REFINITIV

# DELTA REPORT

## 10-Q

VRRM - VERRA MOBILITY CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

| TOTAL DELTAS | 1464 |
|---|---|
| CHANGES | 284 |
| DELETIONS | 692 |
| ADDITIONS | 488 |

# 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 September 30, March 31, 2023 2024**

**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** | **81-3563824** |
| (*State of Incorporation*) | (*I.R.S. Employer Identification No.*) |
| **1150 North Alma School Road** | **85201** |
| **Mesa, Arizona** | (*Zip Code*) |
| (*Address of Principal Executive Offices*) | |

**(480) 443-7000**

(*Registrant's telephone number, including area code 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** |

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 November 6, 2023 April 26, 2024, there were 166,313,632 166,524,776 shares of the Company's Class A Common Stock, par value $0.0001 per share, issued and outstanding.

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**VERRA MOBILITY CORPORATION**

**FORM 10-Q**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2023 MARCH 31, 2024**

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**Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q (this "***Report***") 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.

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 include the risks and uncertainties described in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (our "***Annual Report***"), which highlight, among other 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, delays in payments, audits investigations;
- decreases in the prevalence or political acceptance of, or an increase in governmental restrictions regarding, automated and other si methods of photo enforcement, parking solutions or the use of tolling;
- our ability to keep up with technological developments and changing customer preferences;
- 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;
- risks and uncertainties related to our international operations;
- our failure to acquire necessary intellectual property or adequately protect our intellectual property;
- our ability to manage the risks, uncertainties our substantial level of indebtedness; and exposures related to
- our international operations. reliance on specialized third-party providers.

You should not rely on forward-looking statements as predictions of future events. We operate in a very competitive and rapidly changing environment and new risks emerge from time to time. The forward-looking statements in this Report represent our views as of the date hereof. 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 Reports 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 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 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 Report 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.

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**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**VERRA MOBILITY CORPORATION**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

| (In thousands, except per share data) | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 114,379 | $ 105,204 | $ 149,520 | $ 136,309 |
| Restricted cash | 3,951 | 3,911 | 3,708 | 3,413 |
| 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) | 191,753 | 163,786 | | |
| Accounts receivable (net of allowance for credit losses of $20.6 million and $18.5 million at March 31, 2024 and December 31, 2023, respectively) | | | 181,961 | 197,824 |
| Unbilled receivables | 40,069 | 30,782 | 43,323 | 37,065 |

| | | | | |
|---|---|---|---|---|
| Inventory | 19,943 | 19,307 | 17,298 | 17,966 |
| Prepaid expenses and other current assets | 41,197 | 39,604 | 42,772 | 46,961 |
| Total current assets | 411,292 | 362,594 | 438,582 | 439,538 |
| Installation and service parts, net | 26,127 | 22,923 | 21,844 | 22,895 |
| Property and equipment, net | 117,827 | 109,775 | 126,975 | 123,248 |
| Operating lease assets | 35,299 | 37,593 | 31,599 | 33,523 |
| Intangible assets, net | 315,754 | 377,420 | 283,412 | 301,025 |
| Goodwill | 832,817 | 833,480 | 834,591 | 835,835 |
| Other non-current assets | 16,959 | 12,484 | 32,855 | 33,919 |
| Total assets | $ 1,756,075 | $ 1,756,269 | $ 1,769,858 | $ 1,789,983 |
| **Liabilities and Stockholders' Equity** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 89,760 | $ 79,869 | $ 75,573 | $ 78,749 |
| Deferred revenue | 34,322 | 31,164 | 24,707 | 28,788 |
| Accrued liabilities | 59,459 | 48,847 | 54,067 | 93,119 |
| Tax receivable agreement liability, current portion | 5,007 | 4,994 | 5,098 | 5,098 |
| Current portion of long-term debt | 9,019 | 21,935 | — | 9,019 |
| Total current liabilities | 197,567 | 186,809 | 159,445 | 214,773 |
| Long-term debt, net of current portion | 1,030,351 | 1,190,045 | 1,037,700 | 1,029,113 |
| Operating lease liabilities, net of current portion | 30,552 | 33,362 | 27,702 | 29,124 |
| Tax receivable agreement liability, net of current portion | 50,900 | 50,900 | 48,369 | 48,369 |

| | | | | |
|---|---|---|---|---|
| Private placement warrant liabilities | — | 24,066 | | |
| Asset retirement obligations | 14,075 | 12,993 | 14,980 | 14,580 |
| Deferred tax liabilities, net | 19,015 | 21,149 | 17,536 | 18,360 |
| Other long-term liabilities | 9,559 | 5,875 | 15,131 | 14,197 |
| Total liabilities | 1,352,019 | 1,525,199 | 1,320,863 | 1,368,516 |
| Commitments and contingencies (Note 13) | | | | |
| Stockholders' equity | | | | |
| 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 | | |
| Common stock contingent consideration | — | 36,575 | | |
| Preferred stock, $0.0001 par value, 1,000 shares authorized with no shares issued and outstanding at March 31, 2024 and December 31, 2023 | | | — | — |
| Common stock, $0.0001 par value, 260,000 shares authorized with 166,516 and 166,555 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively | | | 17 | 17 |
| Additional paid-in capital | 549,374 | 305,423 | 557,363 | 557,513 |
| Accumulated deficit | (128,909) | (98,078) | (94,949) | (125,887) |
| Accumulated other comprehensive loss | (16,426) | (12,865) | (13,436) | (10,176) |
| Total stockholders' equity | 404,056 | 231,070 | 448,995 | 421,467 |
| Total liabilities and stockholders' equity | $ 1,756,075 | $ 1,756,269 | $ 1,769,858 | $ 1,789,983 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

**VERRA MOBILITY CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**AND COMPREHENSIVE INCOME**

(Unaudited)

| (In thousands, except per share data) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|---|---|---|---|
| Service revenue | $ 201,029 | $ 180,617 | $ 581,777 | $ 516,253 | $ 202,721 | $ 184,698 |
| Product sales | 8,904 | 17,039 | 24,520 | 39,275 | 7,009 | 7,205 |
| **Total revenue** | 209,933 | 197,656 | 606,297 | 555,528 | 209,730 | 191,903 |
| Cost of service revenue | 5,150 | 4,144 | 13,718 | 11,636 | | |
| Cost of service revenue, excluding depreciation and amortization | | | | | 4,305 | 4,230 |
| Cost of product sales | 6,864 | 11,317 | 18,209 | 25,638 | 5,286 | 5,383 |
| Operating expenses | 68,873 | 60,536 | 196,373 | 166,795 | 70,640 | 61,843 |
| Selling, general and administrative expenses | 42,276 | 41,126 | 125,494 | 122,913 | 48,171 | 40,013 |
| Depreciation, amortization and (gain) loss on disposal of assets, net | 27,597 | 35,035 | 87,018 | 105,881 | 26,975 | 30,333 |
| Total costs and expenses | 150,760 | 152,158 | 440,812 | 432,863 | 155,377 | 141,802 |
| **Income from operations** | 59,173 | 45,498 | 165,485 | 122,665 | 54,353 | 50,101 |
| Interest expense, net | 20,384 | 20,260 | 65,842 | 49,024 | 19,635 | 22,687 |
| Change in fair value of private placement warrants | (553) | (2,267) | 24,966 | (5,133) | — | 14,601 |
| Tax receivable agreement liability adjustment | — | — | — | (965) | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Loss (gain) on interest rate swap | 60 | — | (1,947) | — | | |
| Loss (gain) on extinguishment of debt | 1,975 | (3,005) | 3,533 | (3,005) | | |
| (Gain) loss on interest rate swap | | | | | (396) | 2,798 |
| Loss on extinguishment of debt | | | | | 595 | 1,349 |
| Other income, net | (4,498) | (2,462) | (12,766) | (9,367) | (4,453) | (3,756) |
| Total other expenses | 17,368 | 12,526 | 79,628 | 30,554 | 15,381 | 37,679 |
| Income before income taxes | 41,805 | 32,972 | 85,857 | 92,111 | 38,972 | 12,422 |
| Income tax provision | 11,497 | 8,396 | 31,864 | 27,854 | 9,823 | 7,845 |
| **Net income** | $ 30,308 | $ 24,576 | $ 53,993 | $ 64,257 | $ 29,149 | $ 4,577 |
| Other comprehensive loss: | | | | | | |
| Change in foreign currency translation adjustment | (4,189) | (8,167) | (3,561) | (15,840) | (3,260) | (90) |
| **Total comprehensive income** | $ 26,119 | $ 16,409 | $ 50,432 | $ 48,417 | $ 25,889 | $ 4,487 |
| **Net income per share:** | | | | | | |
| Basic | $ 0.18 | $ 0.16 | $ 0.35 | $ 0.42 | $ 0.18 | $ 0.03 |
| Diluted | $ 0.18 | $ 0.15 | $ 0.34 | $ 0.38 | $ 0.17 | $ 0.03 |
| **Weighted average shares outstanding:** | | | | | | |
| Basic | 168,089 | 151,429 | 156,196 | 154,067 | 166,241 | 149,165 |
| Diluted | 169,497 | 158,304 | 157,133 | 160,433 | 168,726 | 153,129 |

See accompanying Notes to the Condensed Consolidated Financial Statements.



**VERRA MOBILITY CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(Unaudited)

**For the Three and Nine Months Ended September 30, 2023**

| (In thousands) | Common Stock Shares | Common Stock Amount | Common Stock Contingent Consideration | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|

**For the Three Months Ended March 31, 2024**

| (In thousands) | Common Stock Shares | Common Stock Amount | Common Stock Contingent Consideration | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2023** | 166,555 | $ 17 | $ — | $ 557,513 | $ (125,887) | $ (10,176) | $ 421,467 |
| Net income | — | — | — | — | 29,149 | — | 29,149 |
| Share repurchases and retirement | (534) | — | — | (1,789) | 1,789 | — | — |
| Vesting of restricted stock units ("***RSU***s") and performance share units ("***PSU***s") | 445 | — | — | — | — | — | — |
| Exercise of stock options | 50 | — | — | 689 | — | — | 689 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payment of employee tax withholding related to RSUs and PSUs vesting | | | | | | | | — | — | — | (4,608) | — | — | (4,608) |
| Stock-based compensation | | | | | | | | — | — | — | 5,558 | — | — | 5,558 |
| Other comprehensive loss, net of tax | | | | | | | | — | — | — | — | — | (3,260) | (3,260) |
| **Balance as of March 31, 2024** | | | | | | | | 166,516 | $ 17 | $ — | $ 557,363 | $ (94,949) | $ (13,436) | $ 448,995 |
| **For the Three Months Ended March 31, 2023** | | | | | | | | **For the Three Months Ended March 31, 2023** | | | | | | |
| **Balance as of December 31, 2022** | 148,962 | $ 15 | $ 36,575 | $ 305,423 | $ (98,078) | $ (12,865) | $ 231,070 | 148,962 | $ 15 | $ 36,575 | $ 305,423 | $ (98,078) | $ (12,865) | $ 231,070 |
| Net income | — | — | — | — | 4,577 | — | 4,577 | — | — | — | — | 4,577 | — | 4,577 |
| Vesting of restricted stock units ("***RSU***s") and performance share units ("***PSU***s") | 313 | — | — | — | — | — | — | | | | | | | |
| Vesting of RSUs and PSUs | | | | | | | | 313 | — | — | — | — | — | — |
| Exercise of stock options | 53 | — | — | 699 | — | — | 699 | 53 | — | — | 699 | — | — | 699 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 306,974 | (93,501) | (12,955) | 237,108 | 149,961 | $ 15 | $ 36,575 | $ 306,974 | $ (93,501) | $ (12,955) | $ 237,108 |
| Net income | — | — | — | — | 19,108 | — | 19,108 | | | | | | | |
| Earn-out shares issued to Platinum Stockholder | 2,500 | — | (18,288) | 18,288 | — | — | — | | | | | | | |
| Vesting of RSUs and PSUs | 121 | — | — | — | — | — | — | | | | | | | |
| Exercise of stock options | 127 | — | — | 1,689 | — | — | 1,689 | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Payment of employee tax withholding related to RSUs and PSUs vesting | — | — | — | (502) | — | — | (502) |
| Exercise of warrants | 14,208 | 2 | — | 202,652 | — | — | 202,654 |
| Stock-based compensation | — | — | — | 4,525 | — | — | 4,525 |
| Other comprehensive income, net of tax | — | — | — | — | — | 718 | 718 |
| **Balance as of June 30, 2023** | 166,917 | 17 | 18,287 | 533,626 | (74,393) | (12,237) | 465,300 |
| Net income | — | — | — | — | 30,308 | — | 30,308 |
| Earn-out shares issued to Platinum Stockholder | 2,500 | — | (18,287) | 18,287 | — | — | — |
| Share repurchases and retirement | (4,581) | — | — | (15,176) | (84,824) | — | (100,000) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Vesting of RSUs and PSUs | 7 | — | — | — | — | — | — |
| Exercise of stock options | 34 | — | — | 457 | — | — | 457 |
| 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 | — | — | — | 4,443 | — | — | 4,443 |
| Other comprehensive loss, net of tax | — | — | — | — | — | (4,189) | (4,189) |
| **Balance as of September 30, 2023** | 166,310 | $ 17 | $ — | $ 549,374 | $ (128,909) | $ (16,426) | $ 404,056 |

See accompanying Notes to the Condensed Consolidated Financial Statements.



