

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, 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

(State or other jurisdiction of
incorporation or organization)

81-3563824

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

1150 North Alma School Road
Mesa, Arizona
(Address of Principal Executive Offices)

85201
(Zip Code)

(480) 443-7000

(Registrant's Telephone Number, Including Area Code)

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

| (Title of Each Class) | (Trading Symbol) | (Name of Each Exchange on Which Registered) |
|----------------------------------------------------|------------------|---------------------------------------------|
| Class A Common Stock, par value \$0.0001 per share | VRRM | Nasdaq Capital Market |

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 | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 October 25, 2024, there were 164,804,157 shares of the Company's Class A Common Stock, par value \$0.0001 per share, issued and outstanding.

VERRA MOBILITY CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 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 Section 27A of the Securities Act of 1933, as amended (the “**Securities Act**”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). All statements contained in this Report 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 Report 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, 2023 (our “**Annual Report**”), as updated by the Company’s subsequent filings with the SEC, which highlight, among other risks:

- customer concentration in our Commercial Services and Government Solutions segments, including risks impacting these segments such as travel demand and legislation, and risks relating to our contract with NYCDOT (defined below), which comprises a material portion of our revenue, expires on December 31, 2024 and is subject to competitive procurement, and for which there can be no assurance that we will be successful in securing an extension of the contract or winning the competitive procurement. If our contract with NYCDOT is not extended or we are not successful in winning the competitive procurement for a new contract with NYCDOT, it would have a material adverse effect on our business, financial condition and results of operations;
- risks and uncertainties related to our government contracts, including legislative changes, termination rights, delays in payments, audits and investigations;
- decreases in the prevalence or political acceptance of, or an increase in governmental restrictions regarding, automated and other similar methods of photo enforcement, parking solutions or the use of tolling;
- our ability to successfully implement our acquisition strategy or integrate acquisitions;
- our ability to remediate the material weakness in internal controls over financial reporting on a timely basis and ability to establish and maintain effective internal controls over financial reporting;
- failure in or breaches of our networks or systems, including as a result of cyber-attacks or other incidents;
- 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 our substantial level of indebtedness; and
- our 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. Except as may be required by law, we undertake no obligation to update any of these forward-looking statements for any reason or to conform these statements to actual results or revised expectations.

Our Annual 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 website, ir.verramobility.com, as a means of disclosing information, which may be of interest or material to our investors and for complying with disclosure obligations under Regulation FD. Accordingly, investors should monitor our investor relations website, in addition to following our press releases, SEC filings, public conference calls, webcasts, and social media. Information contained on or accessible through, including any reports available on, our website is not a part of, and is not incorporated by reference into, this Report or any other report or document we file with the SEC. Any reference to our website in this 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 Report refer to Verra Mobility Corporation, a Delaware corporation, and its subsidiaries taken as a whole.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| <u>(In thousands, except per share data)</u> | <u>September 30, 2024</u> | <u>December 31, 2023</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 206,088 | \$ 136,309 |
| Restricted cash | 7,125 | 3,413 |
| Accounts receivable (net of allowance for credit losses of \$19.6 million and \$18.5 million at September 30, 2024 and December 31, 2023, respectively) | 194,587 | 197,824 |
| Unbilled receivables | 51,100 | 37,065 |
| Inventory | 18,708 | 17,966 |
| Prepaid expenses and other current assets | 51,407 | 46,961 |
| Total current assets | 529,015 | 439,538 |
| Installation and service parts, net | 30,134 | 22,895 |
| Property and equipment, net | 136,815 | 123,248 |
| Operating lease assets | 30,710 | 33,523 |
| Intangible assets, net | 251,327 | 301,025 |
| Goodwill | 838,151 | 835,835 |
| Other non-current assets | 34,429 | 33,919 |
| Total assets | \$ 1,850,581 | \$ 1,789,983 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 100,225 | \$ 78,749 |
| Deferred revenue | 30,204 | 28,788 |
| Accrued liabilities | 66,966 | 93,119 |
| Tax receivable agreement liability, current portion | 5,098 | 5,098 |
| Current portion of long-term debt | — | 9,019 |
| Total current liabilities | 202,493 | 214,773 |
| Long-term debt, net of current portion | 1,037,174 | 1,029,113 |
| Operating lease liabilities, net of current portion | 26,873 | 29,124 |
| Tax receivable agreement liability, net of current portion | 48,369 | 48,369 |
| Asset retirement obligations | 15,208 | 14,580 |
| Deferred tax liabilities, net | 16,886 | 18,360 |
| Other long-term liabilities | 17,032 | 14,197 |
| Total liabilities | 1,364,035 | 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, 2024 and December 31, 2023 | — | — |
| Common stock, \$0.0001 par value, 260,000 shares authorized with 164,804 and 166,555 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively | 16 | 17 |
| Additional paid-in capital | 564,491 | 557,513 |
| Accumulated deficit | (71,149) | (125,887) |
| Accumulated other comprehensive loss | (6,812) | (10,176) |
| Total stockholders' equity | 486,546 | 421,467 |
| Total liabilities and stockholders' equity | \$ 1,850,581 | \$ 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, | | Nine Months Ended September 30, | |
|-----------------------------------------------------------------------|----------------------------------|------------------|---------------------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Service revenue | \$ 217,267 | \$ 201,029 | \$ 632,005 | \$ 581,777 |
| Product sales | 8,284 | 8,904 | 25,702 | 24,520 |
| Total revenue | 225,551 | 209,933 | 657,707 | 606,297 |
| Cost of service revenue, excluding depreciation and amortization | 5,378 | 5,150 | 14,324 | 13,718 |
| Cost of product sales | 5,621 | 6,864 | 18,755 | 18,209 |
| Operating expenses | 76,026 | 68,873 | 221,569 | 196,373 |
| Selling, general and administrative expenses | 47,918 | 42,276 | 142,432 | 125,494 |
| Depreciation, amortization and (gain) loss on disposal of assets, net | 26,718 | 27,597 | 81,215 | 87,018 |
| Total costs and expenses | 161,661 | 150,760 | 478,295 | 440,812 |
| Income from operations | 63,890 | 59,173 | 179,412 | 165,485 |
| Interest expense, net | 18,723 | 20,384 | 57,203 | 65,842 |
| Change in fair value of private placement warrants | — | (553) | — | 24,966 |
| Loss (gain) on interest rate swap | 913 | 60 | 494 | (1,947) |
| Loss on extinguishment of debt | 33 | 1,975 | 628 | 3,533 |
| Other income, net | (4,272) | (4,498) | (13,970) | (12,766) |
| Total other expenses | 15,397 | 17,368 | 44,355 | 79,628 |
| Income before income taxes | 48,493 | 41,805 | 135,057 | 85,857 |
| Income tax provision | 13,761 | 11,497 | 36,953 | 31,864 |
| Net income | \$ 34,732 | \$ 30,308 | \$ 98,104 | \$ 53,993 |
| Other comprehensive income (loss): | | | | |
| Change in foreign currency translation adjustment | 5,190 | (4,189) | 3,364 | (3,561) |
| Total comprehensive income | \$ 39,922 | \$ 26,119 | \$ 101,468 | \$ 50,432 |
| Net income per share: | | | | |
| Basic | \$ 0.21 | \$ 0.18 | \$ 0.59 | \$ 0.35 |
| Diluted | \$ 0.21 | \$ 0.18 | \$ 0.58 | \$ 0.34 |
| Weighted average shares outstanding: | | | | |
| Basic | 164,735 | 168,089 | 165,676 | 156,196 |
| Diluted | 167,624 | 169,497 | 168,318 | 157,133 |

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, 2024

| (In thousands) | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---------------------------------------------------------------------------------|----------------|--------------|----------------------------|---------------------|--------------------------------------|----------------------------|
| | Shares | Amount | | | | |
| 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 ("RSUs") and performance share units ("PSUs") | 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 |
| Net income | — | — | — | 34,223 | — | 34,223 |
| Share repurchases and retirement | (2,000) | (1) | (6,694) | (45,155) | — | (51,850) |
| Vesting of RSUs and PSUs | 120 | — | — | — | — | — |
| Exercise of stock options | 22 | — | 285 | — | — | 285 |
| Payment of employee tax withholding related to RSUs and PSUs vesting | — | — | (1,050) | — | — | (1,050) |
| Stock-based compensation | — | — | 6,590 | — | — | 6,590 |
| Other comprehensive income, net of tax | — | — | — | — | 1,434 | 1,434 |
| Balance as of June 30, 2024 | 164,658 | 16 | 556,494 | (105,881) | (12,002) | 438,627 |
| Net income | — | — | — | 34,732 | — | 34,732 |
| Vesting of RSUs and PSUs | 16 | — | — | — | — | — |
| Exercise of stock options | 130 | — | 1,727 | — | — | 1,727 |
| Payment of employee tax withholding related to RSUs and PSUs vesting | — | — | (168) | — | — | (168) |
| Stock-based compensation | — | — | 6,438 | — | — | 6,438 |
| Other comprehensive income, net of tax | — | — | — | — | 5,190 | 5,190 |
| Balance as of September 30, 2024 | <u>164,804</u> | <u>\$ 16</u> | <u>\$ 564,491</u> | <u>\$ (71,149)</u> | <u>\$ (6,812)</u> | <u>\$ 486,546</u> |

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, 2023

| (In thousands) | Common Stock | | Common Stock Contingent Consideration | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|----------------------------------------------------------------------|----------------|--------------|---------------------------------------|----------------------------|---------------------|--------------------------------------|----------------------------|
| | Shares | Amount | | | | | |
| Balance as of December 31, 2022 | 148,962 | \$ 15 | \$ 36,575 | \$ 305,423 | \$ (98,078) | \$ (12,865) | \$ 231,070 |
| Net income | — | — | — | — | 4,577 | — | 4,577 |
| Vesting of RSUs and PSUs | 313 | — | — | — | — | — | — |
| Exercise of stock options | 53 | — | — | 699 | — | — | 699 |
| Payment of employee tax withholding related to RSUs and PSUs vesting | — | — | — | (2,526) | — | — | (2,526) |
| Exercise of warrants | 633 | — | — | — | — | — | — |
| Stock-based compensation | — | — | — | 3,378 | — | — | 3,378 |
| Other comprehensive loss, net of tax | — | — | — | — | — | (90) | (90) |
| Balance as of March 31, 2023 | 149,961 | 15 | 36,575 | 306,974 | (93,501) | (12,955) | 237,108 |
| Net income | — | — | — | — | 19,108 | — | 19,108 |
| Earn-out shares issued to PE Greenlight Holdings, LLC | 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 PE Greenlight Holdings, LLC | 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 | <u>166,310</u> | <u>\$ 17</u> | <u>\$ —</u> | <u>\$ 549,374</u> | <u>\$ (128,909)</u> | <u>\$ (16,426)</u> | <u>\$ 404,056</u> |

