CORPORATION
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the periodic report of Verra Mobility Corporation (the "**Company**") on Form 10-Q for the period ended June 30, 2023 September 30, 2023 as filed with the Securities and Exchange Commission (the "**Report**"), I, Craig Conti, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: August 9, 2023 November 9, 2023

By: /s/ Craig Conti

Craig Conti

Chief Financial Officer

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