**VERRA MOBILITY CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)**

(Unaudited)

**For the Three and Nine Months Ended September 30, 2022**

| (In thousands) | Common Stock Shares | Common Stock Amount | Common Stock Contingent Consideration | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| **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) | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | |
| Net income | $ 53,993 | $ 64,257 | $ 29,149 | $ 4,577 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 86,835 | 105,294 | 26,886 | 30,309 |
| Amortization of deferred financing costs and discounts | 3,600 | 4,122 | 1,361 | 1,277 |
| Change in fair value of private placement warrants | 24,966 | (5,133) | — | 14,601 |
| Tax receivable agreement liability adjustment | — | (965) | | |
| Gain on interest rate swap | (3,361) | — | | |
| Loss (gain) on extinguishment of debt | 3,533 | (3,005) | | |
| (Gain) loss on interest rate swap | | | (102) | 1,552 |
| Loss on extinguishment of debt | | | 595 | 1,349 |
| Credit loss expense | 7,553 | 10,892 | 5,247 | 1,697 |
| Deferred income taxes | (7,236) | (17,310) | 696 | (2,249) |
| Stock-based compensation | 12,346 | 13,656 | 5,558 | 3,378 |
| Other | 306 | 624 | 319 | 8 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (35,854) | (25,846) | 10,223 | (16,222) |
| Unbilled receivables | (9,529) | (4,205) | (6,501) | (3,464) |
| Inventory | (1,061) | (9,056) | 479 | 180 |
| Prepaid expenses and other assets | 2,948 | 8,405 | 5,565 | 6,232 |
| Deferred revenue | 3,475 | 6,291 | (3,831) | 95 |
| Accounts payable and other current liabilities | 27,059 | (1,978) | (40,783) | (4,291) |
| Other liabilities | 798 | 2,733 | (529) | 6,188 |
| Net cash provided by operating activities | 170,371 | 148,776 | 34,332 | 45,217 |
| **Cash Flows from Investing Activities:** | | | | |
| Payment of contingent consideration | — | (647) | | |
| Payments for interest rate swap | (1,414) | — | | |
| Cash received (payments) for interest rate swap | | | 294 | (1,246) |
| Purchases of installation and service parts and property and equipment | (40,501) | (35,927) | (14,279) | (18,372) |
| Cash proceeds from the sale of assets | 222 | 140 | 48 | 34 |
| Net cash used in investing activities | (41,693) | (36,434) | (13,937) | (19,584) |
| **Cash Flows from Financing Activities:** | | | | |
| Repayment on the revolver | — | (25,000) | | |
| Repayment of long-term debt | (179,264) | (6,764) | (2,255) | (64,755) |
| Payment of debt issuance costs | (362) | (410) | (107) | (44) |
| Proceeds from the exercise of warrants | 161,408 | — | | |
| Share repurchases and retirement | (100,000) | (125,071) | | |

| | | | | |
|---|---|---|---|---|
| Proceeds from the exercise of stock options | 2,845 | 997 | 689 | 699 |
| Payment of employee tax withholding related to RSUs and PSUs vesting | (3,077) | (3,072) | (4,608) | (2,526) |
| Settlement of contingent consideration | — | (205) | | |
| Net cash used in financing activities | (118,450) | (159,525) | (6,281) | (66,626) |
| Effect of exchange rate changes on cash and cash equivalents | (1,013) | (1,620) | (608) | (305) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 9,215 | (48,803) | 13,506 | (41,298) |
| Cash, cash equivalents and restricted cash - beginning of period | 109,115 | 104,432 | 139,722 | 109,115 |
| Cash, cash equivalents and restricted cash - end of period | $ 118,330 | $ 55,629 | $ 153,228 | $ 67,817 |
| **Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets** | | | | |
| Cash and cash equivalents | | | $ 149,520 | $ 64,267 |
| Restricted cash | | | 3,708 | 3,550 |
| **Total cash, cash equivalents, and restricted cash** | | | $ 153,228 | $ 67,817 |

See accompanying Notes to the Condensed Consolidated Financial Statements.



**VERRA MOBILITY CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

(Unaudited)

| | Nine Months Ended September 30, | | Three Months Ended March 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2024 | 2023 |
| Supplemental cash flow information: | | | | |
| Interest paid | $ 60,370 | $ 40,068 | $ 14,973 | $ 17,064 |
| Income taxes paid, net of refunds | 37,627 | 43,455 | 3,690 | 2,631 |
| Supplemental non-cash investing and financing activities: | | | | |
| Earn-out shares issued to Platinum Stockholder | 36,575 | — | | |

| | | | | |
|---|---|---|---|---|
| Purchases of installation and service parts and property and equipment in accounts payable and accrued liabilities at period-end | 6,927 | 6,420 | 3,915 | 5,179 |
| Increase in additional paid-in capital due to exercise of private placement warrants | 49,032 | — | | |

See accompanying Notes to the Condensed Consolidated Financial Statements.



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**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 automated toll and violation violations management and title and registration solutions for the commercial fleet and rental car industries by partnering with the leading fleet management and to rental car companies (“***RACs***”), direct commercial fleet owner-operators (“***Direct Fleets***”) and fleet management companies (“***FMCs***”) and other large fleet owners in North America. Electronic toll payment services enable fleet Through its established relationships with individual tolling authorities throughout the United States, the segment provides an automated and outsourced administrative solution for its customers while also providing a value-added convenience for vehicle drivers and rental car customers benefits to use high-speed cashless tolling and issuing authorities. The toll lanes or all-electronic cashless and violations management solutions help ensure timely payment of tolls and violations incurred by the customers’ vehicles and perform timely transfers of liability on the customers’ behalf, and driver billing and collections, as applicable. It also manages regional toll roads. The service helps commercial fleets reduce transponder installation and vehicle association—a critical and highly complex process for RAC, Direct Fleet and FMC customers—to ensure that the transponders (and corresponding 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 transactions) are 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. the correct vehicle. In Europe, the Company Commercial Services segment provides violations processing through Euro Parking Collection plc and consumer tolling services through Pagatelia S.L. S.L.U.

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, transaction processing 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 There have been no material changes in the Company's significant accounting policies from those related to allocating disclosed in the transaction price Annual Report on Form 10-K 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. year ended December 31, 2023.



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 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 % |

| | Three Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| City of New York Department of Transportation | 16.6 % | 17.8 % |

The City of New York Department of Transportation ("***NYCDOT***") represented 13 14% and 22 18% of total accounts receivable, net as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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 September 30, | | Nine Months Ended September 30, | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** | **2024** | **2023** |
| Hertz Corporation | 11.8 % | 12.6 % | 11.8 % | 11.8 % | 11.8 % | 11.2 % |
| Avis Budget Group, Inc. | 15.1 % | 13.9 % | 13.8 % | 12.9 % | 13.1 % | 12.7 % |
| Enterprise Holdings, Inc. | 11.6 % | 10.3 % | 10.5 % | 9.7 % | | |
| Enterprise Mobility | | | | | 11.5 % | 10.1 % |

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 nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively:



| ($ in thousands) | Commercial Services (Driver-billed) (1) | Commercial Services (All other) | Government Solutions | Parking Solutions | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2023 | $ 9,600 | $ 1,577 | $ 4,573 | $ 157 | $ 15,907 |
| Credit loss expense | 8,622 | 756 | (1,964) | 139 | 7,553 |
| Write-offs, net of recoveries | (5,031) | (104) | (185) | (562) | (5,882) |
| Balance at September 30, 2023 | $ 13,191 | $ 2,229 | $ 2,424 | $ (266) | $ 17,578 |

| ($ in thousands) | Commercial Services (Driver-billed) (1) | Commercial Services (All other) | Government Solutions | Parking Solutions | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2022 | $ 5,397 | $ 3,092 | $ 3,649 | $ — | $ 12,138 |
| Credit loss expense | 8,867 | 835 | 694 | 496 | 10,892 |
| Write-offs, net of recoveries | (2,810) | (2,089) | (26) | (430) | (5,355) |
| Balance at September 30, 2022 | $ 11,454 | $ 1,838 | $ 4,317 | $ 66 | $ 17,675 |

| ($ in thousands) | Commercial Services (Driver-billed) (1) | Commercial Services (All other) | Government Solutions | Parking Solutions | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2024 | $ 13,726 | $ 1,935 | $ 2,426 | $ 426 | $ 18,513 |
| Credit loss expense (income) | 5,077 | 145 | 106 | (81) | 5,247 |
| Write-offs, net of recoveries | (2,776) | (398) | (2) | (9) | (3,185) |
| Balance at March 31, 2024 | $ 16,027 | $ 1,682 | $ 2,530 | $ 336 | $ 20,575 |

| ($ in thousands) | Commercial Services (Driver-billed) (1) | Commercial Services (All other) | Government Solutions | Parking Solutions | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2023 | $ 9,600 | $ 1,577 | $ 4,573 | $ 157 | $ 15,907 |
| Credit loss expense (income) | 3,033 | (467) | (839) | (30) | 1,697 |
| Write-offs, net of recoveries | (972) | 5 | — | (168) | (1,135) |
| Balance at March 31, 2023 | $ 11,661 | $ 1,115 | $ 3,734 | $ (41) | $ 16,469 |

(1) Driver-billed consists of receivables from drivers of rental cars and fleet management companies for which the Company bills on behalf o

customers. Receivables not collected from drivers within a defined number of days are transferred to customers subject to applicable bad d sharing agreements.

***Deferred Revenue Remaining Performance Obligations***

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 $12.9 11.7 million and $12.2 13.1 million of deferred revenue in the Government Solutions segment as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The majority of During the remaining performance obligations as of September 30, 2023 are expected to be completed three months ended March 31, 2024 and 2023, the Company recognized as revenue in the next $12 months3.0 million and $4.1 1.5 million, is expected respectively, of revenue excluding exchange rate impact related to be recognized from 2024 through 2027. amounts that were included in deferred revenue as of December 31, 2023 and 2022, respectively. The Company had approximately $25.6 17.6 million and $21.2 19.7 million of deferred revenue in the Parking Solutions segment as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The majority Company recognized $8.6 million and $8.7 million of revenue during the three months ended March 31, 2024 and 2023, respectively, related to amounts that were included in deferred revenue as of December 31, 2023 and 2022.

Transaction price allocated to the remaining performance obligations as of September 30, 2023 includes deferred revenue above and unbilled amounts that are expected to be completed and recognized as revenue in future periods. As of March 31, 2024, total transaction price allocated to performance obligations in the next Government Solutions segment that were unsatisfied or partially unsatisfied was $12 months310.5 and million, of which $0.5 179.7 million is expected to be recognized after September 30, 2024. as revenue in the next twelve months and the rest over the remaining performance obligation period. The Company elected the practical expedients to omit disclosure for the amount of the transaction price allocated to remaining performance obligations with original expected contract length of one year or less and the amount that relates to variable consideration allocated to a wholly unsatisfied performance obligation to transfer a distinct good or service within a series of distinct goods or services that form a single performance obligation.

***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 $0.1 0.4 million loss gain during the three months ended September 30, 2023 March 31, 2024, of which $0.2 0.1 million is associated with the derivative instrument re-measured to fair value at the end of the reporting period, netted by and $0.1 0.3 million related to the of monthly cash payments. proceeds received. The Company recorded a $1.9 2.8 million gain loss during the nine three months ended September 30, 2023 March 31, 2023, of which approximately $3.3 1.6 million is associated with the derivative instrument re-measured to fair value at the end of the reporting period netted by and $1.4 1.2 million related relates to the monthly cash payments. payments made. The effect of remeasurement to fair value is recorded within the operating activities section and the monthly cash proceeds received or payments made are recorded within the investing activities section in the condensed consolidated statements of cash flows. See below Note 7, *Fair Value of Financial Instruments*, 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.