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, | |
|-------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------|
| | 2024 | 2023 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 98,104 | \$ 53,993 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 80,982 | 86,835 |
| Amortization of deferred financing costs and discounts | 3,437 | 3,600 |
| Change in fair value of private placement warrants | — | 24,966 |
| Change in fair value of interest rate swap | 1,316 | (3,361) |
| Loss on extinguishment of debt | 628 | 3,533 |
| Credit loss expense | 11,425 | 7,553 |
| Deferred income taxes | (1,684) | (7,236) |
| Stock-based compensation | 18,586 | 12,346 |
| Other | 749 | 306 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (7,891) | (35,854) |
| Unbilled receivables | (13,912) | (9,529) |
| Inventory | 511 | (1,061) |
| Prepaid expenses and other assets | (3,423) | 2,948 |
| Deferred revenue | 1,401 | 3,475 |
| Accounts payable and other current liabilities | (6,600) | 27,059 |
| Other liabilities | (474) | 798 |
| Net cash provided by operating activities | 183,155 | 170,371 |
| Cash Flows from Investing Activities: | | |
| Cash receipts (payments) for interest rate swap | 822 | (1,414) |
| Purchases of installation and service parts and property and equipment | (52,009) | (40,501) |
| Cash proceeds from the sale of assets | 156 | 222 |
| Net cash used in investing activities | (51,031) | (41,693) |
| Cash Flows from Financing Activities: | | |
| Repayment of long-term debt | (4,509) | (179,264) |
| Payment of debt issuance costs | (440) | (362) |
| Proceeds from the exercise of warrants | — | 161,408 |
| Share repurchases and retirement | (51,500) | (100,000) |
| Proceeds from the exercise of stock options | 2,701 | 2,845 |
| Payment of employee tax withholding related to RSUs and PSUs vesting | (5,826) | (3,077) |
| Net cash used in financing activities | (59,574) | (118,450) |
| Effect of exchange rate changes on cash and cash equivalents | 941 | (1,013) |
| Net increase in cash, cash equivalents and restricted cash | 73,491 | 9,215 |
| Cash, cash equivalents and restricted cash - beginning of period | 139,722 | 109,115 |
| Cash, cash equivalents and restricted cash - end of period | \$ 213,213 | \$ 118,330 |
| Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets | | |
| Cash and cash equivalents | \$ 206,088 | \$ 114,379 |
| Restricted cash | 7,125 | 3,951 |
| Total cash, cash equivalents and restricted cash | \$ 213,213 | \$ 118,330 |

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, | |
|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------|
| | 2024 | 2023 |
| Supplemental cash flow information: | | |
| Interest paid | \$ 53,821 | \$ 60,370 |
| Income taxes paid, net of refunds | 38,018 | 37,627 |
| Supplemental non-cash investing and financing activities: | | |
| Purchases of installation and service parts and property and equipment in accounts payable and accrued liabilities at period-end | 3,998 | 6,927 |
| Accrued excise tax payable on net share repurchases | 350 | — |
| Earn-out shares issued to PE Greenlight Holdings, LLC | — | 36,575 |
| Increase in additional paid-in capital due to exercise of private placement warrants | — | 49,032 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

1. Description of Business

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

The Commercial Services segment offers automated toll and violations management and title and registration solutions 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. 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 benefits to tolling and issuing authorities. The toll 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 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 transactions) are associated with the correct vehicle. In Europe, the Commercial Services segment provides violations processing through Euro Parking Collection plc and consumer tolling services through Pagatelia S.L.U.

The Government Solutions segment offers photo enforcement solutions and services to its customers which include complete, end-to-end speed, red-light, school bus stop arm and bus lane enforcement solutions. 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 recurring maintenance services related to the equipment and software.

The 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.

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. There have been no material changes in the Company’s significant accounting policies from those disclosed in the Annual Report on Form 10-K for the 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, | |
|-----------------------------------------------|-----------------------------------------|-------------|----------------------------------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| City of New York Department of Transportation | 15.5% | 16.5% | 15.9% | 17.1% |

The City of New York Department of Transportation ("**NYCDOT**") represented 13% and 18% of total accounts receivable, net as of September 30, 2024 and 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, | |
|-------------------------|-----------------------------------------|-------------|----------------------------------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Hertz Corporation | 10.5% | 11.8% | 10.9% | 11.8% |
| Avis Budget Group, Inc. | 14.2% | 15.1% | 13.7% | 13.8% |
| Enterprise Mobility | 12.2% | 11.6% | 11.6% | 10.5% |

No Commercial Services customer exceeded 10% of total accounts receivable, net as of any of the periods 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 of the periods 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 pools of receivables 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 by reportable segment for the nine months ended September 30, 2024 and 2023, respectively:

| (\$ in thousands) | Commercial Services ⁽¹⁾ | Government Solutions | Parking Solutions | Total |
|-------------------------------|---------------------------------------|-------------------------|----------------------|------------------|
| Balance at January 1, 2024 | \$ 15,661 | \$ 2,426 | \$ 426 | \$ 18,513 |
| Credit loss expense (income) | 11,599 | (226) | 52 | 11,425 |
| Write-offs, net of recoveries | (10,240) | (107) | (16) | (10,363) |
| Balance at September 30, 2024 | <u>\$ 17,020</u> | <u>\$ 2,093</u> | <u>\$ 462</u> | <u>\$ 19,575</u> |

| (\$ in thousands) | Commercial Services ⁽¹⁾ | Government Solutions | Parking Solutions | Total |
|-------------------------------|---------------------------------------|-------------------------|----------------------|------------------|
| Balance at January 1, 2023 | \$ 11,177 | \$ 4,573 | \$ 157 | \$ 15,907 |
| Credit loss expense (income) | 9,378 | (1,964) | 139 | 7,553 |
| Write-offs, net of recoveries | (5,135) | (185) | (562) | (5,882) |
| Balance at September 30, 2023 | <u>\$ 15,420</u> | <u>\$ 2,424</u> | <u>\$ (266)</u> | <u>\$ 17,578</u> |

- (1) This primarily consists of receivables from drivers of rental cars for which the Company bills on behalf of its customers. Receivables not collected from drivers within a defined number of days are transferred to customers subject to applicable bad debt sharing agreements. The allowance for credit losses for driver-billed receivables was 82% and 86% of the total Commercial Services allowance for credit losses as of September 30, 2024 and 2023, respectively.

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 \$11.2 million and \$13.1 million of deferred revenue in the Government Solutions segment as of September 30, 2024 and December 31, 2023, respectively. The Company recognized \$1.1 million and \$1.7 million of revenue excluding exchange rate impact during the three months ended September 30, 2024 and 2023, respectively, and \$7.0 million and \$5.8 million, of revenue excluding exchange rate impact during the nine months ended September 30, 2024 and 2023, respectively, related to amounts that were included in deferred revenue as of December 31, 2023 and 2022. The Company had approximately \$24.5 million and \$19.7 million of deferred revenue in the Parking Solutions segment as of September 30, 2024 and December 31, 2023, respectively. The Company recognized \$2.6 million and \$3.9 million of revenue during the three months ended September 30, 2024 and 2023, respectively, and \$18.0 million and \$18.7 million of revenue during the nine months ended September 30, 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 includes deferred revenue above and unbilled amounts that are expected to be recognized as revenue in future periods. As of September 30, 2024, total transaction price allocated to performance obligations in the Government Solutions segment that were unsatisfied or partially unsatisfied was \$254.8 million, of which \$127.8 million is expected to be recognized 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*”) portion of the variable interest rate on its 2021 Term Loan. Under the interest rate swap agreement, the Company paid a fixed rate of 5.17% and the counterparty paid a variable interest rate. The Company entered into an International Swaps and Derivatives Association, Inc. Master Agreement with the counterparty which provided 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 was \$675.0 million. The Company had the option to effectively terminate the interest rate swap agreement starting in December 2023, and monthly thereafter until December 2025. The Company treated 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 receipts or payments

were recorded in the condensed consolidated statements of operations within the loss (gain) on interest rate swap line item. The Company exercised its option to cancel the interest rate swap agreement as of September 30, 2024.

The following details the components of the loss (gain) on interest rate swap for the respective periods:

| (\$ in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------------|----------------------------------|--------|---------------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Change in fair value | \$ 1,169 | \$ 202 | \$ 1,316 | \$ (3,361) |
| Cash (receipts) payments | (256) | (142) | (822) | 1,414 |
| Total loss (gain) on interest rate swap | \$ 913 | \$ 60 | \$ 494 | \$ (1,947) |

The effect of remeasurement to fair value was recorded within the operating activities section and the monthly cash proceeds received or payments made were recorded within the investing activities section in the condensed consolidated statements of cash flows. See Note 7, *Fair Value of Financial Instruments*, for further discussion on the fair value measurement of the interest rate swap.

