



Verra Mobility Announces First Quarter 2023 Financial Results

May 4, 2023

- Total revenue of \$191.9 million
- Net income of \$4.6 million
- Generated cash flows from operations of \$45.2 million
- Reaffirming 2023 guidance

MESA, Ariz., May 4, 2023 /PRNewswire/ -- Verra Mobility Corporation (NASDAQ: VRRM), a leading provider of smart mobility technology solutions, announced today the financial results for the first quarter ended March 31, 2023.



"We delivered another strong quarter financially and continued the operating momentum we demonstrated throughout 2022," said David Roberts, President and CEO, Verra Mobility. "We are benefitting from robust travel demand that has returned to pre-pandemic volume as well as nationwide efforts to improve road safety through investments in automated safety enforcement technology. I am incredibly excited about our future – we are well-positioned in large, growing and attractive markets and we have established a proven operating model to drive consistent execution."

First Quarter 2023 Financial Highlights

- **Revenue:** Total revenue for the first quarter of 2023 was \$191.9 million, an increase of 13% compared to \$170.4 million for the first quarter of 2022. Service revenue growth was 15% due to increases in travel volume and related tolling activity in the Commercial Services segment which grew 17%, and the growth in service revenue from our Government Solutions segment, which increased 14% and was driven by the expansion of speed programs. Parking Solutions service revenue increased 10% due to increases in our software as a service (SaaS) product offerings and various services related to parking management solutions.
- **Net income:** Net income for the first quarter of 2023 was \$4.6 million, or \$0.03 per share based on 153.1 million diluted weighted average shares outstanding. Net income for the comparable 2022 period was \$10.0 million, or \$0.06 per share, based on 160.7 million diluted weighted average shares outstanding.
- **Adjusted Earnings Per Share (EPS):** Adjusted EPS for the first quarter of 2023 was \$0.26 per share compared to \$0.22 per share for the first quarter of 2022.
- **Adjusted EBITDA:** Adjusted EBITDA was \$87.9 million for the first quarter of 2023 compared to \$75.3 million for the same period last year. Adjusted EBITDA margin was 46% of total revenue for 2023 and 44% for 2022. The expansion in Adjusted EBITDA margins was driven primarily by revenue contribution mix and increased volume leverage across our business segments.

We report our results of operations based on three operating segments:

- **Commercial Services** offers 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 automated safety solutions to municipalities, school districts and government agencies, including services and technology that enable photo enforcement related to speed, red-light, school bus and city bus lane management.

- **Parking Solutions** provides an integrated suite of parking software and hardware solutions to universities, municipalities, parking operators, healthcare facilities and transportation hubs in the United States and Canada.

First Quarter 2023 Segment Detail

- The Commercial Services segment generated total revenue of \$85.6 million, a 17% increase compared to \$73.5 million in the same period in 2022. Segment profit was \$53.6 million, a 15% increase from \$46.6 million in the prior year. The increases in revenue and profit compared to the prior period resulted from increased travel volume and the continued adoption to the all-inclusive fee structure as well as the increase in enrolled vehicles and higher tolling activity for our FMC customers. The segment profit margin was 63% for 2023 and 63% for 2022.
- The Government Solutions segment generated total revenue of \$85.9 million, a 9% increase compared to \$78.8 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. The remaining increase is attributable to expansions across red-light, school bus stop arm, and bus lane programs. The segment profit was \$31.5 million in 2023 compared to \$25.5 million in the prior year with segment profit margins of 37% for 2023 and 32% for 2022. The increase in segment profit and margins is primarily attributable to the increase in recurring service revenue and a reduction in bad debt expense due to improved cash collections.
- The Parking Solutions segment generated total revenue of \$20.3 million a 12% increase compared to \$18.1 million in the same period in 2022. The segment profit was \$2.9 million compared to \$3.2 million in the prior year with segment profit margins of 14% for 2023 and 18% for 2022. The decline in segment profit and margins is primarily attributable to a higher mix of hardware versus SaaS and services revenue.

Liquidity: As of March 31, 2023, cash and cash equivalents were \$64.3 million, and we generated \$45.2 million in cash flows from operations for 2023.

Interest Rate Swap

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 Secured Overnight Financing Rate) portion of the variable interest rate on our 2021 Term Loan. Under the interest rate swap agreement, we pay a fixed rate 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 terminate the interest rate swap agreement starting in December 2023, and monthly thereafter until December 2025 in the event interest rates decrease. 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 loss on interest rate swap line item. 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.