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***Recent Accounting Pronouncements***

*Accounting Standards Standard Adopted*

In March 2020, On June 30, 2022, the Financial Accounting Standards Board (" (the "***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 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 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 Company adopted this standard as of January 1, 2024. The adoption of this standard did not have an impact on the Company's financial statements or disclosures.

*Accounting Standards Not Yet Adopted*

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU intends to enhance disclosure related to significant segment expenses regularly provided to the Chief Operating Decision Maker ("***CODM***"), amounts presented as "other" within segment profit (loss), require that all annual disclosures are also reported for interim periods, further define the CODM and how they use segment profit (loss) to allocate resources, and require that entities with only a single reportable segment provide all required segment disclosures. The guidance is effective for fiscal years including beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2023 December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires companies to disclose specific categories in the rate reconciliation, provide additional disclosure for reconciling items that exceed proscribed thresholds, and enhance disclosure regarding income taxes paid and sources of income (loss) from continuing operations including the tax expense (or benefit) disaggregated by federal, state and foreign taxes. The guidance is effective for fiscal years beginning after December 15, 2024. 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) | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|
| Prepaid services | $ 10,942 | $ 9,171 | $ 11,114 | $ 10,496 |
| Prepaid tolls | 9,005 | 9,978 | 7,512 | 9,174 |
| Prepaid computer maintenance | | | 7,334 | 6,775 |
| Costs to fulfill a customer contract | 5,452 | 3,193 | 5,501 | 5,852 |
| Prepaid computer maintenance | 4,290 | 5,492 | | |
| Prepaid income taxes | 5,814 | 4,629 | 4,851 | 9,830 |
| Interest rate swap asset | 2,266 | — | | |
| Prepaid insurance | | | 2,738 | 1,755 |
| Deposits | 1,778 | 2,057 | 2,405 | 2,322 |
| Other | 1,650 | 5,084 | 1,317 | 757 |
| Total prepaid expenses and other current assets | $ 41,197 | $ 39,604 | $ 42,772 | $ 46,961 |

## 4. Goodwill and Intangible Assets

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

| ($ in thousands) | Commercial Services | Government Solutions | Parking Solutions | Total |
|---|---|---|---|---|
| Balance at December 31, 2022 | $ 419,720 | $ 214,618 | $ 199,142 | $ 833,480 |
| Foreign currency translation adjustment | 88 | (751) | — | (663) |
| Balance at September 30, 2023 | $ 419,808 | $ 213,867 | $ 199,142 | $ 832,817 |

| ($ in thousands) | Commercial Services | Government Solutions | Parking Solutions | Total |
|---|---|---|---|---|
| Balance at December 31, 2023 | $ 422,091 | $ 214,602 | $ 199,142 | $ 835,835 |
| Foreign currency translation adjustment | (691) | (553) | — | (1,244) |
| Balance at March 31, 2024 | $ 421,400 | $ 214,049 | $ 199,142 | $ 834,591 |



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

| | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|

| ($ in thousands) | Weighted Average Remaining Useful Life | Gross Carrying Amount | Accumulated Amortization | Weighted Average Remaining Useful Life | Gross Carrying Amount | Accumulated Amortization | Weighted Average Remaining Useful Life | Gross Carrying Amount | Accumulated Amortization | Weighted Average Remaining Useful Life | Gross Carrying Amount | Accumulated Amortization |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Trademarks | 0.4 years | $ 36,113 | $ 32,718 | 0.4 years | $ 36,151 | $ 32,233 | | | | | | |
| Trademarks (a) | | | | | | | 5.9 years | $ 4,740 | $ 1,598 | 0.3 years | $ 36,190 | $ 32,882 |
| Patent | | | | | | | 4.6 years | 500 | 42 | 4.8 years | 500 | 17 |
| Non-compete agreements (a) | zero | 62,541 | 62,541 | 0.1 years | 62,529 | 60,926 | | — | — | 0.0 years | 62,540 | 62,540 |
| Customer relationships | 4.7 years | 557,223 | 273,108 | 5.5 years | 557,570 | 227,102 | 4.3 years | 558,713 | 303,372 | 4.5 years | 558,801 | 288,065 |
| Developed technology (a) | 0.9 years | 200,553 | 172,309 | 1.2 years | 201,548 | 160,117 | 4.6 years | 39,677 | 15,206 | 0.8 years | 201,657 | 175,159 |
| Gross carrying value of intangible assets | | 856,430 | $ 540,676 | | 857,798 | $ 480,378 | | 603,630 | $ 320,218 | | 859,688 | $ 558,663 |
| Less: accumulated amortization | | (540,676) | | | (480,378) | | | (320,218) | | | (558,663) | |
| Intangible assets, net | | $ 315,754 | | | $ 377,420 | | | $ 283,412 | | | $ 301,025 | |

(a) Certain fully amortized intangible assets were removed as of March 31, 2024 as compared to the amounts reported in the December 31, 2( Annual Report on Form 10-K, resulting in an increase in the weighted average remaining useful lives compared to the prior year which rela to the remaining intangible assets that are being amortized.

Amortization expense was $18.9 16.7 million and $26.6 22.0 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and was $60.9 million and $81.0 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

Estimated amortization expense in future years is expected to be:

| ($ in thousands) | | |
|---|---|---|
| Remainder of 2023 | $ 16,721 | |
| 2024 | 66,881 | |
| Remainder of 2024 | | $ 50,237 |
| 2025 | 64,183 | 64,285 |
| 2026 | 57,229 | 57,316 |
| 2027 | 28,125 | 28,403 |
| 2028 | | 22,474 |
| Thereafter | 82,615 | 60,697 |
| Total | $ 315,754 | $ 283,412 |

## 5. Accrued Liabilities

Accrued liabilities consist of the following at:

| ($ in thousands) | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|
| Accrued salaries and wages | $ 21,690 | $ 19,109 | $ 14,518 | $ 27,905 |
| Accrued interest payable | 9,235 | 4,459 | 9,366 | 4,594 |
| Current deferred tax liabilities | 7,519 | 7,559 | 7,593 | 7,574 |
| Current portion of operating lease liabilities | 7,088 | 6,355 | 6,665 | 7,133 |
| Payroll liabilities | | | 4,894 | 3,214 |
| Restricted cash due to customers | 3,204 | 3,541 | 3,148 | 2,835 |
| Payroll liabilities | 3,025 | 2,136 | | |
| Advance deposits | 2,781 | 1,029 | | |
| Accrued commissions | 1,195 | 857 | | |
| Income tax payable | 963 | 269 | | |
| Advanced deposits | | | 2,964 | 2,308 |
| Income taxes payable | | | 1,869 | 1,780 |
| Accrued legal settlement | | | — | 31,500 |
| Other | 2,759 | 3,533 | 3,050 | 4,276 |
| Total accrued liabilities | $ 59,459 | $ 48,847 | $ 54,067 | $ 93,119 |

## 6. Long-term Debt

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

| ($ in thousands) | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|
| 2021 Term Loan, due 2028 | $ 706,842 | $ 886,106 | $ 702,332 | $ 704,587 |
| Senior Notes, due 2029 | 350,000 | 350,000 | 350,000 | 350,000 |
| Less: original issue discounts | (3,869) | (5,637) | (3,173) | (3,646) |
| Less: unamortized deferred financing costs | (13,603) | (18,489) | (11,459) | (12,809) |
| Total long-term debt | 1,039,370 | 1,211,980 | 1,037,700 | 1,038,132 |
| Less: current portion of long-term debt | (9,019) | (21,935) | — | (9,019) |
| Total long-term debt, net of current portion | $ 1,030,351 | $ 1,190,045 | $ 1,037,700 | $ 1,029,113 |

*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, 24, 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.

In February 2024, VM Consolidated entered into a third amendment to the 2021 Term Loan (the “***Third Amendment***”) to refinance the 2021 Term Loan (the “***Refinancing Transaction***”). Pursuant to the Third Amendment, the interest rate was reduced by 0.50% to SOFR plus 2.75% from SOFR plus 3.25% with the SOFR floor unchanged at 0.00%. The credit spread adjustment, ranging from 0.11448% to 0.71513%, was eliminated. In addition, the 2021 Term Loan no longer contains a provision for principal repayments which were previously required to be paid in quarterly installments. During the nine three months ended September 30, 2023 March 31, 2024, the Company made an early repayments repayment of approximately $172.5 2.3 million on the 2021 Term Loan and as a result, the total principal outstanding was $706.8 702.3 million as of September 30, 2023 March 31, 2024.

The Company evaluated the Refinancing Transaction on a lender-by-lender basis and accounted accordingly for debt extinguishment costs and debt modification costs (for the portion of the transaction that did not meet the accounting criteria for debt extinguishment). The Company recognized recorded a $0.6 million loss on extinguishment of debt of $2.0 million and $3.5 million for during the three and nine months ended September 30, 2023, respectively, March 31, 2024 related to the write-off of pre-existing deferred financing costs and discounts. discounts in connection with the Refinancing Transaction. The Company recorded a $1.3 million loss on extinguishment of debt during the three months ended March 31, 2023 related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayments of $62.5 million on the 2021 Term Loan.

The 2021 Term Loan is repayable at 1.0% per annum of the amount initially borrowed, paid in quarterly installments. It now bears interest based at the Company’s option, on either (1) LIBOR (i) Term SOFR plus an applicable margin of 3.25 2.75% per annum, or (2) (ii) an alternate base rate plus an applicable margin of 2.25 1.75% 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 September 30, 2023 March 31, 2024, the new all-in interest rate on the 2021 Term Loan was 8.7 8.1%.

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% 50% |
| ≤ 3.70:1.00 and > 3.20:1.00 | 25% 25% |
| ≤ 3.20:1.00 | 0% 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.



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 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 December 18, 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 September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. The availability to borrow was $74.8 74.6 million, net of $0.2 0.4 million of outstanding letters of credit at September 30, 2023 March 31, 2024.

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 0.4 million of outstanding letters of credit as of September 30, 2023 March 31, 2024.

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 September 30, 2023 March 31, 2024, the Company was compliant with all debt covenants.

*Interest Expense, Net*

The Company recorded interest expense, including amortization of deferred financing costs and discounts, of $20.4 19.6 million and $20.3 22.7 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $65.8 million and $49.0 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

The weighted average effective interest rates on the Company's outstanding borrowings were 7.6 7.2% and 7.0 7.7% at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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.



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**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:

| ($ in thousands) | Level in Fair Value Hierarchy | September 30, 2023 | | December 31, 2022 | | Level in Fair Value Hierarchy | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value | | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| 2021 Term Loan | 2 | $ 693,234 | $ 708,609 | $ 866,365 | $ 883,891 | 2 | $ 691,220 | $ 707,600 | $ 691,821 | $ 709,872 |
| Senior Notes | 2 | 346,136 | 318,500 | 345,615 | 313,250 | 2 | 346,480 | 337,750 | 346,311 | 335,125 |

The Company had issued Private Placement Warrants (as defined below) in connection with the initial public offering ("***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, During fiscal year 2023, all Private Placement Warrants were exercised by the warrant holders. The fair value of the Private Placement Warrants liabilities was measured on a recurring basis and was estimated using the Black-Scholes option pricing model using significant unobservable inputs, and was therefore classified within level 3 of the fair value hierarchy. The key assumptions used at December 31, 2022 were as follows:

| | December 31, 2022 |
|---|---|
| Stock price | $ 13.83 |
| Strike price | $ 11.50 |
| Volatility | 44.0 % |
| Remaining life (in years) | 0.8 |
| Risk-free interest rate | 4.74 % |
| Expected dividend yield | 0.0 % |
| Estimated fair value (per warrant) | $ 3.61 |

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

| ($ in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Beginning balance | $ 5,430 | $ 35,600 | $ 24,066 | $ 38,466 |
| Change in fair value of private placement warrants | (553) | (2,267) | 24,966 | (5,133) |
| Exercise of warrants | (4,877) | — | (49,032) | — |
| Ending balance | $ — | $ 33,333 | $ — | $ 33,333 |

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Change in fair value of private placement warrants which consists of adjustments related to the Private Placement Warrants liabilities re-measured to fair value at the end of each the reporting period and the final mark-to-market adjustments for exercised warrants. During the nine months ended September 30, 2023, there were period:6.7

million exercises of Private Placement Warrants which reduced our Private Placement Warrants liabilities by $49.0 million with an offset to common stock at par value and the remaining to additional paid in capital.

| ($ in thousands) | Three Months Ended March 31, 2023 |
|---|---|
| Beginning balance | $ 24,066 |
| Change in fair value of private placement warrants | 14,601 |
| Ending balance | $ 38,667 |

The Company has an equity investment measured at cost with a carrying value of $1.9 million and $2.1 million as of September 30, 2023 March 31, 2024 and December 31, 2023, respectively, 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 nine three months ended September 30, 2023 March 31, 2024.