Recent Accounting Pronouncements

Accounting Standard Adopted

On June 30, 2022, the Financial Accounting Standards Board (the “**FASB**”) issued Accounting Standards Update (“**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 beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. This change will apply retrospectively to all periods presented. The adoption of this standard will only require changes to the Company's disclosures with no expected impact to its results of operations, financial position or cash flows. 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, 2024 | December 31, 2023 |
|-------------------------------------------------|-----------------------|----------------------|
| Prepaid services | \$ 12,695 | \$ 10,496 |
| Income taxes receivable | 9,211 | 9,830 |
| Prepaid tolls | 8,594 | 9,174 |
| Prepaid computer maintenance | 6,766 | 6,775 |
| Costs to fulfill a customer contract | 6,650 | 5,852 |
| Prepaid insurance | 3,325 | 1,755 |
| Deposits | 3,195 | 2,322 |
| Other | 971 | 757 |
| Total prepaid expenses and other current assets | <u>\$ 51,407</u> | <u>\$ 46,961</u> |

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, 2023 | \$ 422,091 | \$ 214,602 | \$ 199,142 | \$ 835,835 |
| Foreign currency translation adjustment | 2,068 | 248 | — | 2,316 |
| Balance at September 30, 2024 | <u>\$ 424,159</u> | <u>\$ 214,850</u> | <u>\$ 199,142</u> | <u>\$ 838,151</u> |

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

| (\$ in thousands) | September 30, 2024 | | | December 31, 2023 | | |
|-------------------------------------------|-------------------------------------------------|-----------------------------|-----------------------------|-------------------------------------------------|-----------------------------|-----------------------------|
| | Weighted Average Remaining Useful Life | Gross Carrying Amount | Accumulated Amortization | Weighted Average Remaining Useful Life | Gross Carrying Amount | Accumulated Amortization |
| Trademarks | 5.3 years | \$ 4,812 | \$ 1,927 | 0.3 years | \$ 36,190 | \$ 32,882 |
| Patent | 4.1 years | 500 | 92 | 4.8 years | 500 | 17 |
| Non-compete agreements | — | — | — | 0.0 years | 62,540 | 62,540 |
| Customer relationships | 3.8 years | 560,388 | 334,420 | 4.5 years | 558,801 | 288,065 |
| Developed technology | 4.0 years | 40,807 | 18,741 | 0.8 years | 201,657 | 175,159 |
| Gross carrying value of intangible assets | | 606,507 | <u>\$ 355,180</u> | | 859,688 | <u>\$ 558,663</u> |
| Less: accumulated amortization | | (355,180) | | | (558,663) | |
| Intangible assets, net | | <u>\$ 251,327</u> | | | <u>\$ 301,025</u> | |

Amortization expense was \$16.8 million and \$18.9 million for the three months ended September 30, 2024 and 2023, respectively, and was \$50.3 million and \$60.9 million for the nine months ended September 30, 2024 and 2023, respectively.

Estimated amortization expense in future years is expected to be:

| (\$ in thousands) | |
|-------------------|-------------------|
| Remainder of 2024 | \$ 16,842 |
| 2025 | 64,670 |
| 2026 | 57,657 |
| 2027 | 28,624 |
| 2028 | 22,612 |
| Thereafter | 60,922 |
| Total | \$ 251,327 |

5. Accrued Liabilities

Accrued liabilities consist of the following at:

| (\$ in thousands) | September 30, 2024 | December 31, 2023 |
|------------------------------------------------|-----------------------|----------------------|
| Accrued salaries and wages | \$ 26,272 | \$ 27,905 |
| Accrued interest payable | 9,043 | 4,594 |
| Current deferred tax liabilities | 7,599 | 7,574 |
| Current portion of operating lease liabilities | 6,683 | 7,133 |
| Restricted cash due to customers | 6,208 | 2,835 |
| Advanced deposits | 3,972 | 2,308 |
| Payroll tax liabilities | 3,353 | 3,214 |
| Accrued legal settlement | — | 31,500 |
| Other | 3,836 | 6,056 |
| Total accrued liabilities | \$ 66,966 | \$ 93,119 |

6. Long-term Debt

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

| (\$ in thousands) | September 30, 2024 | December 31, 2023 |
|-----------------------------------------------------|-----------------------|----------------------|
| 2021 Term Loan, due 2028 | \$ 700,078 | \$ 704,587 |
| Senior Notes, due 2029 | 350,000 | 350,000 |
| Less: original issue discounts | (2,745) | (3,646) |
| Less: unamortized deferred financing costs | (10,159) | (12,809) |
| Total long-term debt | 1,037,174 | 1,038,132 |
| Less: current portion of long-term debt | — | (9,019) |
| Total long-term debt, net of current portion | \$ 1,037,174 | \$ 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 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. 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).

During the nine months ended September 30, 2024 and 2023, the Company made early repayments of approximately \$4.5 million and \$172.5 million, respectively, on the 2021 Term Loan, and as a result the total principal outstanding on the 2021 Term Loan was \$700.1 million as of September 30, 2024.

The Company recorded less than \$0.1 million and \$0.6 million loss on extinguishment of debt during the three and nine months ended September 30, 2024 primarily related to the write-off of pre-existing deferred financing costs and discounts in connection with the Refinancing Transaction. It recognized a loss on extinguishment of debt of \$2.0 million and \$3.5 million for the three and nine months ended September 30, 2023, respectively, related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayments.

The 2021 Term Loan bears interest based at the Company's option, on either (i) Term SOFR plus an applicable margin of 2.75% per annum, or (ii) an alternate base rate plus an applicable margin of 1.75% per annum. As of September 30, 2024, the interest rate on the 2021 Term Loan was 7.6%.

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% |

Subsequent to September 30, 2024, the Company amended the 2021 Term Loan agreement to refinance the entire outstanding amount under the 2021 Term Loan and to reduce the interest rate by 50 basis points. See Note 15, *Subsequent Event*, for additional information.

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. 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% |

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 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 were no outstanding borrowings on the Revolver as of September 30, 2024 or December 31, 2023. The availability to borrow was \$74.6 million, net of \$0.4 million of outstanding letters of credit at September 30, 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 \$0.4 million of outstanding letters of credit as of September 30, 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, 2024, the Company was compliant with all debt covenants in its debt agreements.

Interest Expense, Net

The Company recorded interest expense, including amortization of deferred financing costs and discounts, of \$18.7 million and \$20.4 million for the three months ended September 30, 2024 and 2023, respectively, and \$57.2 million and \$65.8 million for the nine months ended September 30, 2024 and 2023, respectively.

The weighted average effective interest rates on the Company's outstanding borrowings were 6.9% and 7.7% at September 30, 2024 and 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 higher interest rates, which was cancelled by the Company as of September 30, 2024.

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, 2024 | | December 31, 2023 | |
|-------------------|-------------------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| 2021 Term Loan | 2 | \$ 690,343 | \$ 702,703 | \$ 691,821 | \$ 709,872 |
| Senior Notes | 2 | 346,831 | 346,500 | 346,311 | 335,125 |

The Company had issued Private Placement Warrants (as defined below) to acquire shares of the Company's Class A Common Stock in connection with its initial public offering ("*IPO*"), which Private Placement Warrants had a five-year term and expired in October 2023. During fiscal year 2023, all Private Placement Warrants were exercised by the warrant holders.

The following summarizes the change in fair value of Private Placement Warrant liabilities included in net income and the impact of exercises during the three and nine months ended September 30, 2023:

| (\$ in thousands) | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2023 |
|----------------------------------------------------|------------------------------------------|-----------------------------------------|
| Beginning balance | \$ 5,430 | \$ 24,066 |
| Change in fair value of private placement warrants | (553) | 24,966 |
| Exercise of warrants | (4,877) | (49,032) |
| Ending balance | \$ — | \$ — |

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

The Company has an equity investment measured at cost with a carrying value of \$2.1 million as of September 30, 2024 and as of December 31, 2023, and is only adjusted to fair value if there are identified events that would indicate a need for an upward or downward adjustment or changes in circumstances that may indicate impairment. The estimation of fair value requires the use of significant unobservable inputs, such as voting rights and obligations in the securities held, and is therefore classified within level 3 of the fair value hierarchy. There were no identified events that required a fair value adjustment during the nine months ended September 30, 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 was 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 September 30, | | Nine Months Ended September 30, | |
|--------------------------------------------------|----------------------------------|----------|---------------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Prepaid expenses and other current assets | | | | |
| Beginning balance | \$ 799 | \$ 2,263 | \$ 689 | \$ — |
| Change in fair value of interest rate swap | (799) | 3 | (689) | 2,266 |
| Ending balance | \$ — | \$ 2,266 | \$ — | \$ 2,266 |
| Other non-current assets | | | | |
| Beginning balance | \$ 370 | \$ 2,296 | \$ 627 | \$ 1,973 |
| Change in fair value of interest rate swap | (370) | (204) | (627) | 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 classified the current and non-current components based on the value of settlements due within 12 months (current) and greater than 12 months (non-current). The Company exercised its option to cancel the interest rate swap as of September 30, 2024. Refer to Note 2, *Significant Accounting Policies*, for additional information.

8. Net Income Per Share

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

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

| (In thousands, except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------------------------------------------|----------------------------------|-----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Numerator: | | | | |
| Net income | \$ 34,732 | \$ 30,308 | \$ 98,104 | \$ 53,993 |
| Denominator: | | | | |
| Weighted average shares - basic | 164,735 | 168,089 | 165,676 | 156,196 |
| Common stock equivalents | 2,889 | 1,408 | 2,642 | 937 |
| Weighted average shares - diluted | 167,624 | 169,497 | 168,318 | 157,133 |
| Net income per share - basic | \$ 0.21 | \$ 0.18 | \$ 0.59 | \$ 0.35 |
| Net income per share - diluted | \$ 0.21 | \$ 0.18 | \$ 0.58 | \$ 0.34 |
| Antidilutive shares excluded from diluted net income per share: | | | | |
| ASR shares ⁽¹⁾ | — | 985 | — | 985 |
| Non-qualified stock options | — | 139 | — | 761 |
| Performance share units | 1 | 12 | 12 | 341 |
| Restricted stock units | — | 107 | 32 | 114 |
| Total antidilutive shares excluded | 1 | 1,243 | 44 | 2,201 |

- (1) This represents the number of additional estimated shares the counterparties to the Company's accelerated share repurchase ("ASR") initiated in the third quarter of 2023 would have been required to deliver had the ASR been settled as of September 30, 2023. The final settlement occurred in the first quarter of 2024, at which time, the Company received 534,499 additional shares calculated using a volume-weighted average price over the term of the ASR agreement.