2023 Full Year Guidance

Any guidance that we provide is subject to change as a variety of factors can affect actual operating results. Certain of the factors that may impact our actual operating results are identified below in the safe harbor language included within Forward-Looking Statements of this press release.

We are reaffirming the fiscal year 2023 guidance we issued on March 1, 2023, based on our financial results for the first quarter of 2023 and our current outlook for the remainder of the year, as follows:

- Total revenue of \$780 million to \$800 million
- Adjusted EBITDA of \$360 million to \$370 million
- Adjusted EPS of \$1.00 to \$1.10
- Free Cash Flow of \$135 million to \$155 million

Conference Call Details

Date: May 4, 2023

Time: 5:00 p.m. Eastern Time

U.S. and Canadian Callers Dial-in: 1-888-886-7786

Outside of U.S. and Canada Dial-in: 1-416-764-8658 for international callers with conference ID 53331233

Request a return call: Available by clicking on the following link and requesting a return call: callme.viavid.com

Webcast Information: Available live in the "Investor Relations" section of our website at <http://ir.verramobility.com>.

An audio replay of the call will also be available until 11:59 p.m. ET on May 18, 2023, by dialing 1-844-512-2921 for the U.S. or Canada, and 1-412-317-6671 for international callers and entering passcode 53331233. In addition, an archived webcast will be available in the "News & Events" section of the Investor Relations website at <http://ir.verramobility.com>.

About Verra Mobility

Verra Mobility is a leading provider of smart mobility technology solutions that make transportation safer, smarter and more connected. We sit at the center of the mobility ecosystem, bringing together vehicles, hardware, software, data and people to enable safe, efficient solutions for customers globally. Verra Mobility's transportation safety systems and parking management solutions protect lives, improve urban and motorway mobility and support healthier communities. We also solve complex payment, utilization and compliance challenges for fleet owners and rental car companies. Headquartered in Arizona, Verra Mobility operates in North America, Europe, Asia and Australia. For more information, please visit www.verramobility.com.

Forward-Looking Statements

This press release contains forward-looking statements which address our 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 our 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 2023 financial and operational metrics. Forward-looking statements involve risks and uncertainties and a number of factors could cause actual results to differ materially from those currently anticipated. These factors include, but are not limited to: (1) customer concentration in our Commercial Services and Government Solutions segments; (2) our ability to manage our substantial level of indebtedness; (3) risks and uncertainties related to our government contracts, including legislative changes, termination rights, delays in payments, audits and investigations; (4) decreases in the prevalence of automated and other similar methods of photo enforcement, parking solutions or the use of tolling; (5) our ability to keep up with technological developments and changing customer preferences; (6) our ability to compete in a highly competitive and rapidly evolving market; (7) decreased interest in outsourcing from our customers; (8) the success of our new products and changes to existing products and services; (9) our ability to successfully implement our acquisition strategy or integrate acquisitions; (10) failure in or breaches of our networks or systems, including as a result of cyber-attacks; (11) our ability to manage the risks, uncertainties and exposures related to our international operations; (12) our ability to acquire necessary intellectual property and adequately protect our existing intellectual property; (13) risks and uncertainties related to our share repurchase program; (14) our reliance on a limited number of third-party vendors and service providers; (15) our ability to maintain an effective system of internal controls; (16) risks and uncertainties related to litigation, disputes and regulatory investigations; (16) our ability to properly perform under our contracts and otherwise satisfy our customers; (17) the impact of COVID-19 on our business and results of operations; and (18) 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. This press release should be read in conjunction with the information included in our other press releases, reports and other filings with the SEC. Understanding the information contained in these filings is important in order to fully understand our reported financial results and our business outlook for future periods.

Additional Information

We periodically provide information for investors on our corporate website, www.verramobility.com, and our investor relations website, ir.verramobility.com.

We intend to use our website as a means of disclosing material non-public information and for complying with disclosure obligations under Regulation FD. Accordingly, investors should monitor our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

Non-GAAP Financial Measures

In addition to disclosing financial results that are determined in accordance with U.S. generally accepted accounting principles ("GAAP"), we also disclose 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, Adjusted EPS and Adjusted EBITDA Margin are non-GAAP financial measures as defined by SEC rules. These non-GAAP financial measures may be determined or calculated differently by other companies. As a result, they may not be comparable to similarly titled performance measures presented 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.

We are not providing a quantitative reconciliation of Adjusted EBITDA or Adjusted EPS, both of which are included in our 2023 financial guidance above, in reliance on the "unreasonable efforts" exception for forward-looking non-GAAP measures set forth in SEC rules because certain financial information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated without unreasonable effort and expense. In this regard, we are unable to provide a reconciliation of forward-looking Adjusted EBITDA to GAAP net income as well as Adjusted EPS to net income per share, due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation. Due to the uncertainty of estimates and assumptions used in preparing forward-looking non-GAAP measures, we caution investors that actual results could differ materially from these non-GAAP financial projections.