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:

| ($ in thousands) | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|
| **Prepaid expenses and other current assets** | | |
| Beginning balance | $ 689 | $ — |
| Change in fair value of interest rate swap | 152 | — |
| Ending balance | $ 841 | $ — |
| | | |
| **Other non-current assets** | | |
| Beginning balance | $ 627 | $ 1,973 |
| Change in fair value of interest rate swap | (50) | (1,116) |
| Ending balance | $ 577 | $ 857 |

| | | |
|---|---|---|
| **Accrued liabilities** | | |
| Beginning balance | $ — | $ 977 |
| Change in fair value of interest rate swap | — | 436 |
| Ending balance | $ — | $ 1,413 |



| ($ in thousands) | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2023 |
|---|---|---|
| **Prepaid expenses and other current assets** | | |
| Beginning balance | $ 2,263 | $ — |
| Change in fair value of interest rate swap | 3 | 2,266 |
| Ending balance | $ 2,266 | $ 2,266 |
| **Other non-current assets** | | |
| Beginning balance | $ 2,296 | $ 1,973 |
| Change in fair value of interest rate swap | (204) | 119 |
| Ending balance | $ 2,092 | $ 2,092 |
| **Accrued liabilities** | | |
| Beginning balance | $ — | $ 977 |
| Change in fair value of interest rate swap | — | (977) |
| Ending balance | $ — | $ — |

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, *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:

| | Three Months Ended September 30, | Nine Months Ended September 30, | Three Months Ended March 31, |
|---|---|---|---|

| (In thousands, except per share data) | 2023 | 2022 | 2023 | 2022 | 2024 | 2023 |
|---|---|---|---|---|---|---|
| Numerator: | | | | | | |
| Net income | $ 30,308 | $ 24,576 | $ 53,993 | $ 64,257 | $ 29,149 | $ 4,577 |
| Denominator: | | | | | | |
| Weighted average shares - basic | 168,089 | 151,429 | 156,196 | 154,067 | 166,241 | 149,165 |
| Common stock equivalents | 1,408 | 6,875 | 937 | 6,366 | 2,485 | 3,964 |
| Weighted average shares - diluted | 169,497 | 158,304 | 157,133 | 160,433 | 168,726 | 153,129 |
| Net income per share - basic | $ 0.18 | $ 0.16 | $ 0.35 | $ 0.42 | $ 0.18 | $ 0.03 |
| Net income per share - diluted | $ 0.18 | $ 0.15 | $ 0.34 | $ 0.38 | $ 0.17 | $ 0.03 |
| Antidilutive shares excluded from diluted net income per share: | | | | | | |
| Contingently issuable shares (1) | — | 5,000 | — | 5,000 | | |
| ASR shares (2) | 985 | 984 | 985 | 984 | | |
| Contingently issuable shares | | | | | — | 5,000 |
| Private placement warrants | | | | | — | 6,667 |
| Non-qualified stock options | 139 | 1,110 | 761 | 1,224 | 24 | 1,141 |
| Performance share units | 12 | — | 341 | 166 | 297 | 110 |
| Restricted stock units | 107 | 51 | 114 | 1,020 | 1 | 369 |
| Total antidilutive shares excluded | 1,243 | 7,145 | 2,201 | 8,394 | 322 | 13,287 |

(1) Contingently issuable shares 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.

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 27.5 25.2% and 25.5 63.2% for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and 37.1% and 30.2% for the nine months ended September 30, 2023 and 2022, 2023, respectively. The primary driver for the effective tax rate variance is the permanent difference related to the mark-to-market adjustments on the Private Placement Warrants. Warrants that impacted the rate in the prior year without a comparable impact in the current period.

**10. Stockholders' Equity**

*Warrants*

As of December 31, 2022 March 31, 2023, there were 19,999,967 18,092,120 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 had a five-year term and expired in October 2023, unless they were redeemed or liquidated prior to expiration. As of September 30, 2023 December 31, 2023, all Warrants were either exercised by the holder or redeemed by the Company.



During the nine three months ended September 30, 2023 March 31, 2023, the Company processed the exercise of approximately 19,999,333 1.9 million Public Warrants on a cashless basis in exchange for the issuance of 16,273,406 632,745 shares of Class A Common Stock. There were 14,035,449 shares issued in exchange for cash-basis warrant exercises resulting in the receipt of $161.4 million in cash proceeds as of 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, *Fair Value of Financial Instruments.*

*Share Repurchases and Retirement*

*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 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, fiscal year 2023, which it subsequently retired. On September 5, 2023, the Company 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 its 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. 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.

The Company paid a total of $100.0 million for share repurchases during the three and nine months ended September 30, 2023, and accounted for the transactions by deducting the par value from common stock, reducing $15.2 million from additional paid-in capital calculated using an average share price, and by increasing accumulated deficit for the remaining cost of $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, on January 12, 2024, at which time, the Company received 445,086 534,499 additional shares calculated using a volume-weighted average price over the term of the ASR agreement. In addition, during connection with the second and third quarters of 2022, settlement, 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 reduced the par value from common stock reducing and $14.0 1.8 million from additional paid-in capital calculated using an average share price, and by increasing with an offset of $1.8 million to accumulated deficit for on the remaining cost condensed consolidated statements of $ stockholders' equity.

111.1 million. The repurchases under On October 30, 2023, the May 2022 Company's Board of Directors authorized a new share repurchase program were completed prior for up to an aggregate amount of $100.0 million of its outstanding shares of Class A Common Stock over an 18-month period in open market, ASR or privately negotiated transactions. The level at which the authorization Company repurchases depends on a number of the November 2022 share factors, including its 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. The Company has not yet repurchased shares under this repurchase program discussed above. program.

## 11. Stock-Based Compensation

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

| ($ in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|---|---|---|---|
| Operating expenses | $ 628 | $ 331 | $ 1,507 | $ 829 | $ 1,066 | $ 332 |
| Selling, general and administrative expenses | 3,815 | 4,313 | 10,839 | 12,827 | 4,492 | 3,046 |
| Total stock-based compensation expense | $ 4,443 | $ 4,644 | $ 12,346 | $ 13,656 | $ 5,558 | $ 3,378 |

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## 12. Other Significant Transactions

***Tax Receivable Agreement***

At the closing of the Business Combination, In October 2018, the Company entered into a Tax Receivable Agreement ("***TRA***") with the Platinum Stockholder. PE Greenlight Holdings, LLC. On August 3, 2022, the Platinum Stockholder PE Greenlight Holdings, LLC 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 under the closing of the Business Combination as a result of the increased tax basis of certain acquired intangibles prior to the Business Combination. TRA. 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 inception of the Business Combination. TRA.

At September 30, 2023 March 31, 2024, the TRA liability was approximately $55.9 53.5 million of which $5.0 5.1 million was the current portion and $50.9 48.4 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 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 nine months ended 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 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 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 were issued by the Company to the Platinum Stockholder upon meeting the below Common Stock Price Thresholds (each, a "***Triggering Event***"): 19

| **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, which 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 each Triggering Event, any issuable shares 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 July 26, 2023, the Triggering Events for the issuance of the first, second, third and 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 each date had been greater than $13.00, $15.50, $18.00, and $20.50, respectively, for 10 out of 20 consecutive trading days. These Triggering Events resulted in the issuance of an aggregate 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 $73.15 million, with a corresponding decrease to the common stock contingent consideration account. As of September 30, 2023, there are no shares that remain contingently issuable under the Earn-Out agreement.



**13. Commitments and Contingencies**

The Company had $1.9 1.8 million of bank guarantees at September 30, 2023 March 31, 2024 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 September 30, 2023 March 31, 2024 were $20.0 25.3 million. The majority of these outstanding commitments are expected to be incurred in the next twelve months, and approximately $2.9 0.6 million is expected to be incurred subsequent to September 30, 2024 March 31, 2025.

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 Other than the PlusPass matter discussed below, the Company has determined that resolution of the remaining pending matters is not probable to have a material adverse impact on its consolidated 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. position.

*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 (" (the "***City***") and its safety camera vendor, Redflex Traffic Systems, Inc. in April 2016. The Company acquired Redflex Traffic Systems, Inc. as part of its June 2021 purchase of Redflex Holdings Limited. 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. Trial has been scheduled for March is expected to occur in mid- to late 2025. Based on the information available to the Company at present, it cannot the Company is unable to estimate a reasonably estimate a possible range of loss for this action and, accordingly, it has not accrued any liability associated with this action.

*PlusPass Inc. ("PlusPass"* ***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 In February 2024, Verra Mobility violated Section 7 of the Clayton Act through and PlusPass entered into a merger of Highway Toll Administration, LLC ("***HTA***") and American Traffic Solutions, Inc. ("***ATS***") in 2018, and that confidential business arrangement pursuant to which Verra Mobility violated Sections 1 (i) acquired certain assets from PlusPass and 2 of (ii) fully and finally resolved all litigation and disputes between 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 parties. 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, accrued $31.5 million for this matter at December 31, 2023 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 had been set for November 2023, but was moved by the court to April 2024. Verra Mobility believes that all of PlusPass' claims are without merit presented within selling, general and will defend itself vigorously in this litigation. Based administrative expenses on the information available to consolidated statements of operations, and payment was made during 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. three months ended March 31, 2024.



## 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 RACs, Direct Fleets, FMCs 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 CODM 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.

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

| | For the Three Months Ended September 30, 2023 | | | | |
|---|---|---|---|---|---|
| **($ in thousands)** | **Commercial Services** | **Government Solutions** | **Parking Solutions** | **Corporate and Other** | **Total** |
| Service revenue | $ 98,149 | $ 85,092 | $ 17,788 | $ — | $ 201,029 |
| Product sales | — | 5,193 | 3,711 | — | 8,904 |
| Total revenue | 98,149 | 90,285 | 21,499 | — | 209,933 |
| Cost of service revenue | 567 | 578 | 4,005 | — | 5,150 |
| Cost of product sales | — | 3,584 | 3,280 | — | 6,864 |
| Operating expenses | 21,174 | 42,395 | 4,676 | — | 68,245 |
| Selling, general and administrative expenses | 15,544 | 15,181 | 6,002 | — | 36,727 |
| Loss on disposal of assets, net | — | 54 | 13 | — | 67 |
| Other income, net | (4,418) | (75) | (5) | — | (4,498) |
| **Segment profit** | $ 65,282 | $ 28,568 | $ 3,528 | $ — | $ 97,378 |

| | | | | | |
|---|---|---|---|---|---|
| Segment profit | $ 65,282 | $ 28,568 | $ 3,528 | $ — | $ 97,378 |
| Depreciation and amortization | — | — | — | 27,530 | 27,530 |
| Transaction and other related expenses | — | — | — | 152 | 152 |
| Transformation expenses | — | — | — | 1,582 | 1,582 |
| Change in fair value of private placement warrants | — | — | — | (553) | (553) |
| Loss on interest rate swap | — | — | — | 60 | 60 |
| Loss on extinguishment of debt | — | — | — | 1,975 | 1,975 |
| Stock-based compensation | — | — | — | 4,443 | 4,443 |
| Interest expense, net | — | — | — | 20,384 | 20,384 |
| Income before income taxes | $ 65,282 | $ 28,568 | $ 3,528 | $ (55,573) | $ 41,805 |



| | For the Three Months Ended September 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Commercial | Government | Parking | Corporate | |
| **($ in thousands)** | Services | Solutions | Solutions | and Other | Total |
| 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** | $ 56,369 | $ 30,357 | $ 4,168 | $ — | $ 90,894 |
| 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 | $ 56,369 | $ 30,357 | $ 4,168 | $ (57,922) | $ 32,972 |

| | 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 |

| | Commercial Services | | Government Solutions | | Parking Solutions | | Corporate and Other | | Total |
|---|---|---|---|---|---|---|---|---|---|
| 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ($ in thousands) | Commercial Services | | Government Solutions | | Parking Solutions | | Corporate 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** | $ | 159,513 | $ | 85,087 | $ | 10,348 | $ | — | $ 254,948 |
| 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 | $ 159,513 | $ 85,087 | $ 10,348 | $ (162,837) | $ 92,111 |