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 28.4% and 27.5% for the three months ended September 30, 2024 and 2023, respectively, and 27.4% and 37.1% for the nine months ended September 30, 2024 and 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 that impacted the rate in the prior year periods without a comparable impact in the current periods.

10. Stockholders' Equity

Warrants

As of September 30, 2023, all warrants that were outstanding to acquire shares of the Company's Class A Common Stock, including warrants originally issued to Gores Sponsor II, LLC in a private placement in connection with the IPO (the "**Private Placement Warrants**") and the remaining warrants issued in connection with the IPO (the "**Public Warrants**" and, together with the Private Placement Warrants, the "**Warrants**"), were either exercised by the holder or redeemed by the Company.

During the nine months ended September 30, 2023, the Company processed the exercise of 20.0 million Warrants in exchange 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. 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 pursuant to the terms of the warrant agreement governing the Public Warrants.

Share Repurchases and Retirement

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, 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 2023, which it subsequently retired. In September 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 occurred on January 12, 2024, at which time, the Company received 534,499 additional shares calculated using a volume-weighted average price over the term of the ASR agreement.

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 of the Class A Common Stock from the Company's 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. In connection with the final settlement, the Company reduced the par value of the Class A Common Stock from common stock and \$1.8 million from additional paid-in capital calculated using an average share price, with an offset of \$1.8 million to accumulated deficit on the condensed consolidated statements of stockholders' equity during the nine months ended September 30, 2024.

In October 2023, the Company's Board of Directors authorized a new share repurchase program 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 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.

On June 6, 2024, the Company entered into a share repurchase agreement with a stockholder, pursuant to which the Company repurchased, directly from the stockholder, 2.0 million shares of the Company's Class A Common Stock for an aggregate purchase price of \$51.5 million. The repurchased shares were subsequently retired. In addition, the Company recorded approximately \$0.4 million within accrued liabilities for direct costs related to the excise tax payable on net share repurchases on the condensed consolidated balance sheets as of September 30, 2024. In connection with this repurchase, the Company reduced the par value from common stock and \$6.7 million from additional paid-in capital calculated using an average share price, with an increase of \$45.2 million to accumulated deficit on the condensed consolidated statements of stockholders' equity. As of September 30, 2024, \$48.5 million remains available under the Company's authorized share repurchase 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, | | Nine Months Ended September 30, | |
|----------------------------------------------|----------------------------------|----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Operating expenses | \$ 1,047 | \$ 628 | \$ 3,186 | \$ 1,507 |
| Selling, general and administrative expenses | 5,391 | 3,815 | 15,400 | 10,839 |
| Total stock-based compensation expense | \$ 6,438 | \$ 4,443 | \$ 18,586 | \$ 12,346 |

12. Other Significant Transactions

Tax Receivable Agreement

In October 2018, the Company entered into a Tax Receivable Agreement (“*TRA*”) with PE Greenlight Holdings, LLC. On August 3, 2022, 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) under the *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 inception of the *TRA*.

At September 30, 2024, the *TRA* liability was approximately \$53.5 million of which \$5.1 million was the current portion and \$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.

Earn-Out Agreement

Under the Agreement and Plan of Merger (as amended, the “*Merger Agreement*”), pursuant to which the Company became the owner, directly or indirectly, of all of the equity interests of Verra Mobility Holdings, LLC and its subsidiaries, PE Greenlight Holdings, LLC 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 defined thresholds for a period of at least 10 days out of 20 consecutive trading days at any time during a five-year period. There were four tranches of contingent shares under the agreement, with each tranche resulting in an issuance of 2,500,000 shares of Class A Common Stock (not to exceed a total of 10,000,000 shares). On June 14, 2023 and July 26, 2023, the criteria for the issuance of the remaining tranches of Earn-out Shares was met and the Company issued an aggregate 5,000,000 shares, which resulted in an increase in the Company's common stock and additional paid-in capital accounts of approximately \$36.6 million with a corresponding decrease to the common stock contingent consideration account. As of September 30, 2023, all contingent shares have been issued under the Merger Agreement.

13. Commitments and Contingencies

The Company had \$2.5 million of bank guarantees at September 30, 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, 2024 were \$33.7 million. The majority of these outstanding commitments are expected to be incurred in the next twelve months, and approximately \$9.6 million is expected to be incurred subsequent to September 30, 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. 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.

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 is expected to occur in March 2025. Based on the information available to the Company at present, the Company is unable to estimate a reasonably possible range of loss for this action and, accordingly, it has not accrued any liability associated with this action.

PlusPass Inc. (“PlusPass”) v. Verra Mobility Corporation, et al. is a lawsuit filed in the United States District Court, Central District of California, against Verra Mobility, The Gores Group LLC, Platinum Equity LLC and ATS Processing Services, Inc., in November 2020. In February 2024, Verra Mobility and PlusPass entered into a confidential business arrangement pursuant to which Verra Mobility (i) acquired certain assets from PlusPass and (ii) fully and finally resolved all litigation and disputes between the parties. Verra Mobility accrued \$31.5 million for this matter at December 31, 2023 which was presented within selling, general and administrative expenses on the consolidated statements of operations, and payment was made during the first quarter of 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 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 defines the chief operating decision maker (“*CODM*”) as its Chief Executive Officer. 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, 2024 | | | | |
|------------------------------------------------------------------|-----------------------------------------------|-------------------------|----------------------|------------------------|-------------------|
| (\$ in thousands) | Commercial Services | Government Solutions | Parking Solutions | Corporate and Other | Total |
| Service revenue | \$ 109,139 | \$ 91,003 | \$ 17,125 | \$ — | \$ 217,267 |
| Product sales | — | 4,848 | 3,436 | — | 8,284 |
| Total revenue | 109,139 | 95,851 | 20,561 | — | 225,551 |
| Cost of service revenue, excluding depreciation and amortization | 741 | 482 | 4,155 | — | 5,378 |
| Cost of product sales | — | 2,958 | 2,663 | — | 5,621 |
| Operating expenses | 24,683 | 46,168 | 4,128 | — | 74,979 |
| Selling, general and administrative expenses | 14,825 | 18,519 | 5,717 | — | 39,061 |
| Loss on disposal of assets, net | — | 84 | 3 | — | 87 |
| Other (income) loss, net | (3,977) | (445) | 150 | — | (4,272) |
| Segment profit | <u>\$ 72,867</u> | <u>\$ 28,085</u> | <u>\$ 3,745</u> | <u>\$ —</u> | <u>\$ 104,697</u> |
| Segment profit | \$ 72,867 | \$ 28,085 | \$ 3,745 | \$ — | \$ 104,697 |
| Depreciation and amortization | — | — | — | 26,631 | 26,631 |
| Transaction and other related expenses | — | — | — | 2,483 | 2,483 |
| Transformation expenses | — | — | — | 983 | 983 |
| Loss on interest rate swap | — | — | — | 913 | 913 |
| Loss on extinguishment of debt | — | — | — | 33 | 33 |
| Stock-based compensation | — | — | — | 6,438 | 6,438 |
| Interest expense, net | — | — | — | 18,723 | 18,723 |
| Income before income taxes | <u>\$ 72,867</u> | <u>\$ 28,085</u> | <u>\$ 3,745</u> | <u>\$ (56,204)</u> | <u>\$ 48,493</u> |

| | 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, excluding depreciation and amortization | 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 | <u>\$ 65,282</u> | <u>\$ 28,568</u> | <u>\$ 3,528</u> | <u>\$ —</u> | <u>\$ 97,378</u> |
| 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 | <u>\$ 65,282</u> | <u>\$ 28,568</u> | <u>\$ 3,528</u> | <u>\$ (55,573)</u> | <u>\$ 41,805</u> |

| | For the Nine Months Ended September 30, 2024 | | | | |
|------------------------------------------------------------------|----------------------------------------------|-------------------------|----------------------|------------------------|-------------------|
| (\$ in thousands) | Commercial Services | Government Solutions | Parking Solutions | Corporate and Other | Total |
| Service revenue | \$ 309,013 | \$ 272,747 | \$ 50,245 | \$ — | \$ 632,005 |
| Product sales | — | 15,006 | 10,696 | — | 25,702 |
| Total revenue | 309,013 | 287,753 | 60,941 | — | 657,707 |
| Cost of service revenue, excluding depreciation and amortization | 1,891 | 1,514 | 10,919 | — | 14,324 |
| Cost of product sales | — | 10,010 | 8,745 | — | 18,755 |
| Operating expenses | 69,351 | 135,923 | 13,109 | — | 218,383 |
| Selling, general and administrative expenses | 48,079 | 53,490 | 18,787 | — | 120,356 |
| Loss on disposal of assets, net | — | 224 | 9 | — | 233 |
| Other (income) loss, net | (13,473) | (532) | 35 | — | (13,970) |
| Segment profit | \$ 203,165 | \$ 87,124 | \$ 9,337 | \$ — | \$ 299,626 |
| Segment profit | \$ 203,165 | \$ 87,124 | \$ 9,337 | \$ — | \$ 299,626 |
| Depreciation and amortization | — | — | — | 80,982 | 80,982 |
| Transaction and other related expenses | — | — | — | 4,124 | 4,124 |
| Transformation expenses | — | — | — | 2,552 | 2,552 |
| Loss on interest rate swap | — | — | — | 494 | 494 |
| Loss on extinguishment of debt | — | — | — | 628 | 628 |
| Stock-based compensation | — | — | — | 18,586 | 18,586 |
| Interest expense, net | — | — | — | 57,203 | 57,203 |
| Income before income taxes | \$ 203,165 | \$ 87,124 | \$ 9,337 | \$ (164,569) | \$ 135,057 |

| | For the Nine Months Ended September 30, 2023 | | | | |
|------------------------------------------------------------------|----------------------------------------------|-------------------------|----------------------|------------------------|-------------------|
| (\$ in thousands) | Commercial Services | Government Solutions | Parking Solutions | Corporate 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, excluding depreciation and amortization | 1,738 | 1,770 | 10,210 | — | 13,718 |
| Cost of product sales | — | 7,309 | 10,900 | — | 18,209 |
| Operating expenses | 61,819 | 119,398 | 13,649 | — | 194,866 |
| Selling, general and administrative expenses | 47,127 | 45,747 | 18,991 | — | 111,865 |
| Loss on disposal of assets, net | — | 170 | 13 | — | 183 |
| Other income, net | (12,372) | (325) | (69) | — | (12,766) |
| Segment profit | \$ 179,931 | \$ 90,393 | \$ 9,898 | \$ — | \$ 280,222 |
| Segment profit | \$ 179,931 | \$ 90,393 | \$ 9,898 | \$ — | \$ 280,222 |
| Depreciation and amortization | — | — | — | 86,835 | 86,835 |
| Transaction and other related expenses | — | — | — | 484 | 484 |
| Transformation expenses | — | — | — | 2,306 | 2,306 |
| Change in fair value of private placement warrants | — | — | — | 24,966 | 24,966 |
| Gain on interest rate swap | — | — | — | (1,947) | (1,947) |
| Loss on extinguishment of debt | — | — | — | 3,533 | 3,533 |
| Stock-based compensation | — | — | — | 12,346 | 12,346 |
| Interest expense, net | — | — | — | 65,842 | 65,842 |
| Income before income taxes | \$ 179,931 | \$ 90,393 | \$ 9,898 | \$ (194,365) | \$ 85,857 |