We use these non-GAAP financial 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, we also believe that these non-GAAP measures provide 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. These non-GAAP measures have certain limitations as analytical tools and should not be used as substitutes for net income, cash flows from operations, earnings per share or other consolidated income or cash flow data prepared in accordance with GAAP.

EBITDA and Adjusted EBITDA

We define EBITDA as net income 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.

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 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.

Adjusted EBITDA Margin

We define "Adjusted EBITDA Margin" as Adjusted EBITDA as a percentage of total revenue.

VERRA MOBILITY CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

<u>(\$ in thousands except per share data)</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 64,267	\$ 105,204
Restricted cash	3,550	3,911
Accounts receivable (net of allowance for credit losses of \$16.5 million and \$15.9 million at March 31, 2023 and December 31, 2022, respectively)	178,251	163,786
Unbilled receivables	34,184	30,782
Inventory	18,923	19,307
Prepaid expenses and other current assets	33,258	39,604
Total current assets	332,433	362,594
Installation and service parts, net	26,481	22,923
Property and equipment, net	111,376	109,775
Operating lease assets	38,012	37,593
Intangible assets, net	355,678	377,420
Goodwill	834,299	833,480
Other non-current assets	12,612	12,484
Total assets	<u>\$ 1,710,891</u>	<u>\$ 1,756,269</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 71,475	\$ 79,869
Deferred revenue	31,105	31,164
Accrued liabilities	52,044	48,847
Tax receivable agreement liability, current portion	4,994	4,994
Current portion of long-term debt	9,019	21,935
Total current liabilities	168,637	186,809
Long-term debt, net of current portion	1,140,712	1,190,045
Operating lease liabilities, net of current portion	33,338	33,362
Tax receivable agreement liability, net of current portion	50,900	50,900
Private placement warrant liabilities	38,667	24,066
Asset retirement obligations	13,411	12,993
Deferred tax liabilities, net	20,920	21,149
Other long-term liabilities	7,198	5,875
Total liabilities	1,473,783	1,525,199
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.0001 par value	—	—
Common stock, \$0.0001 par value	15	15
Common stock contingent consideration	36,575	36,575
Additional paid-in capital	306,974	305,423
Accumulated deficit	(93,501)	(98,078)
Accumulated other comprehensive loss	(12,955)	(12,865)
Total stockholders' equity	237,108	231,070
Total liabilities and stockholders' equity	<u>\$ 1,710,891</u>	<u>\$ 1,756,269</u>

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

Three Months Ended March 31,

(\$ in thousands, except per share data)

	2023	2022
Service revenue	\$ 184,698	\$ 161,134
Product sales	7,205	9,251
Total revenue	191,903	170,385
Cost of service revenue	4,230	3,779
Cost of product sales	5,383	5,995
Operating expenses	61,843	51,063
Selling, general and administrative expenses	40,013	41,635
Depreciation, amortization and (gain) loss on disposal of assets, net	30,333	35,907
Total costs and expenses	141,802	138,379
Income from operations	50,101	32,006
Interest expense, net	22,687	14,279
Change in fair value of private placement warrants	14,601	3,734
Loss on interest rate swap	2,798	—
Loss on extinguishment of debt	1,349	—
Other income, net	(3,756)	(2,866)
Total other expenses	37,679	15,147
Income before income taxes	12,422	16,859
Income tax provision	7,845	6,819
Net income	\$ 4,577	\$ 10,040
Other comprehensive (loss) income:		
Change in foreign currency translation adjustment	(90)	2,708
Total comprehensive income	\$ 4,487	\$ 12,748
Net income per share:		
Basic	\$ 0.03	\$ 0.06
Diluted	\$ 0.03	\$ 0.06
Weighted average shares outstanding:		
Basic	149,165	156,130
Diluted	153,129	160,749

