



Verra Mobility Announces Third Quarter 2020 Financial Results

November 5, 2020

Total year-to-date revenue of \$293.4 million

Generated cash flows from operations of \$44.4 million

MESA, Ariz., Nov. 5, 2020 /PRNewswire/ -- Verra Mobility (NASDAQ: VRRM), a leading provider of smart mobility technology solutions, announced today financial results for the three and nine months ended September 30, 2020.

"We are very pleased with the Company's performance in the third quarter, including modest signs of improvement in Commercial Services, continued strength in Government Solutions and a return to profitability with very strong cash flow generation," said David Roberts, Chief Executive Officer, Verra Mobility. "Despite the ongoing challenges presented to our business, we continue to see strong margins and incremental contract wins that further demonstrate the strength of our model and importance of our mission."

Third Quarter 2020 Financial Highlights

- **Revenue:** Total revenue for the third quarter of 2020 was \$96.9 million, down 24.4% compared to \$128.2 million for the third quarter of 2019. Within total revenue, service revenue was \$83.0 million and product sales contributed \$13.9 million. The decline was mainly in our Commercial Services service revenue, due to the significant impact of the novel coronavirus ("**COVID-19**") on the rental car industry, which was partially offset by growth in Government Solutions service revenue.
- **Net income:** Net income for the third quarter of 2020 was \$6.7 million, or \$0.04 per share, based on 162.6 million diluted weighted average shares outstanding. Net income for the comparable 2019 period was \$17.8 million, or \$0.11 per share, based on 163.7 million diluted weighted average shares outstanding.
- **Adjusted EBITDA:** Adjusted EBITDA was \$53.5 million for the third quarter of 2020, compared to \$70.8 million in the same period last year.

Year-To-Date 2020 Financial Highlights

- **Revenue:** Total revenue for year-to-date 2020 was \$293.4 million, down 12.7% compared to \$336.3 million for the year-to-date 2019 period. Within total revenue, service revenue was \$245.3 million and product sales contributed \$48.1 million. The decline was in our Commercial Services service revenue, due to COVID-19's significant negative impact on the rental car industry, which was offset by growth in product sales and service revenue in our Government Solutions segment.
- **Net (loss) income:** Net loss for year-to-date 2020 was \$(2.0) million, or \$(0.01) per share, based on 161.5 million diluted weighted average shares outstanding. Net income for the comparable 2019 period was \$24.2 million, or \$0.15 per share, based on 160.7 million diluted weighted average shares outstanding.
- **Adjusted EBITDA:** Adjusted EBITDA was \$136.0 million for year-to-date 2020, compared to \$181.8 million for year-to-date 2019.

Liquidity: As of September 30, 2020, cash and cash equivalents were \$129.2 million. We generated \$44.4 million in net cash from operations for year-to-date 2020. As of September 30, 2020, we had total debt of \$867.9 million, net of cash on hand our net debt was \$738.7 million, and a \$44.0 million availability to borrow on the revolver that is undrawn.

The operating results for year-to-date 2020 were impacted by COVID-19, which emerged in late 2019 in China and has since spread throughout the world. COVID-19 has had and continues to have a significant negative impact on the global economy, including the rental car industry due to reduced airline travel and widespread travel restrictions throughout the world. Refer to the section below entitled, *Forward Looking Statements*, for further discussion on risks and uncertainties.

The Company reports its results of operations based on two operating segments:

- **Commercial Services** delivers market-leading automated toll and violations management and title and registration solutions to rental car companies, fleet management companies and other large fleet owners.
- **Government Solutions** delivers market-leading automated safety solutions to municipalities and school districts, including services and technology that enable photo enforcement related to red-light, speed, school bus, and city bus lanes.

Third Quarter 2020 Segment Detail

- Commercial Services segment generated total revenue of \$44.2 million, a decrease of 43% compared to the same period in 2019. Segment profit was \$30.8 million, a 40% decrease from \$51.1 million in the prior year. The significant decreases in revenue and profit resulted from COVID-19's negative impact on the rental car industry discussed above, the full impact of which is not yet known. Segment profit margin was 70% for 2020 and 66% for the same period in 2019.
- Government Solutions segment generated total revenue of \$52.8 million growing 4% over the same period in 2019. The growth in this segment is driven by service revenue increase for the period offset by a decline in product sales. Segment profit was \$22.7 million, a 15% increase from \$19.8 million in the prior year. Segment margin was 43% in 2020 compared to 39% for the prior year period.