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

| (\$ in thousands) | September 30, 2024 | | December 31, 2023 | |
|-----------------------------------|-----------------------|-----------|----------------------|-----------|
| Property and equipment, net | | | | |
| Commercials Services | \$ | 11,372 | \$ | 9,547 |
| Government Solutions | | 110,032 | | 98,611 |
| Parking Solutions | | 13,882 | | 13,281 |
| Corporate and other | | 1,529 | | 1,809 |
| Total property and equipment, net | \$ | 136,815 | \$ | 123,248 |
| Total assets | | | | |
| Commercials Services | \$ | 718,401 | \$ | 721,192 |
| Government Solutions | | 515,543 | | 523,687 |
| Parking Solutions | | 395,891 | | 404,267 |
| Corporate and other | | 220,746 | | 140,837 |
| Total assets | \$ | 1,850,581 | \$ | 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 \$8.3 million and \$8.9 million for the three months ended September 30, 2024 and 2023, respectively and were \$25.7 million and \$24.5 million for the nine months ended September 30, 2024 and 2023, respectively.

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

| (\$ in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------|----------------------------------|-----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Australia | \$ 14,433 | \$ 13,461 | \$ 41,866 | \$ 33,431 |
| Canada | 8,063 | 6,535 | 24,802 | 22,336 |
| United Kingdom | 4,366 | 4,923 | 13,743 | 17,585 |
| All other | 1,493 | 1,008 | 3,166 | 2,430 |
| Total international revenues | \$ 28,355 | \$ 25,927 | \$ 83,577 | \$ 75,782 |

15. Subsequent Event

Fourth Amendment to 2021 Term Loan

As discussed in the Current Report on 8-K filed with the SEC dated October 3, 2024, the Company amended the 2021 Term Loan agreement to refinance the entire outstanding amount under the 2021 Term Loan (the “*Fourth Amendment*”) in October 2024 and incurred new Term B-3 Loans (the “*New Term Loans*”) in the aggregate principal amount of \$700.1 million. The proceeds from the New Term Loans were used in their entirety to prepay in full the then outstanding principal amount of the existing term loan under the 2021 Term Loan agreement. In connection with the Fourth Amendment, the interest rate on the approximately \$700.1 million outstanding balance of the New Term Loans was reduced by 50 basis points to SOFR + 2.25% from SOFR + 2.75% with the SOFR floor unchanged at 0.00%. The New Term Loans will be subject to a prepayment premium of 1.00% of the principal amount repaid for any voluntary prepayment or mandatory prepayment with proceeds of debt that has a lower effective yield than the New Term Loans or any amendment to the New Term Loans that reduces the interest rate thereon, in each case, to the extent occurring within six months of the effective date of the Fourth Amendment. The maturity date for the 2021 Term Loan agreement remains March 24, 2028, and no changes were made to the financial covenants or other debt repayment terms.

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, and our financial statements included in Part I, Item 1 "Financial Statements" of this Report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Please refer to the section in this Report entitled "Cautionary Note Regarding Forward-Looking Statements."

Business Overview

We believe we are a leading provider of smart mobility technology solutions, principally operating throughout the United States, Australia, Europe and 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, transportation hubs and violation-issuing authorities. Our vision is to continue to develop and use technology and data intelligence to make transportation safer, smarter and more connected globally.

Our business is susceptible to a number of industry-specific and global macroeconomic factors that may cause our actual results of operations to differ from our historical results of operations or current expectations. The factors and trends that we currently believe are or will be most impactful to our results of operations and financial condition include the following: the inflationary impact on items such as wages and travel-related costs, future travel demand, and legislation regarding the adoption, expansion or prohibition of automated enforcement and traffic safety technology by local or state governments. We continue to monitor the potential favorable or unfavorable impacts of these and other factors on our business, operations, financial condition, and future results of operations.

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 \$51.4 million, or 8.5%, from \$606.3 million in the nine months ended September 30, 2023 to \$657.7 million in the same period in 2024. The increase was mainly due to service revenue resulting from increased travel volume in the Commercial Services segment and the growth from speed, red light and maintenance programs in the Government Solutions segment.
- Generated cash flows from operating activities of \$183.2 million and \$170.4 million for the nine months ended September 30, 2024 and 2023, respectively. Our cash on hand was \$206.1 million as of September 30, 2024.
- Continued to focus on debt management and lowering our exposure to higher interest rates, and as a result, we refinanced our debt and reduced our interest rate by 50 basis points and made early repayments of approximately \$4.5 million on our 2021 Term Loan during the nine months ended September 30, 2024.

Recent Events

Cancellation of the Interest Rate Swap

We exercised our option to cancel the interest rate swap agreement, effective September 30, 2024, which was previously used to hedge our exposure to higher interest rates associated with the variable portion of the interest rate on our 2021 Term Loan. Refer to Note 2, *Significant Accounting Policies*, in Part I, Item 1, Financial Statements, for additional information.

Share Repurchases and Retirement

In October 2023, our Board of Directors authorized a new 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. On June 6, 2024, we entered into a share repurchase agreement with a stockholder, pursuant to which we repurchased, directly from the stockholder, 2.0 million shares of our Class A Common Stock for an aggregate purchase price of \$51.5 million. The repurchased shares were subsequently retired. As of September 30, 2024, \$48.5 million remains

available under the share repurchase program. Refer to Note 10, *Stockholders' Equity*, in Part I, Item 1, Financial Statements for additional information on our share repurchases.

NYCDOT Contract

The New York City Department of Transportation (“*NYCDOT*”) represented approximately 16% and 17% of our total revenue for the nine months ended September 30, 2024 and 2023, respectively, and 13% and 18% of total accounts receivable, net as of September 30, 2024 and December 31, 2023, respectively. Our contract with NYCDOT expires on December 31, 2024, and we are presently participating in a competitive procurement for a new NYCDOT automated enforcement program contract. We are in discussions with NYCDOT on an extension and expect to conclude those discussions in a way that will allow NYCDOT to continue to utilize our automated enforcement program until the competitive procurement process is completed. However, there is no assurance that we will be successful in extending the contract at the conclusion of its term or winning the competitive procurement for the new automated enforcement contract. If we are unable to extend the contract with NYCDOT or win the competitive procurement for a new contact with NYCDOT, it would have a material adverse effect on our business, financial condition and results of operations.

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 fleet 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-end speed, red-light, school bus stop arm and bus lane enforcement solutions. Our international operations primarily involve the sale of traffic enforcement products and recurring maintenance services related to the equipment and software.
- Our Parking Solutions segment provides an integrated suite of parking software, transaction processing and hardware solutions to universities, municipalities, healthcare facilities and commercial parking operators in the United States and Canada.

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

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 (“*SaaS*”), 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, 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 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 and general corporate expenses.

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

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

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

Loss (Gain) on Interest Rate Swap. Loss (gain) on interest rate swap related 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 on Extinguishment of Debt. Loss on extinguishment of debt consists of the write-off of pre-existing original issue discounts and deferred financing costs associated with debt extinguishment.

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

Results of Operations

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 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, | | | | | |
|-----------------------------------------------------------------------|----------------------------------|------------------|-----------------------|---------------|-------------------------------------|--------------|
| | 2024 | 2023 | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| | | | 2024 | 2023 | \$ | % |
| Service revenue | \$ 217,267 | \$ 201,029 | 96.3% | 95.8% | \$ 16,238 | 8.1% |
| Product sales | 8,284 | 8,904 | 3.7% | 4.2% | (620) | (7.0)% |
| Total revenue | 225,551 | 209,933 | 100.0% | 100.0% | 15,618 | 7.4% |
| Cost of service revenue, excluding depreciation and amortization | 5,378 | 5,150 | 2.4% | 2.5% | 228 | 4.4% |
| Cost of product sales | 5,621 | 6,864 | 2.5% | 3.3% | (1,243) | (18.1)% |
| Operating expenses | 76,026 | 68,873 | 33.7% | 32.8% | 7,153 | 10.4% |
| Selling, general and administrative expenses | 47,918 | 42,276 | 21.2% | 20.1% | 5,642 | 13.3% |
| Depreciation, amortization and (gain) loss on disposal of assets, net | 26,718 | 27,597 | 11.9% | 13.1% | (879) | (3.2)% |
| Total costs and expenses | 161,661 | 150,760 | 71.7% | 71.8% | 10,901 | 7.2% |
| Income from operations | 63,890 | 59,173 | 28.3% | 28.2% | 4,717 | 8.0% |
| Interest expense, net | 18,723 | 20,384 | 8.3% | 9.7% | (1,661) | (8.1)% |
| Change in fair value of private placement warrants | — | (553) | — | (0.3)% | 553 | (100.0)% |
| Loss on interest rate swap | 913 | 60 | 0.4% | 0.0% | 853 | 1421.7% |
| Loss on extinguishment of debt | 33 | 1,975 | 0.0% | 1.0% | (1,942) | (98.3)% |
| Other income, net | (4,272) | (4,498) | (1.9)% | (2.1)% | 226 | (5.0)% |
| Total other expenses | 15,397 | 17,368 | 6.8% | 8.3% | (1,971) | (11.3)% |
| Income before income taxes | 48,493 | 41,805 | 21.5% | 19.9% | 6,688 | 16.0% |
| Income tax provision | 13,761 | 11,497 | 6.1% | 5.5% | 2,264 | 19.7% |
| Net income | \$ 34,732 | \$ 30,308 | 15.4% | 14.4% | \$ 4,424 | 14.6% |