| | For the Three Months Ended March 31, 2024 | | | | |
|---|---|---|---|---|---|
| ($ in thousands) | Commercial Services | Government Solutions | Parking Solutions | Corporate and Other | Total |
| Service revenue | $ 95,889 | $ 90,275 | $ 16,557 | $ — | $ 202,721 |
| Product sales | — | 3,912 | 3,097 | — | 7,009 |
| Total revenue | 95,889 | 94,187 | 19,654 | — | 209,730 |
| Cost of service revenue, excluding depreciation and amortization | 471 | 559 | 3,275 | — | 4,305 |
| Cost of product sales | — | 2,579 | 2,707 | — | 5,286 |
| Operating expenses | 21,479 | 43,602 | 4,493 | — | 69,574 |
| Selling, general and administrative expenses | 17,497 | 18,228 | 6,426 | — | 42,151 |
| Loss on disposal of assets, net | — | 87 | 2 | — | 89 |
| Other income, net | (4,370) | (50) | (33) | — | (4,453) |
| **Segment profit** | $ 60,812 | $ 29,182 | $ 2,784 | $ — | $ 92,778 |
| Segment profit | $ 60,812 | $ 29,182 | $ 2,784 | $ — | $ 92,778 |
| Depreciation and amortization | — | — | — | 26,886 | 26,886 |
| Transaction and other related expenses | — | — | — | 1,528 | 1,528 |
| Gain on interest rate swap | — | — | — | (396) | (396) |
| Loss on extinguishment of debt | — | — | — | 595 | 595 |
| Stock-based compensation | — | — | — | 5,558 | 5,558 |
| Interest expense, net | — | — | — | 19,635 | 19,635 |
| Income before income taxes | $ 60,812 | $ 29,182 | $ 2,784 | $ (53,806) | $ 38,972 |



| | For the Three Months Ended March 31, 2023 | | | | |
|---|---|---|---|---|---|
| ($ in thousands) | Commercial Services | Government Solutions | Parking Solutions | Corporate and Other | Total |
| Service revenue | $ 85,639 | $ 83,233 | $ 15,826 | $ — | $ 184,698 |
| Product sales | — | 2,690 | 4,515 | — | 7,205 |

| | | | | | |
|---|---|---|---|---|---|
| Total revenue | 85,639 | 85,923 | 20,341 | — | 191,903 |
| Cost of service revenue, excluding depreciation and amortization | 483 | 511 | 3,236 | — | 4,230 |
| Cost of product sales | — | 1,714 | 3,669 | — | 5,383 |
| Operating expenses | 19,865 | 37,604 | 4,042 | — | 61,511 |
| Selling, general and administrative expenses | 15,452 | 14,640 | 6,548 | — | 36,640 |
| Loss on disposal of assets, net | — | 24 | — | — | 24 |
| Other income, net | (3,717) | (35) | (4) | — | (3,756) |
| **Segment profit** | $ 53,556 | $ 31,465 | $ 2,850 | $ — | $ 87,871 |
| Segment profit | $ 53,556 | $ 31,465 | $ 2,850 | $ — | $ 87,871 |
| Depreciation and amortization | — | — | — | 30,309 | 30,309 |
| Transaction and other related expenses | — | — | — | 268 | 268 |
| Transformation expenses | — | — | — | 59 | 59 |
| Change in fair value of private placement warrants | — | — | — | 14,601 | 14,601 |
| Loss on interest rate swap | — | — | — | 2,798 | 2,798 |
| Loss on extinguishment of debt | — | — | — | 1,349 | 1,349 |
| Stock-based compensation | — | — | — | 3,378 | 3,378 |
| Interest expense, net | — | — | — | 22,687 | 22,687 |
| Income before income taxes | $ 53,556 | $ 31,465 | $ 2,850 | $ (75,449) | $ 12,422 |

The table below details the following assets by reportable segment as of the respective period-ends:

| ($ in thousands) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Property and equipment, net | | |
| Commercials Services | $ 9,722 | $ 9,547 |
| Government Solutions | 101,938 | 98,611 |
| Parking Solutions | 13,548 | 13,281 |
| Corporate and other | 1,767 | 1,809 |
| Total property and equipment, net | $ 126,975 | $ 123,248 |
| Total assets | | |
| Commercials Services | $ 714,191 | $ 721,192 |
| Government Solutions | 486,754 | 523,687 |
| Parking Solutions | 397,897 | 404,267 |
| Corporate and other | 171,016 | 140,837 |
| Total assets | $ 1,769,858 | $ 1,789,983 |

In addition, refer to Note 4, *Goodwill and Intangible Assets* for goodwill balances by segment.

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 $8.9 7.0 million and $17.0 7.2 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively and were $24.5 million and $39.3 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

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

| ($ in thousands) | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 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 |

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| ($ in thousands) | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|
| Australia | $ 12,477 | $ 9,701 |
| Canada | 8,064 | 7,221 |
| United Kingdom | 5,159 | 6,736 |
| All other | 667 | 688 |
| Total international revenues | $ 26,367 | $ 24,346 |

15. Subsequent Event

On October 30, 2023, the Company's Board of Directors authorized a share repurchase program for up to an aggregate amount of $100 million of its outstanding shares of Class A common stock over the next eighteen months. The level at which the Company repurchases depends on a number of factors, including its 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. 23

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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. Report. 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 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 in this Report entitled "Cautionary Note Regarding Forward-Looking Statements."*

**Business Overview**

We are a leading provider of smart mobility technology solutions, principally operating throughout the United States, Australia, Canada Europe and Europe. Canada. 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 commercial fleet owners such as rental car companies ("***RACs***"), direct commercial fleet owner-operators ("***Direct Fleets***") and fleet management companies ("***FMCs***"), as well as governments, universities, parking operators, healthcare facilities, commercial parking operators transportation hubs 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. connected globally.

**Executive Summary**

We operate under long-term contracts and a highly reoccurring 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 $50.8 million $17.8 million, or 9.1% 9%, from $555.5 million $191.9 million in the nine three months e September 30, 2022 March 31, 2023 to $606.3 million $209.7 million in the same period in 2023. 2024. The increase was mainly d service revenue resulting from increased travel volume and higher adoption of the all-inclusive product offering in the Commercial Ser segment and the expansion of growth from speed and red light programs in the Government Solutions segment.
- Generated cash flows from operating activities of $170.4 million $34.3 million and $148.8 million $45.2 million for the nine three m ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Our cash on hand was $114.4 million $149.5 million September 30, 2023, due in part to $161.4 million of cash proceeds received from Warrant exercises partially offset by $100 million pa share repurchases during the nine months ended September 30, 2023 March 31, 2024.
- Continued to focus on debt management and lowering our exposure to higher interest rates, and as a result, we refinanced our deb reduced our interest rate by 50 basis points and made an early repayments totaling $172.5 million repayment of approximately $2.3 m on our 2021 Term Loan during the nine three months ended September 30, 2023 March 31, 2024.

**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, occurred on January 12, 2024, at which time, we received 534,499 additional shares calculated using a volume-weighted average price calculation over the term of the ASR agreement will be used agreement.

On October 30, 2023, our Board of Directors authorized a new share repurchase program for up to determine the final number and the average price of shares repurchased and retired. We paid a total an aggregate amount of $100.0 million for of our outstanding shares of Class A Common Stock over an 18-month period in open market, ASR or privately negotiated transactions. The level at which we repurchase depends on a number of factors, including our financial condition, capital requirements, cash flows, results of operations, future business prospects and other factors our management may deem relevant. The timing, volume and nature of repurchases during the nine months ended September 30, 2023. are subject to market conditions, applicable securities laws and other factors and may be amended, suspended or discontinued at any time. We have not yet repurchased shares under this repurchase program.



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**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 commercial customers, including RACs, Direct Fleets 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 speed, red-light, school bus stop arm and bus lane enforcement solutions, principally within the United States and Canada. Th 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, transaction processing and hardware solutio 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.

**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. Revenue, Excluding Depreciation and Amortization.* Cost of service revenue, excluding depreciation and amortization 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.



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*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 the reporting period, and the final re-measurement upon their exercise. period.

*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.* Loss (gain) (Gain) loss on interest rate swap relates to the changes associated with the derivative instrument re-measured to fair value at the end of the reporting period and the related periodic cash receipts or 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, and any gains recognized as a result of loan forgiveness. extinguishment.

*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 September 30, 2023 March 31, 2024 Compared to Three Months Ended September 30, 2022 March 31, 2023***

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 September 30, 2023 | 2022 | Percentage of Revenue 2023 | Percentage of Revenue 2022 | Increase (Decrease) 2023 vs 2022 $ | Increase (Decrease) 2023 vs 2022 % | Three Months Ended March 31, 2024 | 2023 | Percentage of Revenue 2024 | Percentage of Revenue 2023 | Increase (Decrease) 2024 vs 2023 $ | Increase (Decrease) 2024 vs 2023 % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Service revenue | $ 201,029 | $ 180,617 | 95.8 % | 91.4 % | $ 20,412 | 11.3 % | $ 202,721 | $ 184,698 | 96.7 % | 96.2 % | $ 18,023 | 9.8 % |
| Product sales | 8,904 | 17,039 | 4.2 % | 8.6 % | (8,135) | (47.7)% | 7,009 | 7,205 | 3.3 % | 3.8 % | (196) | (2.7)% |
| **Total revenue** | 209,933 | 197,656 | 100.0 % | 100.0 % | 12,277 | 6.2 % | 209,730 | 191,903 | 100.0 % | 100.0 % | 17,827 | 9.3 % |
| Cost of service revenue | 5,150 | 4,144 | 2.5 % | 2.1 % | 1,006 | 24.3 % | | | | | | |
| Cost of service revenue, excluding depreciation and amortization | | | | | | | 4,305 | 4,230 | 2.0 % | 2.2 % | 75 | 1.8 % |
| Cost of product sales | 6,864 | 11,317 | 3.3 % | 5.7 % | (4,453) | (39.3)% | 5,286 | 5,383 | 2.5 % | 2.8 % | (97) | (1.8)% |
| Operating expenses | 68,873 | 60,536 | 32.8 % | 30.6 % | 8,337 | 13.8 % | 70,640 | 61,843 | 33.7 % | 32.2 % | 8,797 | 14.2 % |
| Selling, general and administrative expenses | 42,276 | 41,126 | 20.1 % | 20.8 % | 1,150 | 2.8 % | 48,171 | 40,013 | 23.0 % | 20.9 % | 8,158 | 20.4 % |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Depreciation, amortization and (gain) loss on disposal of assets, net | 27,597 | 35,035 | 13.1% | 17.7% | (7,438) | (21.2)% | 26,975 | 30,333 | 12.9% | 15.8% | (3,358) | (11.1)% |
| Total costs and expenses | 150,760 | 152,158 | 71.8% | 76.9% | (1,398) | (0.9)% | 155,377 | 141,802 | 74.1% | 73.9% | 13,575 | 9.6% |
| **Income from operations** | 59,173 | 45,498 | 28.2% | 23.1% | 13,675 | 30.1% | 54,353 | 50,101 | 25.9% | 26.1% | 4,252 | 8.5% |
| Interest expense, net | 20,384 | 20,260 | 9.7% | 10.3% | 124 | 0.6% | 19,635 | 22,687 | 9.3% | 11.8% | (3,052) | (13.5)% |
| Change in fair value of private placement warrants | (553) | (2,267) | (0.3)% | (1.1)% | 1,714 | (75.6)% | — | 14,601 | — | 7.6% | (14,601) | (100.0)% |
| Loss on interest rate swap | 60 | — | 0.0% | — | 60 | n/a | | | | | | |
| Loss (gain) on extinguishment of debt | 1,975 | (3,005) | 1.0% | (1.5)% | 4,980 | (165.7)% | | | | | | |
| (Gain) loss on interest rate swap | | | | | | | (396) | 2,798 | (0.2)% | 1.5% | (3,194) | (114.2)% |
| Loss on extinguishment of debt | | | | | | | 595 | 1,349 | 0.3% | 0.7% | (754) | (55.9)% |
| Other income, net | (4,498) | (2,462) | (2.1)% | (1.2)% | (2,036) | 82.7% | (4,453) | (3,756) | (2.1)% | (2.0)% | (697) | 18.6% |
| Total other expenses | 17,368 | 12,526 | 8.3% | 6.5% | 4,842 | 38.7% | 15,381 | 37,679 | 7.3% | 19.6% | (22,298) | (59.2)% |
| Income before income taxes | 41,805 | 32,972 | 19.9% | 16.6% | 8,833 | 26.8% | 38,972 | 12,422 | 18.6% | 6.5% | 26,550 | 213.7% |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Income tax provision | 11,497 | 8,396 | 5.5% | 4.2% | 3,101 | 36.9% | 9,823 | 7,845 | 4.7% | 4.1% | 1,978 | 25.2% |
| **Net income** | $ 30,308 | $ 24,576 | 14.4% | 12.4% | $ 5,732 | 23.3% | $ 29,149 | $ 4,577 | 13.9% | 2.4% | $ 24,572 | 536.9% |