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

(\$ in thousands)	Three Months Ended March 31,	
	2023	2022
Cash Flows from Operating Activities:		
Net income	\$ 4,577	\$ 10,040
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,309	35,675
Amortization of deferred financing costs and discounts	1,277	1,306
Change in fair value of private placement warrants	14,601	3,734
Loss on interest rate swap	1,552	—
Loss on extinguishment of debt	1,349	—
Credit loss expense	1,697	3,505
Deferred income taxes	(2,249)	(18,771)
Stock-based compensation	3,378	4,446
Other	8	354
Changes in operating assets and liabilities:		
Accounts receivable	(16,222)	(14,300)
Unbilled receivables	(3,464)	(10,265)
Inventory	180	(5,722)
Prepaid expenses and other assets	6,232	8,235
Deferred revenue	95	46
Accounts payable and other current liabilities	(4,291)	(477)
Other liabilities	6,188	13,441
Net cash provided by operating activities	45,217	31,247
Cash Flows from Investing Activities:		
Payment of contingent consideration	—	(412)
Payments for interest rate swap	(1,246)	—

Purchases of installation and service parts and property and equipment	(18,372)	(11,478)
Cash proceeds from the sale of assets	34	25
Net cash used in investing activities	(19,584)	(11,865)
Cash Flows from Financing Activities:		
Repayment on the revolver	—	(25,000)
Repayment of long-term debt	(64,755)	(2,255)
Payment of debt issuance costs	(44)	(54)
Proceeds from the exercise of stock options	699	93
Payment of employee tax withholding related to RSUs and PSUs vesting	(2,526)	(1,436)
Net cash used in financing activities	(66,626)	(28,652)
Effect of exchange rate changes on cash and cash equivalents	(305)	2,231
Net decrease in cash, cash equivalents and restricted cash	(41,298)	(7,039)
Cash, cash equivalents and restricted cash - beginning of period	109,115	104,432
Cash, cash equivalents and restricted cash - end of period	<u>\$ 67,817</u>	<u>\$ 97,393</u>

VERRA MOBILITY CORPORATION

ADJUSTED EBITDA RECONCILIATION (Unaudited)

(\$ in thousands)	Three Months Ended March 31,	
	2023	2022
Net income	\$ 4,577	\$ 10,040
Interest expense, net	22,687	14,279
Income tax provision	7,845	6,819
Depreciation and amortization	30,309	35,675
EBITDA	65,418	66,813
Transaction and other related expenses	268	216
Transformation expenses	59	86
Change in fair value of private placement warrants ⁽ⁱ⁾	14,601	3,734
Loss on interest rate swap ⁽ⁱⁱ⁾	2,798	—
Loss on extinguishment of debt ⁽ⁱⁱⁱ⁾	1,349	—
Stock-based compensation ^(iv)	3,378	4,446
Adjusted EBITDA	<u>\$ 87,871</u>	<u>\$ 75,295</u>

(i) This consists of adjustments to the private placement warrants liability from the re-measurement to fair value at the end of each reporting period.

(ii) Loss on interest rate swap relates to the loss associated with the derivative instrument re-measured to fair value at the end of the reporting period and the related monthly cash payments.

(iii) Loss on extinguishment of debt consists of the write-off of pre-existing original issue discounts and deferred financing costs associated with the repayment of debt.

(iv) 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)	Three Months Ended March 31,	
	2023	2022
Net cash provided by operating activities	\$ 45,217	\$ 31,247
Purchases of installation and service parts and property and equipment	(18,372)	(11,478)
Free cash flow	<u>\$ 26,845</u>	<u>\$ 19,769</u>

ADJUSTED EPS (Unaudited)

(In thousands, except per share data)	Three Months Ended March 31,	
	2023	2022
Net income	\$ 4,577	\$ 10,040
Amortization of intangibles	21,967	27,331
Transaction and other related expenses	268	216
Transformation expenses	59	86
Change in fair value of private placement warrants	14,601	3,734
Change in fair value of interest rate swap	1,552	—
Loss on extinguishment of debt	1,349	—
Stock-based compensation	3,378	4,446
Total adjustments before income tax effect	43,174	35,813
Income tax effect on adjustments	(7,958)	(10,265)
Total adjustments after income tax effect	35,216	25,548
Adjusted Net Income	\$ 39,793	\$ 35,588
Adjusted EPS	\$ 0.26	\$ 0.22
Diluted weighted average shares outstanding	153,129	160,749

Beginning in the third quarter of 2022, we removed the (i) change in fair value of private placement warrants (ii) change in fair value of interest rate swap and (iii) loss on extinguishment of debt from total adjustments before income tax effect prior to applying our annual estimated effective income tax rate to calculate the income tax effect on adjustments. These discrete items are being removed because they do not impact taxable income. In addition, we began using our annual estimated effective tax rate in lieu of the period-to-date effective tax rate from our consolidated statements of operations, in calculating the income tax effect on total adjustments to net income. We believe that our annual estimated effective income tax rate provides investors a more meaningful effective tax rate than our period-to-date effective tax rate, which included the discrete items named above.

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