Service Revenue. Service revenue increased by \$16.2 million, or 8.1%, to \$217.3 million for the three months ended September 30, 2024 from \$201.0 million for the three months ended September 30, 2023, representing 96.3% and 95.8% of total revenue, respectively. The following table depicts service revenue by segment:

| (\$ in thousands) | Three Months Ended September 30, | | | | | |
|------------------------------|----------------------------------|-------------------|-----------------------|--------------|-------------------------------------|-------------|
| | 2024 | 2023 | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| | | | 2024 | 2023 | \$ | % |
| Service revenue | | | | | | |
| Commercial Services | \$ 109,139 | \$ 98,149 | 48.4% | 46.8% | \$ 10,990 | 11.2% |
| Government Solutions | 91,003 | 85,092 | 40.3% | 40.5% | 5,911 | 6.9% |
| Parking Solutions | 17,125 | 17,788 | 7.6% | 8.5% | (663) | (3.7)% |
| Total service revenue | \$ 217,267 | \$ 201,029 | 96.3% | 95.8% | \$ 16,238 | 8.1% |

Commercial Services service revenue increased by \$11.0 million, or 11.2%, from approximately \$98.1 million for the three months ended September 30, 2023 to \$109.1 million for the three months ended September 30, 2024. The increase in higher travel volume, product adoption and tolling activity compared to the prior year, contributed to a \$4.9 million growth in RAC tolling revenue. In addition, the remaining \$6.1 million in revenue growth was contributed from processing violations, titles and registrations, FMC and other revenue during the three months ended September 30, 2024 compared to the same period in 2023.

Government Solutions service revenue increased by \$5.9 million, or 6.9%, from approximately \$85.1 million for the three months ended September 30, 2023, to \$91.0 million for the three months ended September 30, 2024. The increase was primarily driven by the expansion of speed and maintenance programs, contributing approximately \$3.8 million to the increase in service revenue for the 2024 quarter. The remaining increase was attributable to expansions across school bus stop arm and bus lane programs. Service revenue growth was driven by 12% of growth outside of New York City.

Parking Solutions service revenue modestly declined by \$0.7 million, or 3.7%, from approximately \$17.8 million for the three months ended September 30, 2023 to \$17.1 million for the three months ended September 30, 2024. The increased revenue from SaaS product offerings was offset by a reduction in professional services related to parking management solutions.

Product Sales. Product sales were \$8.3 million and \$8.9 million for the three months ended September 30, 2024 and 2023, respectively. Product sales decreased by \$0.6 million, which was due to a \$0.3 million decline in product sales to Government Solutions international customers, along with a \$0.3 million decrease in product sales to Parking Solutions customers driven by a structural transition from hardware to software and mobile payment solutions. Customer buying patterns vary greatly from period to period related to product sales.

Cost of Service Revenue, Excluding Depreciation and Amortization. Cost of service revenue, excluding depreciation and amortization increased from \$5.2 million for the three months ended September 30, 2023 to \$5.4 million for the same period in 2024, mainly due to increased recurring service costs.

Cost of Product Sales. Cost of product sales decreased by approximately \$1.3 million from \$6.9 million in the three months ended September 30, 2023 to \$5.6 million in the three months ended September 30, 2024, which was in line with the decrease in product sales discussed above.

Operating Expenses. Operating expenses increased by approximately \$7.2 million, or 10.4%, from \$68.9 million for the three months ended September 30, 2023 to \$76.0 million for the three months ended September 30, 2024. The increase in 2024 compared to the prior year period was primarily due to increases of \$5.1 million in wages expense, \$1.3 million of information technology costs and \$1.2 million of subcontractor costs, partially offset by lower costs related to operational equipment and maintenance. Operating expenses as a percentage of total revenue increased from 32.8% to 33.7% for the three months ended September 30, 2023 and 2024, respectively.

The following table presents operating expenses by segment:

| (\$ in thousands) | Three Months Ended September 30, | | | | | |
|----------------------------------------------------------|----------------------------------|------------------|-----------------------|--------------|-------------------------------------|--------------|
| | | | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| | 2024 | 2023 | 2024 | 2023 | \$ | % |
| Operating expenses | | | | | | |
| Commercial Services | \$ 24,683 | \$ 21,174 | 10.9% | 10.1% | \$ 3,509 | 16.6% |
| Government Solutions | 46,168 | 42,395 | 20.5% | 20.2% | 3,773 | 8.9% |
| Parking Solutions | 4,128 | 4,676 | 1.8% | 2.2% | (548) | (11.7)% |
| Total operating expenses before stock-based compensation | 74,979 | 68,245 | 33.2% | 32.5% | 6,734 | 9.9% |
| Stock-based compensation | 1,047 | 628 | 0.5% | 0.3% | 419 | 66.7% |
| Total operating expenses | <u>\$ 76,026</u> | <u>\$ 68,873</u> | <u>33.7%</u> | <u>32.8%</u> | <u>\$ 7,153</u> | <u>10.4%</u> |

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$47.9 million for the three months ended September 30, 2024 compared to \$42.3 million for the same period in 2023. This increase was mainly due to \$2.4 million in higher wages and benefits expense, \$1.6 million in stock-based compensation, and higher professional services and marketing costs compared to the prior year period. Selling, general and administrative expenses as a percentage of total revenue increased from 20.1% to 21.2% for the three months ended September 30, 2023 and 2024, respectively. The following table presents selling, general and administrative expenses by segment:

| (\$ in thousands) | Three Months Ended September 30, | | | | | |
|------------------------------------------------------------------------------------|----------------------------------|-----------|-----------------------|-------|-------------------------------------|--------|
| | 2024 | 2023 | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| | | | 2024 | 2023 | \$ | % |
| Selling, general and administrative expenses | | | | | | |
| Commercial Services | \$ 14,825 | \$ 15,544 | 6.6% | 7.4% | \$ (719) | (4.6)% |
| Government Solutions | 18,519 | 15,181 | 8.2% | 7.2% | 3,338 | 22.0% |
| Parking Solutions | 5,717 | 6,002 | 2.5% | 2.9% | (285) | (4.7)% |
| Corporate and other | 3,466 | 1,734 | 1.5% | 0.8% | 1,732 | 99.9% |
| Total selling, general and administrative expenses before stock-based compensation | 42,527 | 38,461 | 18.8% | 18.3% | 4,066 | 10.6% |
| Stock-based compensation | 5,391 | 3,815 | 2.4% | 1.8% | 1,576 | 41.3% |
| Total selling, general and administrative expenses | \$ 47,918 | \$ 42,276 | 21.2% | 20.1% | \$ 5,642 | 13.3% |

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net, decreased by \$0.9 million to \$26.7 million for the three months ended September 30, 2024 from \$27.6 million for the same period in 2023. This was mainly due to a developed technology intangible asset being fully amortized in the three months ended September 30, 2024 as compared to the prior year. This decrease was partially offset by an increase in depreciation expense in the 2024 period.

Interest Expense, Net. Interest expense, net decreased by approximately \$1.7 million from \$20.4 million for the three months ended September 30, 2023 to \$18.7 million for the same period in 2024. This was primarily related to the February 2024 repricing of the 2021 Term Loan and the voluntary principal prepayments made during 2023 and 2024 which lowered the outstanding debt balance. The average variable interest rate on the 2021 Term Loan was 46 basis points lower for the three months ended September 30, 2024 compared to the prior year period. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*” in Part I, Item 2.”

Change in Fair Value of Private Placement Warrants. We recorded a gain of approximately \$0.6 million for the three months ended September 30, 2024 related to the 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 the reporting period or a final re-measurement upon their exercise.

Loss on Interest Rate Swap. We recorded a loss of \$0.9 million during the three months ended September 30, 2024, of which \$1.2 million was associated with the derivative instrument re-measured to fair value at the end of the reporting period, offset by \$0.3 million related to the monthly cash proceeds on the interest rate swap. We recorded a \$0.1 million loss during the three months ended September 30, 2023, of which approximately \$0.2 million was 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 proceeds. We exercised our option to cancel the interest rate swap agreement as of September 30, 2024.

Loss on Extinguishment of Debt. We recorded a less than \$0.1 million loss on extinguishment of debt during the three months ended September 30, 2024 related to the write-off of pre-existing deferred financing costs and discounts on the 2021 Term Loan. 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 early repayment of \$100.0 million on the 2021 Term Loan.

Other Income, Net. Other income, net decreased to \$4.3 million for the three months ended September 30, 2024 compared to \$4.5 million for the three months ended September 30, 2023 primarily due to foreign currency transaction losses.

Income Tax Provision. Income tax provision was \$13.8 million representing an effective tax rate of 28.4% for the three months ended September 30, 2024 compared to a tax provision of \$11.5 million, with an effective tax rate of 27.5% for the same period in 2023. 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 that impacted the rate in the prior year without a comparable impact in the current period.