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*Service Revenue.* Service revenue increased by $20.4 million $18.0 million, or 11.3% 9.8%, to $201.0 million $202.7 million for the three months ended September 30, 2023 March 31, 2024 from $180.6 million $184.7 million for the three months ended September 30, 2022 March 31, 2023, representing 95.8% 96.7% and 91.4% 96.2% of total revenue, respectively. The following table depicts service revenue by segment:

| | Three Months Ended September 30, | | | | | | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Percentage of Revenue | | Increase (Decrease) 2023 vs 2022 | | | | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| **($ in thousands)** | **2023** | **2022** | **2023** | **2022** | **$** | **%** | **2024** | **2023** | **2024** | **2023** | **$** | **%** |
| **Service revenue** | | | | | | | | | | | | |
| Commercial Services | $ 98,149 | $ 86,056 | 46.8% | 43.5% | $ 12,093 | 14.1% | $ 95,889 | $ 85,639 | 45.7% | 44.6% | $ 10,250 | 12.0% |
| Government Solutions | 85,092 | 77,441 | 40.5% | 39.2% | 7,651 | 9.9% | 90,275 | 83,233 | 43.0% | 43.4% | 7,042 | 8.5% |
| Parking Solutions | 17,788 | 17,120 | 8.5% | 8.7% | 668 | 3.9% | 16,557 | 15,826 | 8.0% | 8.2% | 731 | 4.6% |
| Total service revenue | $ 201,029 | $ 180,617 | 95.8% | 91.4% | $ 20,412 | 11.3% | $ 202,721 | $ 184,698 | 96.7% | 96.2% | $ 18,023 | 9.8% |

Commercial Services service revenue increased by $12.1 million $10.3 million, or 14.1% 12.0%, from $86.1 million $85.6 million for the three months ended September 30, 2022 March 31, 2023 to $98.1 million $95.9 million for the three months ended September 30, 2023, which March 31, 2024. The increase was primarily due to increased travel volume and related tolling activity compared to the prior year. An increase in the 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 $11.3 million $5.7 million growth in revenue. In addition, the revenue and an increase in enrolled vehicles as well as higher tolling activity for our FMC customers contributed to a $2.7 million $3.4 million growth in revenue during the three months ended September 30, 2023 March 31, 2024, compared to the same period in 2022. These increases were partially offset by lower 2023. In addition, there was more revenue generated from processing titles and registrations violations compared to the prior year.

Government Solutions service revenue increased by $7.7 million $7.1 million to $85.1 million $90.3 million for the three months ended September 30, 2023 March 31, 2024 compared to $77.4 million $83.2 million in the same period in 2022. 2023. The increase was primarily driven by the expansion of speed programs as speed is the largest product in this segment which contributed $3.5 million and red light programs which contributed approximately $6.0 million $2.4 million to the service revenue growth. growth compared to the prior year. The remaining increase is attributable to expansions across red-light school bus stop-arm and bus lane programs.

Parking Solutions service revenue grew by $0.7 million to $17.8 million $16.6 million for the three months ended September 30, 2023 March 31, 2024, from $17.1 million $15.8 million for the three months ended September 30, 2022 March 31, 2023. The growth was primarily due to increased revenue from software as a service product offerings, and citation processing services and professional services related to parking management solutions.

*Product Sales.* Product sales were $8.9 million $7.0 million and $17.0 million $7.2 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Product sales decreased by approximately $8.1 million $0.2 million, which was mainly due to a $7.1 million $1.4 million decrease in product sales to Government Solutions customers and a decrease of $1.0 million in product sales in the Parking Solutions segment. segment, offset by a $1.2 million growth in product sales to Government Solutions customers. Customer buying patterns vary greatly from period to period related to product sales.

*Cost of Service Revenue. Revenue, Excluding Depreciation and Amortization.* Cost of service revenue, excluding depreciation and amortization increased slightly from $4.1 million $4.2 million for the three months ended September 30, 2022 March 31, 2023 to $5.2 million $4.3 million for the three months ended September 30, 2023. The $1.1 million increase was March 31, 2024, mainly due to increased recurring service costs in the Parking Solutions and the Commercial Services segments. costs.

*Cost of Product Sales.* Cost of product sales decreased slightly by $4.4 million $0.1 million from $11.3 million $5.4 million in the three months ended September 30, 2022 March 31, 2023 to $6.9 million $5.3 million in the three months ended September 30, 2023 March 31, 2024, which was in line with the decrease in product sales in the Government Solutions and Parking Solutions segments, discussed above.

*Operating Expenses.* Operating expenses increased by $8.3 million $8.8 million, or 13.8% 14.2%, from $60.5 million $61.8 million for the three months ended September 30, 2022 March 31, 2023 to $68.9 million $70.6 million for the three months ended September 30, 2023 March 31, 2024. The increase in 2023 2024 was primarily attributable to increases of $5.4 million $6.1 million in wages expense $1.1 million and $2.4 million of recurring service information technology costs, and $1.0 million for information technology partially offset by a decrease of $0.6 million in equipment maintenance expenses compared to the prior period. Operating expenses as a percentage of total revenue increased from 30.6% 32.2% to 32.8% 33.7% for the three months ended September 30, 2022 March 31, 2023 and 2023, 2024, respectively.

The following table presents operating expenses by segment:

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| ($ in thousands) | Three Months Ended September 30, | | | | | | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Percentage of Revenue | | Increase (Decrease) 2023 vs 2022 | | | | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| | 2023 | 2022 | 2023 | 2022 | $ | % | 2024 | 2023 | 2024 | 2023 | $ | % |
| **Operating expenses** | | | | | | | | | | | | |
| Commercial Services | $ 21,174 | $ 18,952 | 10.1 % | 9.6 % | $ 2,227 | 11.7 % | $ 21,479 | $ 19,865 | 10.2 % | 10.4 % | $ 1,614 | 8.1 % |
| Government Solutions | 42,395 | 36,868 | 20.2 % | 18.6 % | 5,527 | 15.0 % | 43,602 | 37,604 | 20.8 % | 19.6 % | 5,998 | 16.0 % |
| Parking Solutions | 4,676 | 4,385 | 2.2 % | 2.2 % | 291 | 6.6 % | 4,493 | 4,042 | 2.2 % | 2.1 % | 451 | 11.2 % |
| Total operating expenses before stock-based compensation | 68,245 | 60,205 | 32.5 % | 30.4 % | 8,040 | 13.4 % | 69,574 | 61,511 | 33.2 % | 32.1 % | 8,063 | 13.1 % |
| Stock-based compensation | 628 | 331 | 0.3 % | 0.2 % | 297 | 89.7 % | 1,066 | 332 | 0.5 % | 0.1 % | 734 | 221.1 % |
| Total operating expenses | $ 68,873 | $ 60,536 | 32.8 % | 30.6 % | $ 8,337 | 13.8 % | $ 70,640 | $ 61,843 | 33.7 % | 32.2 % | $ 8,797 | 14.2 % |

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased by $1.1 million to $42.3 million$48.2 million for the three months ended September 30, 2023March 31, 2024 compared to $41.1 million$40.0 million for the same period in 2022. The increase was2023. This is primarily due to a $3.6 million increase in credit loss expense, $2.3 million ofin higher wages expense, partially offset by decreasesand overall increases in professional servicesstock-based compensation expense, marketing and credit loss expense based on customer payment trends in the last 12 months.other general expenses compared to prior year. Selling, general and administrative expenses as a percentage of total revenue decreasedincreased from 20.8%20.9% to 20.1%23.0% for the three months ended September 30, 2022March 31, 2023 and 2023,2024, respectively. The following table presents selling, general and administrative expenses by segment:

| | Three Months Ended September 30, | Three Months Ended March 31, |
|---|---|---|

| ($ in thousands) | 2023 | 2022 | Percentage of Revenue 2023 | Percentage of Revenue 2022 | Increase (Decrease) 2023 vs 2022 $ | Increase (Decrease) 2023 vs 2022 % | 2024 | 2023 | Percentage of Revenue 2024 | Percentage of Revenue 2023 | Increase (Decrease) 2024 vs 2023 $ | Increase (Decrease) 2024 vs 2023 % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Selling, general and administrative expenses** | | | | | | | | | | | | |
| Commercial Services | $ 15,544 | $ 14,126 | 7.4 % | 7.2 % | $ 1,418 | 10.0 % | $ 17,497 | $ 15,452 | 8.3 % | 8.1 % | $ 2,045 | 13.2 % |
| Government Solutions | 15,181 | 15,034 | 7.2 % | 7.6 % | 147 | 1.0 % | 18,228 | 14,640 | 8.7 % | 7.6 % | 3,588 | 24.5 % |
| Parking Solutions | 6,002 | 6,218 | 2.9 % | 3.1 % | (216) | (3.5)% | 6,426 | 6,548 | 3.1 % | 3.4 % | (122) | (1.9)% |
| Corporate and other | 1,734 | 1,435 | 0.8 % | 0.7 % | 299 | 20.8 % | 1,528 | 327 | 0.7 % | 0.2 % | 1,201 | 367.3 % |
| Total selling, general and administrative expenses before stock-based compensation | 38,461 | 36,813 | 18.3 % | 18.6 % | 1,648 | 4.5 % | 43,679 | 36,967 | 20.8 % | 19.3 % | 6,712 | 18.2 % |
| Stock-based compensation | 3,815 | 4,313 | 1.8 % | 2.2 % | (498) | (11.5)% | 4,492 | 3,046 | 2.2 % | 1.6 % | 1,446 | 47.5 % |
| Total selling, general and administrative expenses | $ 42,276 | $ 41,126 | 20.1 % | 20.8 % | $ 1,150 | 2.8 % | $ 48,171 | $ 40,013 | 23.0 % | 20.9 % | $ 8,158 | 20.4 % |

*Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net.* Depreciation, amortization and (gain) loss on disposal of assets, net, decreased by $7.4 million approximately $3.3 million to $27.6 million $27.0 million for the three months ended September 30, 2023 March 31, 2024 from $35.0 million $30.3 million for the same period in 2022. 2023. This was mainly due to certain non-compete, trademark and developed technology intangible assets being fully amortized for in the three-month period three months ended September 30, 2023 March 31, 2024 as compared to the prior year which included the amortization expense. year. This decrease was partially offset by an increase in depreciation expense in the 2023 2024 period.

*Interest Expense, Net.* Interest expense, net increased decreased by $0.1 million $3.1 million from $20.3 million $22.7 million for the three months ended September 30, 2022 March 31, 2023 to $20.4 million $19.6 million for the same period in 2023 which is 2024. This was primarily attributable to rising voluntary principal prepayments made during 2023 which lowered the outstanding debt balance in 2024 coupled with a 50 basis-point reduction in the interest rates offset by voluntary early repayments. rate from refinancing our debt on February 8, 2024. See "*Liquidity and Capital Resources*."

*Change in Fair Value of Private Placement Warrants*. We recorded gains a loss of $0.6 million and $2.3 million $14.6 million for the three months ended September 30, 2023 and 2022, respectively, March 31, 2023 related to the changes change in fair value of our Private Placement Warrants which were accounted for as liabilities on our condensed consolidated balance sheets. The change in fair value was the result of re-measurement of the liability at the end of each the reporting period, and the final re-measurement upon their exercise. period.

*Loss Gain (Loss) on Interest Rate Swap.* We recorded a $0.1 million loss $0.4 million gain during the three months ended September 30, 2023 March 31, 2024, of which approximately $0.2 million is associated with the derivative instrument re-measured to fair value at the end of the reporting period, offset by $0.1 million related to the monthly cash payments on the interest rate swap.

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

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early repayment of $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 September 30, 2023 compared to $2.5 million for the three months ended September 30, 2022. The increase of $2.0 million is primarily attributable to income resulting from volume rebates earned from total spend on purchasing cards from increasing tolling activity, and 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 $11.5 million representing an effective tax rate of 27.5% for the three months ended September 30, 2023 compared to a tax provision of $8.4 million, representing an effective tax rate of 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 and the PPP loan forgiveness recorded in 2022.

*Net Income.* We had net income of $30.3 million for the three months ended September 30, 2023, as compared to a net income of $24.6 million for the three months ended September 30, 2022. The $5.7 million increase in net income was primarily due to the increase in total revenue, decreased amortization expense and the other statement of operations activity discussed above.