Quarterly Conference Call

Verra Mobility will host a conference call and live webcast to discuss financial results for investors and analysts at 3:00 p.m. Mountain Time (5:00 p.m. Eastern Time) on November 5, 2020. To access the conference call, dial (866) 548-4713 for the U.S. or Canada and (323) 794-2093 for international callers with conference ID #6595730. The webcast will be available live in the "Investor Relations" section of the Company's website at <http://ir.verramobility.com>. An audio replay of the call will also be available until 9:59 p.m. Mountain Time (11:59 p.m. Eastern Time) on November 19, 2020, by dialing (844) 512-2921 for the U.S. or Canada and (412) 317-6671 for international callers, and entering passcode #6595730. In addition, an archived webcast will be available in the "News & Events" section of the Investor Relations page of the Company's website at <http://ir.verramobility.com>.

About Verra Mobility

Verra Mobility is committed to developing and using the latest in technology and data intelligence to help make transportation safer and easier. As a global company, Verra Mobility sits at the center of the mobility ecosystem – one that brings together vehicles, devices, information, and people to solve complex challenges faced by our customers and the constituencies they serve.

Verra Mobility serves the world's largest commercial fleets and rental car companies to manage tolling transactions and violations for millions of vehicles. As a leading provider of connected systems, Verra Mobility processes millions of transactions each year through connectivity with more than 50 individual tolling authorities and more than 400 issuing authorities. Verra Mobility also fosters the development of safe cities, partnering with law enforcement agencies, transportation departments and school districts across North America operating thousands of red-light, speed, bus lane and school bus stop arm safety cameras. Arizona-based Verra Mobility operates in more than 15 countries. For more information, visit www.verramobility.com.

Forward-Looking Statements

This press release contains forward-looking statements which address the Company's expected future business and financial performance, and may contain words such as "goal," "target," "future," "estimate," "expect," "anticipate," "intend," "plan," "believe," "seek," "project," "may," "should," "will" or similar expressions. Examples of forward-looking statements include, among others, statements regarding the benefits of the Company's strategic acquisitions, changes in the market for our products and services, expected operating results, such as revenue growth, expansion plans and opportunities, and earnings guidance related to 2020 financial and operational metrics. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those currently anticipated. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward looking statements. These factors include, but are not limited to: (1) the disruption to our business and results of operations as a result of the COVID-19 pandemic; (2) the impact of the COVID-19 pandemic on our revenues from key customers in the rental car industry and from photo enforcement programs; (3) customer concentration in our Commercial Services and Government Solutions segments; (4) decreases in the prevalence of automated photo enforcement or the use of tolling; (5) risks and uncertainties related to our government contracts, including but not limited to administrative hurdles, legislative changes, termination rights, audits and investigations; (6) decreased interest in outsourcing from our customers; (7) our ability to properly perform under our contracts and otherwise satisfy our customers; (8) our ability to compete in a highly competitive and rapidly evolving market; (9) our ability to keep up with technological developments and changing customer preferences; (10) the success of our new products and changes to existing products and services; (11) our ability to successfully integrate our recent or future acquisitions; (12) failures in or breaches of our networks or systems, including as a result of cyber-attacks; and (13) other risks and uncertainties indicated from time to time in documents filed or to be filed with the Securities and Exchange Commission (the "SEC") by Verra Mobility. The forward-looking statements herein represent the judgment of the Company, as of the date of this release, and Verra Mobility disclaims any intent or obligation to update forward-looking statements. This press release should be read in conjunction with the information included in the Company's other press releases, reports and other filings with the SEC. Understanding the information contained in these filings is important in order to fully understand the Company's reported financial results and our business outlook for future periods.

Non-GAAP Financial Measures

In addition to disclosing financial results that are determined in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company also discloses certain non-GAAP financial information in this press release. These financial measures are not recognized measures under GAAP and are not intended to be and should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. EBITDA, Adjusted EBITDA, Free Cash Flow, Adjusted Net Income and Adjusted EPS are non-GAAP financial measures as defined by SEC rules. These non-GAAP financial measures may be determined or calculated differently by other companies. Reconciliations of these non-GAAP measurements to the most directly comparable GAAP financial measurements have been provided in the financial statement tables included in this press release, and investors are encouraged to review the reconciliations.

(\$ in thousands except per share data)	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 129,158	\$ 131,513
Restricted cash	549	917
Accounts receivable (net of allowance for credit loss of \$10.1 million at September 30, 2020)	141,019	93,514
Unbilled receivables	16,145	20,003
Prepaid expenses and other current assets	24,714	26,491
Total current assets	311,585	272,438
Installation and service parts, net	6,916	8,841
Property and equipment, net	73,155	72,266
Operating lease assets	30,548	32,177
Intangible assets, net	363,526	434,443
Goodwill	583,341	584,150
Other non-current assets	2,900	3,111
Total assets	<u>\$ 1,371,971</u>	<u>\$ 1,407,426</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 45,601	\$ 50,825
Accrued liabilities	17,309	25,277
Current portion of long-term debt	9,104	28,779
Total current liabilities	72,014	104,881
Long-term debt, net of current portion	833,624	837,686
Operating lease liabilities, net of current portion	28,723	30,130
Payable to related party pursuant to tax receivable agreement	65,620	61,174
Asset retirement obligation	6,391	6,309
Deferred tax liabilities, net	21,514	25,716
Other long-term liabilities	163	2,183
Total liabilities	1,028,049	1,068,079
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$.0001 par value	—	—
Common stock, \$.0001 par value	16	16
Common stock contingent consideration	36,575	54,862
Additional paid-in capital	394,259	367,266
Accumulated deficit	(82,943)	(80,220)
Accumulated other comprehensive loss	(3,985)	(2,577)
Total stockholders' equity	343,922	339,347
Total liabilities and stockholders' equity	<u>\$ 1,371,971</u>	<u>\$ 1,407,426</u>