Net Income. We had net income of \$34.7 million for the three months ended September 30, 2024, as compared to a net income of \$30.3 million for the three months ended September 30, 2023. The \$4.4 million increase in net income was primarily due to the decrease in loss on extinguishment of debt and the interest expense, and the other statement of operations activity discussed above.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 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) | Nine Months Ended September 30, | | | | | |
|-----------------------------------------------------------------------|---------------------------------|------------------|-----------------------|---------------|-------------------------------------|----------------|
| | 2024 | 2023 | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| | | | 2024 | 2023 | \$ | % |
| Service revenue | \$ 632,005 | \$ 581,777 | 96.1% | 96.0% | \$ 50,228 | 8.6% |
| Product sales | 25,702 | 24,520 | 3.9% | 4.0% | 1,182 | 4.8% |
| Total revenue | 657,707 | 606,297 | 100.0% | 100.0% | 51,410 | 8.5% |
| Cost of service revenue, excluding depreciation and amortization | 14,324 | 13,718 | 2.2% | 2.2% | 606 | 4.4% |
| Cost of product sales | 18,755 | 18,209 | 2.9% | 3.0% | 546 | 3.0% |
| Operating expenses | 221,569 | 196,373 | 33.7% | 32.4% | 25,196 | 12.8% |
| Selling, general and administrative expenses | 142,432 | 125,494 | 21.7% | 20.7% | 16,938 | 13.5% |
| Depreciation, amortization and (gain) loss on disposal of assets, net | 81,215 | 87,018 | 12.2% | 14.4% | (5,803) | (6.7)% |
| Total costs and expenses | 478,295 | 440,812 | 72.7% | 72.7% | 37,483 | 8.5% |
| Income from operations | 179,412 | 165,485 | 27.3% | 27.3% | 13,927 | 8.4% |
| Interest expense, net | 57,203 | 65,842 | 8.7% | 10.9% | (8,639) | (13.1)% |
| Change in fair value of private placement warrants | — | 24,966 | — | 4.1% | (24,966) | (100.0)% |
| Loss (gain) on interest rate swap | 494 | (1,947) | 0.1% | (0.3)% | 2,441 | (125.4)% |
| Loss on extinguishment of debt | 628 | 3,533 | 0.1% | 0.5% | (2,905) | (82.2)% |
| Other income, net | (13,970) | (12,766) | (2.1)% | (2.1)% | (1,204) | 9.4% |
| Total other expenses | 44,355 | 79,628 | 6.8% | 13.1% | (35,273) | (44.3)% |
| Income before income taxes | 135,057 | 85,857 | 20.5% | 14.2% | 49,200 | 57.3% |
| Income tax provision | 36,953 | 31,864 | 5.6% | 5.3% | 5,089 | 16.0% |
| Net income | \$ 98,104 | \$ 53,993 | 14.9% | 8.9% | \$ 44,111 | 81.7% |

Service Revenue. Service revenue increased by \$50.2 million, or 8.6%, to \$632.0 million for the nine months ended September 30, 2024 from \$581.8 million for the nine months ended September 30, 2023, representing 96.1% and 96.0% of total revenue, respectively. The following table depicts service revenue by segment:

| (\$ in thousands) | Nine Months Ended September 30, | | | | | |
|------------------------------|---------------------------------|-------------------|-----------------------|--------------|-------------------------------------|-------------|
| | 2024 | 2023 | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| | | | 2024 | 2023 | \$ | % |
| Service revenue | | | | | | |
| Commercial Services | \$ 309,013 | \$ 278,243 | 47.0% | 45.9% | \$ 30,770 | 11.1% |
| Government Solutions | 272,747 | 253,319 | 41.5% | 41.8% | 19,428 | 7.7% |
| Parking Solutions | 50,245 | 50,215 | 7.6% | 8.3% | 30 | 0.1% |
| Total service revenue | \$ 632,005 | \$ 581,777 | 96.1% | 96.0% | \$ 50,228 | 8.6% |

Commercial Services service revenue increased by \$30.8 million, or 11.1%, from \$278.2 million for the nine months ended September 30, 2023 to \$309.0 million for the nine months ended September 30, 2024. The increase was primarily due to increased travel volume, product adoption and increased tolling activity compared to the prior year. These factors contributed to a \$16.3 million growth in RAC tolling revenue and an increase in enrolled vehicles as well as higher tolling activity for our FMC customers contributed to a \$7.6 million growth in FMC revenue during the nine months ended September 30, 2024, compared to the same period in 2023. In addition, there was more revenue generated from processing titles and registrations and from processing violations compared to the prior year period.

Government Solutions service revenue increased by \$19.4 million, or 7.7%, from \$253.3 million for the nine months ended September 30, 2023, to \$272.7 million for the nine months ended September 30, 2024. The increase was primarily driven by the expansion of speed, red light and maintenance programs, contributing \$13.1 million to the service revenue increase compared to the prior year. The remaining increase is attributable to expansions across school bus stop arm and bus lane programs.

Parking Solutions service revenue was relatively consistent at \$50.2 million for both the nine months ended September 30, 2024 and 2023. The increased revenue from SaaS product offerings was partially offset by a decrease in professional services related to parking management solutions.

Product Sales. Product sales were \$25.7 million and \$24.5 million for the nine months ended September 30, 2024 and 2023, respectively. Product sales increased by \$1.2 million, which was due to a \$3.9 million increase in product sales to Government Solutions customers, offset by a \$2.7 million decrease in product sales in the Parking Solutions segment driven by a structural transition from hardware to software and mobile payment solutions. Customer buying patterns vary greatly from period to period related to product sales.

Cost of Service Revenue, Excluding Depreciation and Amortization. Cost of service revenue, excluding depreciation and amortization increased from \$13.7 million for the nine months ended September 30, 2023 to \$14.3 million for the nine months ended September 30, 2024, mainly due to increased recurring service costs for the Parking Solutions segment.

Cost of Product Sales. Cost of product sales increased by \$0.6 million from \$18.2 million in the nine months ended September 30, 2023 to approximately \$18.8 million in the nine months ended September 30, 2024, which was in line with the increase in product sales discussed above.

Operating Expenses. Operating expenses increased by \$25.2 million, or 12.8%, from \$196.4 million for the nine months ended September 30, 2023 to \$221.6 million for the nine months ended September 30, 2024. The increase in 2024 was primarily attributable to increases of \$16.2 million in wages expense, \$5.6 million of information technology costs and \$3.2 million of recurring service costs compared to the prior year period. Operating expenses as a percentage of total revenue increased from 32.4% to 33.7% for the nine months ended September 30, 2023 and 2024, respectively.

The following table presents operating expenses by segment:

| (\$ in thousands) | Nine Months Ended September 30, | | | | | |
|----------------------------------------------------------|---------------------------------|-------------------|-----------------------|--------------|-------------------------------------|--------------|
| | | | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| | 2024 | 2023 | 2024 | 2023 | \$ | % |
| Operating expenses | | | | | | |
| Commercial Services | \$ 69,351 | \$ 61,819 | 10.5% | 10.2% | \$ 7,532 | 12.2% |
| Government Solutions | 135,923 | 119,398 | 20.7% | 19.7% | 16,525 | 13.8% |
| Parking Solutions | 13,109 | 13,649 | 2.0% | 2.3% | (540) | (4.0)% |
| Total operating expenses before stock-based compensation | 218,383 | 194,866 | 33.2% | 32.2% | 23,517 | 12.1% |
| Stock-based compensation | 3,186 | 1,507 | 0.5% | 0.2% | 1,679 | 111.4% |
| Total operating expenses | <u>\$ 221,569</u> | <u>\$ 196,373</u> | <u>33.7%</u> | <u>32.4%</u> | <u>\$ 25,196</u> | <u>12.8%</u> |

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$142.4 million for the nine months ended September 30, 2024 compared to \$125.5 million for the same period in 2023. This is primarily due to increases of \$6.2 million in wages expense, \$3.9 million of credit loss expense, \$4.6 million in stock-based compensation expense, and increases in marketing and other general expenses, partially offset by a decrease in professional services costs compared to the prior year. Selling, general and administrative expenses as a percentage of total revenue increased from 20.7% to 21.7% for the nine months ended September 30, 2023 and 2024, respectively. The following table presents selling, general and administrative expenses by segment:

| (\$ in thousands) | Nine Months Ended September 30, | | | | | |
|------------------------------------------------------------------------------------|---------------------------------|------------|-----------------------|-------|-------------------------------------|--------|
| | 2024 | 2023 | Percentage of Revenue | | Increase (Decrease) 2024 vs 2023 | |
| | | | 2024 | 2023 | \$ | % |
| Selling, general and administrative expenses | | | | | | |
| Commercial Services | \$ 48,079 | \$ 47,127 | 7.3% | 7.8% | \$ 952 | 2.0% |
| Government Solutions | 53,490 | 45,747 | 8.1% | 7.5% | 7,743 | 16.9% |
| Parking Solutions | 18,787 | 18,991 | 2.9% | 3.1% | (204) | (1.1)% |
| Corporate and other | 6,676 | 2,790 | 1.0% | 0.5% | 3,886 | 139.3% |
| Total selling, general and administrative expenses before stock-based compensation | 127,032 | 114,655 | 19.3% | 18.9% | 12,377 | 10.8% |
| Stock-based compensation | 15,400 | 10,839 | 2.4% | 1.8% | 4,561 | 42.1% |
| Total selling, general and administrative expenses | \$ 142,432 | \$ 125,494 | 21.7% | 20.7% | \$ 16,938 | 13.5% |

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net, decreased by \$5.8 million to \$81.2 million for the nine months ended September 30, 2024 from \$87.0 million for the same period in 2023. This was mainly due to certain non-compete, trademark and developed technology intangible assets being fully amortized in the nine months ended September 30, 2024 as compared to the prior year. This decrease was partially offset by an increase in depreciation expense in the 2024 period.

Interest Expense, Net. Interest expense, net decreased by \$8.6 million from \$65.8 million for the nine months ended September 30, 2023 to \$57.2 million for the same period in 2024. This was primarily attributable to voluntary principal prepayments made during 2023 and 2024 which lowered the outstanding debt balance in 2024 coupled with a 50 basis-point reduction in the interest rate from refinancing our debt on February 8, 2024. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*” in Part I, Item 2.

Change in Fair Value of Private Placement Warrants. We recorded a loss of \$25.0 million for the nine months ended September 30, 2023 related to the 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 the reporting period, or a final re-measurement upon their exercise.

Loss (Gain) on Interest Rate Swap. We recorded a \$0.5 million loss during the nine months ended September 30, 2024, of which \$1.3 million is associated with the derivative instrument re-measured to fair value at the end of the reporting period offset by \$(0.8) million related to the monthly cash proceeds. 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 offset by \$1.4 million related to the monthly cash payments. We exercised our option to cancel the interest rate swap agreement as of September 30, 2024.