***Nine Months Ended September 30, 2023 Compared to Nine Months Ended 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) | Nine Months Ended September 30, 2023 | 2022 | Percentage of Revenue 2023 | 2022 | Increase (Decrease) 2023 vs 2022 $ | % |
|---|---|---|---|---|---|---|
| Service revenue | $ 581,777 | $ 516,253 | 96.0 % | 92.9 % | $ 65,524 | 12.7 % |
| Product sales | 24,520 | 39,275 | 4.0 % | 7.1 % | (14,755 ) | (37.6 )% |
| **Total revenue** | 606,297 | 555,528 | 100.0 % | 100.0 % | 50,769 | 9.1 % |
| Cost of service revenue | 13,718 | 11,636 | 2.2 % | 2.1 % | 2,082 | 17.9 % |
| Cost of product sales | 18,209 | 25,638 | 3.0 % | 4.6 % | (7,429 ) | (29.0 )% |
| Operating expenses | 196,373 | 166,795 | 32.4 % | 30.0 % | 29,578 | 17.7 % |
| Selling, general and administrative expenses | 125,494 | 122,913 | 20.7 % | 22.1 % | 2,581 | 2.1 % |
| Depreciation, amortization and (gain) loss on disposal of assets, net | 87,018 | 105,881 | 14.4 % | 19.1 % | (18,863 ) | (17.8 )% |
| Total costs and expenses | 440,812 | 432,863 | 72.7 % | 77.9 % | 7,949 | 1.8 % |
| **Income from operations** | 165,485 | 122,665 | 27.3 % | 22.1 % | 42,820 | 34.9 % |
| Interest expense, net | 65,842 | 49,024 | 10.9 % | 8.8 % | 16,818 | 34.3 % |
| Change in fair value of private placement warrants | 24,966 | (5,133 ) | 4.1 % | (0.9 )% | 30,099 | (586.4 )% |
| Tax receivable agreement liability adjustment | — | (965 ) | — | (0.2 )% | 965 | (100.0 )% |
| Gain on interest rate swap | (1,947 ) | — | (0.3 )% | — | (1,947 ) | n/a |
| Loss (gain) on extinguishment of debt | 3,533 | (3,005 ) | 0.5 % | (0.5 )% | 6,538 | (217.6 )% |
| Other income, net | (12,766 ) | (9,367 ) | (2.1 )% | (1.7 )% | (3,399 ) | 36.3 % |
| Total other expenses | 79,628 | 30,554 | 13.1 % | 5.5 % | 49,074 | 160.6 % |
| Income before income taxes | 85,857 | 92,111 | 14.2 % | 16.6 % | (6,254 ) | (6.8 )% |
| Income tax provision | 31,864 | 27,854 | 5.3 % | 5.0 % | 4,010 | 14.4 % |
| **Net income** | $ 53,993 | $ 64,257 | 8.9 % | 11.6 % | $ (10,264 ) | (16.0 )% |

*Service Revenue.* Service revenue increased by $65.5 million, or 12.7%, to $581.8 million for the nine months ended September 30, 2023 from $516.3 million for the nine months ended September 30, 2022, representing 96.0% and 92.9% of total revenue, respectively. The following table depicts service revenue by segment:

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| ($ in thousands) | Nine Months Ended September 30, 2023 | 2022 | Percentage of Revenue 2023 | 2022 | Increase (Decrease) 2023 vs 2022 $ | % |
|---|---|---|---|---|---|---|
| **Service revenue** | | | | | | |
| Commercial Services | $ 278,243 | $ 244,409 | 45.9 % | 44.0 % | $ 33,834 | 13.8 % |
| Government Solutions | 253,319 | 225,337 | 41.8 % | 40.6 % | 27,982 | 12.4 % |
| Parking Solutions | 50,215 | 46,507 | 8.3 % | 8.3 % | 3,708 | 8.0 % |
| Total service revenue | $ 581,777 | $ 516,253 | 96.0 % | 92.9 % | $ 65,524 | 12.7 % |

Commercial Services service revenue increased by $33.8 million, or 13.8%, from $244.4 million for the nine months ended September 30, 2022 to $278.2 million for the nine months ended 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 $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 $6.5 million growth in revenue during the nine months ended 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 $28.0 million to $253.3 million for the nine months ended September 30, 2023 compared to $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 $25.2 million to the service revenue growth. The remaining increase is attributable to expansions across red-light, school bus stop-arm and bus lane programs.

Parking Solutions service revenue grew by $3.7 million to $50.2 million for the nine months ended September 30, 2023, from $46.5 million for the nine months ended 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 $24.5 million and $39.3 million for the nine months ended September 30, 2023 and 2022, respectively. Product sales decreased by approximately $14.8 million, which was mainly due to a $15.6 million decrease in product sales to Government Solutions customers, offset by a $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 $11.6 million for the nine months ended September 30, 2022 to $13.7 million for the nine months ended September 30, 2023. The $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 $7.4 million from $25.6 million in the nine months ended September 30, 2022 to $18.2 million in the nine months ended September 30, 2023, which was in line with the decrease in product sales in the Government Solutions segment offset by an increase in costs in the Parking Solutions segment.

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



| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | | | Percentage of Revenue | | Increase (Decrease) 2023 vs 2022 | |
| ($ in thousands) | 2023 | 2022 | 2023 | 2022 | $ | % |
| **Operating expenses** | | | | | | |
| Commercial Services | $ 61,819 | $ 53,004 | 10.2 % | 9.5 % | $ 8,815 | 16.6 % |
| Government Solutions | 119,398 | 103,660 | 19.7 % | 18.7 % | 15,738 | 15.2 % |
| Parking Solutions | 13,649 | 9,302 | 2.3 % | 1.7 % | 4,347 | 46.7 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total operating expenses before stock-based compensation | 194,866 | 165,966 | 32.2 % | 29.9 % | 28,900 | 17.4 % |
| Stock-based compensation | 1,507 | 829 | 0.2 % | 0.1 % | 678 | 81.8 % |
| Total operating expenses | $ 196,373 | $ 166,795 | 32.4 % | 30.0 % | $ 29,578 | 17.7 % |

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

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | | | Percentage of Revenue | | Increase (Decrease) 2023 vs 2022 | |
| ($ in thousands) | 2023 | 2022 | 2023 | 2022 | $ | % |
| **Selling, general and administrative expenses** | | | | | | |
| Commercial Services | $ 47,127 | $ 40,980 | 7.8 % | 7.4 % | $ 6,147 | 15.0 % |
| Government Solutions | 45,747 | 45,732 | 7.5 % | 8.2 % | 15 | 0.0 % |
| Parking Solutions | 18,991 | 21,184 | 3.1 % | 3.8 % | (2,193 ) | (10.4 )% |
| Corporate and other | 2,790 | 2,190 | 0.5 % | 0.4 % | 600 | 27.4 % |
| Total selling, general and administrative expenses before stock-based compensation | 114,655 | 110,086 | 18.9 % | 19.8 % | 4,569 | 4.2 % |
| Stock-based compensation | 10,839 | 12,827 | 1.8 % | 2.3 % | (1,988 ) | (15.5 )% |
| Total selling, general and administrative expenses | $ 125,494 | $ 122,913 | 20.7 % | 22.1 % | $ 2,581 | 2.1 % |

*Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net.* Depreciation, amortization and (gain) loss on disposal of assets, net, decreased by $18.9 million to $87.0 million for the nine months ended September 30, 2023 from $105.9 million for the same period in 2022. This was mainly due to certain non-compete and developed technology intangible assets being fully amortized in the nine months ended 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 $16.8 million from $49.0 million for the nine months ended September 30, 2022 to $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 380 basis points higher for the nine months ended 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 $25.0 million and a gain of $5.1 million for the nine months ended September 30, 2023 and 2022, respectively, related to the changes in fair value of our Private Placement Warrants, which were accounted for as liabilities on our condensed consolidated balance sheets. The change in fair value was the result of re-measurement of the liability at the end of each reporting period, and the final re-measurement upon their exercise.

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



*Gain on Interest Rate Swap.* We recorded a $1.9 million gain during the nine months ended September 30, 2023, of which approximately $3.3 million is associated with the derivative instrument re-measured to fair value at the end of the reporting period and $1.4 million $0.3 million related to the monthly cash payments proceeds on the interest rate swap. We recorded a $2.8 million loss during the three months ended March 31, 2023, of which approximately $1.6 million is associated with the derivative instrument re-measured to fair value at the end of the reporting period and $1.2 million relates to the monthly cash payments made.



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*Loss (Gain) on Extinguishment of Debt*. We recorded a $3.5 million $0.6 million loss on extinguishment of debt during the nine three months ended September 30, 2023 March 31, 2024 related to the write-off of pre-existing deferred financing costs and discounts in connection with the refinancing of the 2021 Term Loan in February 2024. We recorded a $1.3 million loss on extinguishment of debt during the three months ended March 31, 2023 related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayment repayments of $172.5 million $62.5 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 $12.8 million approximately $4.5 million for the nine three months ended September 30, 2023 March 31, 2024 compared to $9.4 million $3.8 million for the nine three months ended September 30, 2022 March 31, 2023. The increase of $3.4 million $0.7 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 $31.9 million $9.8 million representing an effective tax rate of 37.1% 25.2% for the nine three months ended September 30, 2023 March 31, 2024 compared to a tax provision of $27.9 million $7.8 million, representing with an effective tax rate of 30.2% 63.2% for the same period in 2022. 2023. The primary driver for the effective tax rate variance is due to the permanent differences difference related to the mark-to-market adjustments on the Private Placement Warrants. Warrants that impacted the rate in the prior year without a comparable impact in the current period.

*Net Income.* We had net income of $54.0 million $29.1 million for the nine three months ended September 30, 2023 March 31, 2024, as compared to a net income of $64.3 million $4.6 million for the nine three months ended September 30, 2022 March 31, 2023. The $10.3 million decrease $24.5 million increase in net income was primarily due to the change in fair value of Private Placement Warrants increased interest in the prior year period, decrease in amortization 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 and fund potential share repurchases for at least the next 12 months. months and thereafter for the foreseeable future. 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.

We have incurred significant long-term debt as a result of acquisitions completed in prior years. 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 September 30, 2023 March 31, 2024, we had $74.8 million $74.6 million available for borrowing, net of letters of credit, under our Revolver. Our cash on hand was $149.5 million as of March 31, 2024.

We made early repayments totaling $100.0 million of $2.3 million and $172.5 million $62.5 million on our 2021 Term Loan during the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively. In addition, we entered into a third amendment to the 2021 Term Loan (the "***Third Amendment***") to refinance the entire outstanding amount under the 2021 Term Loan and reduce the interest rate and eliminate the credit spread adjustment.

Warrants

During At March 31, 2024, the nine months ended September 30, 2023, we processed the exercise tax receivable agreement liability was approximately $53.5 million. We expect to make payments of 19,999,333 Warrants in exchange approximately $5.0 million per year for the issuance of 16,273,406 shares of Class A Common Stock. There were 14,035,449 shares issued in exchange for cash-basis warrant exercises resulting in the receipt of $161.4 million in cash proceeds as of September 30, 2023, and 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*. next 11 years.

*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

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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, occurred on January 12, 2024, at which time, we received 534,499 additional shares calculated using a volume-weighted average price calculation over the term of the ASR agreement will be used agreement.

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On October 30, 2023, our Board of Directors authorized a new share repurchase program for up to determine the final number and the average price of shares repurchased and retired. We paid a total an aggregate amount of $100.0 million for share of our outstanding shares of Class A Common Stock over an 18-month period in open market, ASR or privately negotiated transactions. The level at which we repurchase depends on a number of factors, including our financial condition, capital requirements, cash flows, results of operations, future business prospects and other factors our management may deem relevant. The timing, volume and nature of repurchases during the nine months ended September 30, 2023.

*Concentration of Credit Risk*

The City of New York Department of Transportation ("***NYCDOT***") represented 13% are subject to market conditions, applicable securities laws and 22% of total accounts receivable, net as of September 30, 2023 other factors 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. may be amended, suspended or discontinued at any time. We have not yet repurchased shares under this program.