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

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Service revenue	\$ 82,980	\$ 110,757	\$ 245,292	\$ 311,884
Product sales	13,928	17,483	48,138	24,392
Total revenue	96,908	128,240	293,430	336,276
Cost of service revenue	907	1,388	3,139	4,390
Cost of product sales	7,088	7,238	24,838	10,432
Operating expenses	26,544	32,965	85,502	94,098
Selling, general and administrative expenses	17,511	21,293	64,218	62,709
Depreciation, amortization and (gain) loss on disposal of assets, net	29,590	28,697	88,002	86,488
Impairment of property and equipment	—	—	—	5,898
Total costs and expenses	81,640	91,581	265,699	264,015
Income from operations	15,268	36,659	27,731	72,261
Interest expense, net	9,578	14,932	31,568	46,621
Loss from tax receivable agreement adjustment	—	—	4,446	—
Other income, net	(4,982)	(2,727)	(9,430)	(8,279)
Total other expenses	4,596	12,205	26,584	38,342
Income before income tax provision	10,672	24,454	1,147	33,919
Income tax provision	3,986	6,702	3,176	9,756
Net income (loss)	<u>\$ 6,686</u>	<u>\$ 17,752</u>	<u>\$ (2,029)</u>	<u>\$ 24,163</u>
Other comprehensive income (loss):				

Change in foreign currency translation adjustment	2,467	(1,664)	(1,408)	(1,736)
Total comprehensive income (loss)	<u>\$ 9,153</u>	<u>\$ 16,088</u>	<u>\$ (3,437)</u>	<u>\$ 22,427</u>
Net income (loss) per share:				
Basic	\$ 0.04	\$ 0.11	\$ (0.01)	\$ 0.15
Diluted	\$ 0.04	\$ 0.11	\$ (0.01)	\$ 0.15
Weighted average shares used in per share calculation:				
Basic outstanding	161,744	158,610	161,460	157,514
Diluted outstanding	162,568	163,705	161,460	160,723

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

(\$ in thousands)	Nine Months Ended September 30,	
	2020	2019
Cash Flows from Operating Activities:		
Net (loss) income	\$ (2,029)	\$ 24,163
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	87,828	86,501
Amortization of deferred financing costs and discounts	3,725	5,066
Impairment of property and equipment	—	5,898
Loss from tax receivable agreement adjustment	4,446	—
Credit loss expense	10,628	5,347
Deferred income taxes	(3,920)	(9,426)
Stock-based compensation	9,192	7,426
Gain from third-party insurance proceeds	(1,400)	—
Installation and service parts expense	704	1,055
Accretion expense	197	269
Loss (gain) on disposal of assets	174	(13)
Changes in operating assets and liabilities:		
Accounts receivable, net	(58,913)	(26,353)
Unbilled receivables	3,866	(2,117)
Prepaid expenses and other current assets	8,655	(9,512)
Accounts payable and accrued liabilities	(15,134)	12,258
Other liabilities	(3,669)	(4,976)
Net cash provided by operating activities	<u>44,350</u>	<u>95,586</u>
Cash Flows from Investing Activities:		
Purchases of installation and service parts and property and equipment	(18,317)	(17,492)
Cash proceeds from the sale of assets	67	14
Net cash used in investing activities	<u>(18,250)</u>	<u>(17,478)</u>
Cash Flows from Financing Activities:		
Repayment of long-term debt	(26,503)	(6,827)
Payment of debt issuance costs	(960)	(299)
Payment of employee tax withholding related to RSU vesting	(486)	—
Net cash used in financing activities	<u>(27,949)</u>	<u>(7,126)</u>
Effect of exchange rate changes on cash and cash equivalents	(874)	(343)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(2,723)</u>	<u>70,639</u>
Cash, cash equivalents and restricted cash - beginning of period	<u>132,430</u>	<u>67,081</u>
Cash, cash equivalents and restricted cash - end of period	<u>\$ 129,707</u>	<u>\$ 137,720</u>

VERRA MOBILITY CORPORATION

ADJUSTED EBITDA RECONCILIATION (Unaudited)