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

| | Nine Months Ended September 30, | | Three Months Ended March 31, | |
|---|---|---|---|---|
| **($ in thousands)** | **2023** | **2022** | **2024** | **2023** |
| Net cash provided by operating activities | $ 170,371 | $ 148,776 | $ 34,332 | $ 45,217 |
| Net cash used in investing activities | (41,693) | (36,434) | (13,937) | (19,584) |
| Net cash used in financing activities | (118,450) | (159,525) | (6,281) | (66,626) |

***Cash Flows from Operating Activities***

Cash provided by operating activities increased decreased by $21.6 million approximately $10.9 million from $148.8 million $45.2 million for the nine three months ended September 30, 2022 March 31, 2023 to $170.4 million $34.3 million for the nine three months ended September 30, 2023 March 31, 2024. Net income year over year decreased increased by approximately $10.3 million $24.5 million, from $64.3 million $4.6 million in 2022 2023 to $54.0 million $29.1 million in 2023. 2024. The aggregate adjustments to reconcile net income to net cash provided by operating activities increased $20.4 million decreased $11.4 million mainly due to the change in fair value of private placement warrants the change and lower amortization expense, partially offset by increased credit loss expense and changes 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 decreased by $11.5 million $24.1 million in 2023 2024 compared to the prior year primarily due to the timing of accrued payments for a legal settlement and other payables and fluctuation in inventory levels current liabilities that were previously accrued for, offset by an increase a decrease in accounts receivables and unbilled receivables.

***Cash Flows from Investing Activities***

Cash used in investing activities was $41.7 million $13.9 million and $36.4 million $19.6 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. There was an increase a $4.1 million decrease in cash used in 2023 related to the for 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. year.

***Cash Flows from Financing Activities***

Cash used in financing activities was $118.5 million $6.3 million and $159.5 million $66.6 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The cash used in financing activities 2024 was mainly due to $4.6 million of payments for employee withholding taxes related to RSUs and PSUs vesting and an early repayment of $2.3 million on our 2021 Term Loan. The cash used in 2023 was mainly due to the early repayments totaling $172.5 million $62.5 million on our 2021 Term Loan and $100.0 million $2.5 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. The cash used in 2022 was mainly due payments for employee withholding taxes related to the repurchases of 6.9 million shares of our Class A Common

Stock for $125.1 million, the repayment of $25.0 million of borrowing on the Revolver in January 2022 RSUs and the quarterly principal payments on the 2021 Term Loan. PSUs vesting.

***Long-term Debt***

*2021 Term Loan*

In March 2021, VM Consolidated, Inc. ("***VM Consolidated***"), 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



lenders. The 2021 Term Loan has an aggregate borrowing of $900.0 million, maturing on March 26, 2028 March 24, 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, 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.

In February 2024, VM Consolidated entered into the Third Amendment to refinance the 2021 Term Loan (the "***Refinancing Transaction***"). Pursuant to the Third Amendment, the interest rate was reduced by 50 basis points to SOFR + 2.75% from SOFR + 3.25% with the SOFR floor unchanged at 0.00%. The credit spread adjustment, ranging from 0.11448% to 0.71513%, was eliminated, which resulted in a total savings of 61.5 basis points. In addition, the 2021 Term Loan no longer contains a provision for principal repayments which were previously required to be paid in quarterly installments. During the nine



three months ended September 30, 2023 March 31, 2024, we made an early repayments repayment of $172.5 million approximately $2.3 million on the 2021 Term Loan and as a result, the total principal outstanding was $706.8 million $702.3 million as of September 30, 2023 March 31, 2024.

We evaluated the Refinancing Transaction on a lender-by-lender basis and accounted accordingly for debt extinguishment costs and debt modification costs (for the portion of the transaction that did not meet the accounting criteria for debt extinguishment). We recognized recorded a $0.6 million loss on extinguishment of debt of $2.0 million and $3.5 million for during the three and nine months ended September 30, 2023, respectively, March 31, 2024 related to the write-off of pre-existing deferred financing costs and discounts. discounts in connection with the Refinancing Transaction. We recorded a $1.3 million loss on extinguishment of debt during the three months ended March 31, 2023 related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayments of $62.5 million on the 2021 Term Loan.

The 2021 Term Loan is repayable at 1.0% per annum of the amount initially borrowed, paid in quarterly installments. It now bears interest based, at our option, on either (1) LIBOR (i) Term SOFR plus an applicable margin of 3.25% 2.75% per annum, or (2) (ii) an alternate base rate plus an applicable margin of 2.25% 1.75% per annum. In March 2023, we amended 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 September 30, 2023 March 31, 2024, the new all-in interest rate on the 2021 Term Loan was 8.7% 8.1%.

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, 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, we 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, 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*

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, 2026December 18, 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 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 September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. The availability to borrow was $74.8 million $74.6 million, net of $0.2 million $0.4 million of outstanding letters of credit at September 30, 2023 March 31, 2024.

Interest on the unused portion of the Revolver is payable quarterly at 0.375% and we are also required to pay participation and fronting fees at 1.38% on $0.2 million $0.4 million of outstanding letters of credit as of September 30, 2023 March 31, 2024.

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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 our assets are pledged as collateral to secure our indebtedness under the 2021 Term Loan. At September 30, 2023 March 31, 2024, we were compliant with all debt covenants.

*Interest Expense, Net*

We recorded interest expense, including amortization of deferred financing costs and discounts, of $20.4 million $19.6 million and $20.3 million $22.7 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $65.8 million and $49.0 million for the nine months ended September 30, 2023 and 2022, 2023, 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 our exposure against rising interest rates.

**Off-Balance Sheet Arrangements**

We do not have any material off-balance sheet financing arrangements as of September 30, 2023 March 31, 2024.

**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 Please 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 $706.8 million $702.3 million at September 30, 2023 March 31, 2024. The 2021 Term Loan now bears interest based, at our option, on either (1) LIBOR (i) Term SOFR plus an applicable margin of 3.25% 2.75% per annum, or (2) (ii) an alternate base rate plus an applicable margin of 2.25% 1.75% per annum. In March 2023, we amended our 2021 Term Loan agreement to transition



away from LIBOR to Term SOFR with the cessation As 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 September 30, 2023 March 31, 2024, the new all-in interest rate on the 2021 Term Loan was 8.7% 8.1%.

Based on the September 30, 2023 March 31, 2024 balance outstanding, each 1% movement in interest rates will result in an approximately $7.1 million $7.0 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 as of December 2023, and monthly thereafter until December 2025, in the event interest rates decrease. We recorded a $0.1 million $0.4 million gain and $2.8 million loss for the three months ended September 30, 2023 March 31, 2024 and a $1.9 million gain on the interest rate swap for the nine months ended September 30, 2023. 2023, respectively. See Note 2, *Significant Accounting Policies*, in Part I, Item 1, Financial Statements for additional information on the interest rate swap.



**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 disclosure controls and procedures were not effective as of March 31, 2024 due to a material weakness in internal control over financial reporting was effective as described in Part II, Item 9A. "Controls and Procedures" in our Annual Report.

*Remediation*

As previously noted in our Annual Report, we began implementing a remediation plan to address the material weakness mentioned above. The weakness will not be considered remediated until the applicable controls operate for a sufficient period of September 30, 2023. time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of the material weakness will be completed by the end of our 2024 fiscal year.

*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 September 30, 2023 March 31, 2024 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 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, In February 2024, Verra Mobility 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 entered into a Second Amended Complaint ("***SAC***"), alleging that confidential business arrangement pursuant to which Verra Mobility violated Section 7 of (i) acquired certain assets from PlusPass and (ii) fully and finally resolved all litigation and disputes between the Clayton Act through the merger of Highway Toll Administration, LLC ("***HTA***") and American Traffic Solutions, Inc. ("***ATS***") in 2018, and that parties. 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 accrued $31.5 million 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 this matter at December 31, 2023, which is pending. Trial had been set presented within selling, general and administrative expenses in the consolidated statements of operations for November 2023, but the year ended December 31, 2023, and payment was moved by made during the court to April 2024. Verra Mobility believes that all of PlusPass' claims are without merit and will defend itself vigorously in this litigation. three months ended March 31, 2024.

**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. 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. Report. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future SEC filings.

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

*Purchases of Equity Securities*

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 November 2022 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, occurred on January 12, 2024, at which time, we received 534,499 additional shares calculated using a volume-weighted average price calculation over the term of the ASR agreement will be used agreement.

On October 30, 2023, our Board of Directors authorized a new share repurchase program for up to determine the final number and the average price of shares repurchased and retired. We paid a total an aggregate amount of $100.0 million for share of our outstanding shares of Class A Common Stock over an 18-month period in open market, ASR or privately negotiated transactions. The level at which we repurchase depends on a number of factors, including our financial condition, capital requirements, cash flows, results of operations, future business prospects and other factors our management may deem relevant. The timing, volume and nature of repurchases during the nine months ended September 30, 2023. are subject to market conditions, applicable securities laws and other factors and may be amended, suspended or discontinued at any time. We have not yet repurchased shares under this program.

The following details our purchases of our Class A Common Stock during the three months ended September 30, 2023 March 31, 2024:

| 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.

| 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 |
|---|---|---|---|---|

| | | | Announced Plans or Programs | Announced Plans or Programs |
|---|---|---|---|---|
| As of December 31, 2023 | — | $ — | — | $ 100,000,000 |
| Share repurchases - ASR | 534,499 | $ 19.69 | 534,499 | $ — |
| As of January 31, 2024 | 534,499 | $ 19.69 | 534,499 | $ 100,000,000 |
| Share repurchases | — | $ — | — | $ — |
| As of February 29, 2024 | 534,499 | $ 19.69 | 534,499 | $ 100,000,000 |
| Share repurchases | — | $ — | — | $ — |
| As of March 31, 2024 | 534,499 | $ 19.69 | 534,499 | $ 100,000,000 |

*Sales of Unregistered Securities*

We did not have any sales of unregistered equity securities during the three months ended September 30, 2023 March 31, 2024.



**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 September 30, 2023 March 31, 2024, none Jonathan Baldwin, Executive Vice President, Government Solutions, adopted a trading arrangement for the sale of shares of our directors or executive officers adopted, modified or terminated any contract, instruction or written Class A Common Stock in amounts and prices determined in accordance with such plan, for as more fully described in the purchase or sale following table:

| Name and Title | Action | Date | Rule 10b5-1(1) | Non Rule 10b5-1(2) | Aggregate Number of Securities/Total Dollar Value to be Sold(3) | Expiration |
|---|---|---|---|---|---|---|
| Jonathan Baldwin<br>Executive Vice President, Government Solutions | Adoption | March 14, 2024 | X | | up to 35,579 shares | December 5, 2025 |

(1) Intended to satisfy the affirmative defense conditions of our securities that was Rule 10b5-1(c).

(2) Not intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement.".

42 (3) Represents gross number of vested shares before tax withholding.



**Item 6. Exhibits**

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

**EXHIBIT INDEX**

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



| | | Incorporated by Reference | | | | |
|---|---|---|---|---|---|---|
| Exhibit Number | Description | Form | File No. | Exhibit | Filing Date | Filed Herewith |
| 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 | 3.1 | November 9, 2023 | |
| 10.1 | Amendment No. 3 to Amendment and Restatement Agreement No. 1 to First Lien Term Loan Credit Agreement, dated as of March 26, 2021, by and among Greenlight Acquisition Corporation, VM Consolidated, Inc., American Traffic Solutions, Inc., Lasercraft, Inc. the subsidiary guarantors party thereto, the lenders party thereto and Bank of America, N.A., as Administrative Agent and Collateral Agent. | 8-K | 001-37979 | 10.1 | February 8, 2024 | |





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|---|---|---|
| 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 With Embedded Linkbase Documents. | 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.



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**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: November 9, 2023 May 2, 2024

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 (“***Quarterly Report***”) 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 ma fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with resp the period covered by this Quarterly Report on Form 10-Q; Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all ma respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Re

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defin 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 15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed unde supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to 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 unde supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statemen 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- conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly R 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 d the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an Annual Report) that has materially affe 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 reportir 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 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 int control over financial reporting.

Dated: November 9, 2023 May 2, 2024

By: /s/ David Roberts

David Roberts

President and Chief Executive Officer

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**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 (“***Quarterly Report***”) 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 ma fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with resp the period covered by this Quarterly Report on Form 10-Q; Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all ma respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Re

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defin 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 15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed unde supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to 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 unde supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statemen 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- conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly R 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 recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably 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 reportin 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 whicl 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 int control over financial reporting.

Dated: November 9, 2023 May 2, 2024

By: /s/ Craig Conti

Craig Conti

Chief Financial Officer

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**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 September 30, 2023 March 31, 2024 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 results of operations of the Compa 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: November 9, 2023 May 2, 2024

By: /s/ David Roberts

David Roberts

President and Chief Executive Officer

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**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 September 30, 2023 March 31, 2024 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 results of operations of the Compa 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: November 9, 2023 May 2, 2024

By: /s/ Craig Conti

Craig Conti

Chief Financial Officer





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## DISCLAIMER

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