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 6,686	\$ 17,752	\$ (2,029)	\$ 24,163
Interest expense, net	9,578	14,932	31,568	46,621
Income tax provision	3,986	6,702	3,176	9,756
Depreciation and amortization	29,419	28,697	87,828	86,501
EBITDA	<u>49,669</u>	<u>68,083</u>	<u>120,543</u>	<u>167,041</u>
Transaction and other related expenses ⁽ⁱ⁾	132	287	735	1,422
Transformation expenses ⁽ⁱⁱ⁾	575	—	1,090	—
Impairment of property and equipment ⁽ⁱⁱⁱ⁾	—	—	—	5,898
Loss from tax receivable agreement adjustment ^(iv)	—	—	4,446	—

Stock-based compensation ^(v)	3,153	2,471	9,192	7,426
Adjusted EBITDA	<u>\$ 53,529</u>	<u>\$ 70,841</u>	<u>\$ 136,006</u>	<u>\$ 181,787</u>

- (i) Transaction and other related expenses incurred in the three and nine months ended September 30, 2020 primarily relate to acquisition-related costs mainly for Pagatelia S.L and certain costs for refinancing our debt during the period. For the 2019 period, these related to secondary offering costs incurred by us for PE Greenlight Holdings, LLC and transaction expenses.
- (ii) Transformation expenses consist of severance and other employee separation costs related to exit activities initiated during the three and nine months ended September 30, 2020.
- (iii) This represents an impairment charge on fixed assets that were used and held in our operations.
- (iv) The \$4.4 million charge for the nine months ended September 30, 2020 reflects the impact of an increase to our deferred tax rate arising from higher estimated state tax rates due to a change in apportionment.
- (v) Stock-based compensation represents the non-cash charge related to the issuance of awards under the Verra Mobility Corporation 2018 Equity Incentive Plan.

FREE CASH FLOW (Unaudited)

(\$ in thousands)	Nine Months Ended September 30,	
	2020	2019
Net cash provided by operating activities	\$ 44,350	\$ 95,586
Purchases of installation and service parts and property and equipment	(18,317)	(17,492)
Free cash flow	<u>\$ 26,033</u>	<u>\$ 78,094</u>

ADJUSTED EPS (Unaudited)

(In thousands, except per share data)	Three Months Ended September 30,	
	2020	2019
Net income	\$ 6,686	\$ 17,752
Amortization of intangibles	23,559	23,131
Transaction and other related expenses	132	287
Transformation expenses	575	—
Impairment of property and equipment	—	—
Loss from tax receivable agreement adjustment	—	—
Stock-based compensation	3,153	2,471
Total adjustments before income tax effect	27,419	25,889
Income tax effect on adjustments	(10,241)	(7,095)
Total adjustments after income tax effect	17,178	18,794
Adjusted Net Income	<u>\$ 23,864</u>	<u>\$ 36,546</u>
Adjusted EPS	\$ 0.15	\$ 0.22
Diluted weighted average shares outstanding	162,568	163,705

Adjusted EPS for the nine months ended September 30, 2020 and 2019 has not been presented as it is not meaningful due to the year-to-date 2020 effective tax rate.

EBITDA and Adjusted EBITDA

We define EBITDA as net income (loss) adjusted to exclude interest expense, net, income taxes, depreciation and amortization. Adjusted EBITDA further excludes certain non-cash expenses and other transactions that management believes are not indicative of our ongoing operating performance. EBITDA and Adjusted EBITDA, as defined, exclude some but not all items that affect our cash flow from operating activities, as a result, they may not be comparable to similarly titled performance measures presented by other companies.

We use these metrics to measure our performance from period to period both at the consolidated level as well as within our operating segments, to evaluate and fund incentive compensation programs and to compare our results to those of our competitors. In addition to Adjusted EBITDA being a significant measure of performance for management purposes, we also believe that this presentation provides useful information to investors regarding financial and business trends related to our results of operations and that when non-GAAP financial information is viewed with GAAP financial information, investors are provided with a more meaningful understanding of our ongoing operating performance. EBITDA and Adjusted EBITDA have certain limitations as analytical tools and should not be used as substitutes for net income (loss), cash flows from operations, or other consolidated income or cash flow data prepared in accordance with GAAP.

Free Cash Flow

We define "**Free Cash Flow**" as cash flow from operations less capital expenditures.

Adjusted Net Income

We define "**Adjusted Net Income**" as net income (loss) adjusted to exclude amortization of intangibles and certain non-cash or non-recurring expenses.

Adjusted EPS

We define "**Adjusted EPS**" as Adjusted Net Income divided by the diluted weighted average shares for the period.

Investor Relations Contact

Marc P. Griffin

ICR, Inc., for Verra Mobility

646-277-1290

IR@verramobility.com

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