Loss on Extinguishment of Debt. We recorded a \$0.6 million loss on extinguishment of debt during the nine months ended September 30, 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 \$3.5 million loss on extinguishment of debt during the nine months ended September 30, 2023 related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayments of \$172.5 million on the 2021 Term Loan.

Other Income, Net. Other income, net was \$14.0 million for the nine months ended September 30, 2024 compared to \$12.8 million for the nine months ended September 30, 2023. The increase of \$1.2 million is primarily attributable to volume rebates earned from total spend on credit card transactions due to increased tolling and travel activity.

Income Tax Provision. Income tax provision was \$37.0 million representing an effective tax rate of 27.4% for the nine months ended September 30, 2024 compared to a tax provision of \$31.9 million, with an effective tax rate of 37.1% for the same period in 2023. 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 that impacted the rate in the prior year without a comparable impact in 2024.

Net Income. We had net income of \$98.1 million for the nine months ended September 30, 2024, as compared to a net income of \$54.0 million for the nine months ended September 30, 2023. The \$44.1 million increase in net income was primarily due to the change in fair value of Private Placement Warrants expense in the prior year period, decrease in interest expense and the other statement of operations activity discussed above.

Liquidity and Capital Resources

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

We believe that our existing cash and cash equivalents, cash flows provided by operating activities and our ability to borrow under our Revolver will be sufficient to meet operating cash requirements, service debt obligations and fund potential share repurchases for at least the next 12 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, borrowings 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, 2024, we had \$74.6 million available for borrowing, net of letters of credit, under our Revolver. Our cash on hand was \$206.1 million as of September 30, 2024.

In February 2024, we refinanced our 2021 Term Loan and entered into a third amendment to the 2021 Term Loan agreement which reduced our interest rate by 50 basis points and eliminated the applicable credit spread adjustment. We made early repayments of approximately \$4.5 million on our 2021 Term Loan during the nine months ended September 30, 2024, and as a result, the total principal outstanding on the 2021 Term Loan was \$700.1 million as of September 30, 2024. Subsequent to September 30, 2024, we entered into a fourth amendment to the 2021 Term Loan agreement in October 2024 to refinance the entire outstanding amount of \$700.1 million under the 2021 Term Loan and to further reduce the interest rate by 50 basis points.

At September 30, 2024, the TRA liability was approximately \$53.5 million. We expect to make payments of approximately \$5.0 million per year for the next 11 years.

Share Repurchases and Retirement

In October 2023, our Board of Directors authorized a new 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. 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 are subject to market conditions, applicable securities laws and other factors and may be amended, suspended or discontinued at any time. On June 6, 2024, we entered into a share repurchase agreement with a stockholder, pursuant to which we repurchased, directly from the stockholder, 2.0 million shares of our Class A Common Stock for an aggregate purchase price of \$51.5 million. The repurchased shares were subsequently retired. As of September 30, 2024, \$48.5 million remains available under the share repurchase program. Refer to Note 10, *Stockholders' Equity*, in Part I, Item 1, Financial Statements for additional information on our share repurchases.

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

| (\$ in thousands) | Nine Months Ended September 30, | |
|-------------------------------------------|---------------------------------|------------|
| | 2024 | 2023 |
| Net cash provided by operating activities | \$ 183,155 | \$ 170,371 |
| Net cash used in investing activities | (51,031) | (41,693) |
| Net cash used in financing activities | (59,574) | (118,450) |

Cash Flows from Operating Activities

Cash provided by operating activities increased by approximately \$12.8 million from \$170.4 million for the nine months ended September 30, 2023 to \$183.2 million for the nine months ended September 30, 2024. Net income year over year increased by approximately \$44.1 million, from \$54.0 million in 2023 to \$98.1 million in 2024. The aggregate adjustments to reconcile net income to net cash provided by operating activities decreased \$13.1 million mainly due to the change in fair value of private placement warrants and decreased amortization, which were partially offset by increases in stock-based compensation, change in deferred income taxes, change in fair value of interest rate swap and credit loss expense. The aggregate changes in operating assets and liabilities decreased by \$18.2 million in 2024 compared to the prior year primarily due to a legal settlement payment and increase in prepaid and other current assets, that were partially offset by a decrease in accounts receivables.

Cash Flows from Investing Activities

Cash used in investing activities was \$51.0 million and \$41.7 million for the nine months ended September 30, 2024 and 2023, respectively. The increase in cash used was primarily driven by a \$11.5 million increase for purchases of installation and service parts and property and equipment compared to the prior year period.

Cash Flows from Financing Activities

Cash used in financing activities was \$59.6 million and \$118.5 million for the nine months ended September 30, 2024 and 2023, respectively. The cash used in 2024 was mainly due to \$51.5 million paid for share repurchases, \$5.8 million of payments for employee tax withholding related to RSUs and PSUs vesting and early repayments of \$4.5 million on our 2021 Term Loan. The cash used in 2023 was mainly due to early repayments totaling \$172.5 million on our 2021 Term Loan and \$100.0 million of share repurchases, which were partially offset by \$161.4 million of proceeds from the exercise of warrants.

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 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.

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).

During the nine months ended September 30, 2024 and 2023, we made early repayments of approximately \$4.5 million and \$172.5 million, respectively, on the 2021 Term Loan, and as a result the total principal outstanding on the 2021 Term Loan was \$700.1 million as of September 30, 2024.

We recorded \$0.1 million and \$0.6 million loss on extinguishment of debt during the three and nine months ended September 30, 2024 primarily related to the write-off of pre-existing deferred financing costs and discounts in connection with the Refinancing Transaction. We recognized a loss on extinguishment of debt of \$2.0 million and \$3.5 million for the three and nine months ended September 30, 2023, respectively, related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayments.

The 2021 Term Loan bears interest based, at our option, on either (i) Term SOFR plus an applicable margin of 2.75% per annum, or (ii) an alternate base rate plus an applicable margin of 1.75% per annum. As of September 30, 2024, the interest rate on the 2021 Term Loan was 7.6%.

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% |

Subsequent to September 30, 2024, we amended the 2021 Term Loan agreement to refinance the entire outstanding amount under the 2021 Term Loan and reduced the interest rate by 50 basis points. See Note 15, *Subsequent Event*, in Part I, Item 1, Financial Statements, for additional information.

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. 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% |

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 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 were no outstanding borrowings on the Revolver as of September 30, 2024 or December 31, 2023. The availability to borrow was \$74.6 million, net of \$0.4 million of outstanding letters of credit at September 30, 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 \$0.4 million of outstanding letters of credit as of September 30, 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 our assets are pledged as collateral to secure our indebtedness under the 2021 Term Loan. At September 30, 2024, we were compliant with all debt covenants.

Interest Expense, Net

We recorded interest expense, including amortization of deferred financing costs and discounts, of \$18.7 million and \$20.4 million for the three months ended September 30, 2024 and 2023, respectively, and \$57.2 million and \$65.8 million for the nine months ended September 30, 2024 and 2023, respectively.

Goodwill

We perform our annual goodwill impairment assessment at October 1 of each year, or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable. In connection with the 2023 annual assessment, we concluded there was no impairment for any of our four reporting units. We performed a quantitative impairment test for the Parking Solutions reporting unit as of October 1, 2023 which resulted in the estimated fair value exceeding the reporting unit's carrying value by approximately 7%.

Due to recent performance that unfavorably impacted the Parking Solutions business, including changes in leadership as well as lower revenue growth and profitability margins for certain programs than previously estimated, it is reasonably possible that the changes in one or more assumptions, including a significant decline in compounded annual revenue growth rates, increase in the discount rate, or shortfalls in the financial performance relative to projections used to estimate fair value could result in a material impairment of goodwill in future periods. Refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations* within the 2023 Annual Report on Form 10-K for further discussion of assumptions and methodology used.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet financing arrangements as of September 30, 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. Please refer to our Annual Report 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.

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 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 \$700.1 million at September 30, 2024. The 2021 Term Loan bears interest based, at our option, on either (i) Term SOFR plus an applicable margin of 2.75% per annum, or (ii) an alternate base rate plus an applicable margin of 1.75% per annum. As of September 30, 2024, the interest rate on the 2021 Term Loan was 7.6%.

Based on the September 30, 2024 balance outstanding, each 1% movement in interest rates will result in an approximately \$7.0 million change in annual interest expense.

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. We exercised our option to cancel the interest rate swap as of September 30, 2024.

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 September 30, 2024 due to a material weakness in our internal control over financial reporting described below and previously disclosed in Part II, Item 9A. "Controls and Procedures" in our Annual Report.

Material Weakness

We identified a material weakness in the design and operation of our internal controls over financial reporting in the "Control Activities" component of the Committee of Sponsoring Organizations (COSO) framework related to a lack of information technology general controls to prevent the risk of management override. Specifically, we identified system limitations that do not facilitate proper segregation of duties within multiple systems and a lack of mitigating business process level controls to address the risk of management override over the preparation and review of manual journal entries and certain manual revenue invoices.

While this deficiency did not result in any material misstatements of our consolidated interim or annual financial statements, it does represent a material weakness in our internal control over financial reporting.

Remediation Efforts to Address the Material Weakness

As previously described in Part II, Item 9A. "Controls and Procedures" in our Annual Report, we began implementing a remediation plan to address the material weakness discussed above. The material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. The Company has devoted, significant time and resources to complete its remediation of the material weakness. The Company is targeting completion of the remediation and testing of the material weakness by the end of the 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, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may become involved with various legal proceedings. Refer to the information contained under the heading “Legal Proceedings” in Note 13 to our Unaudited Condensed Consolidated Financial Statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A.

Risks Related to Our Business

Part I, Item 1A. “Risk Factors” in our Annual Report includes a discussion of our risk factors. There have been no material changes from the risk factors described in our Annual 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

We did not have any purchases of our Class A Common Stock during the three months ended September 30, 2024.

Sales of Unregistered Securities

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

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Insider Trading Arrangements

During the three months ended September 30, 2024, none of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement. (as each term is defined in Item 408 of Regulation S-K).

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Report.

EXHIBIT INDEX

| Exhibit Number | Description | Form | Incorporated by Reference | | | Filed Herewith |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------------------------|---------|------------------|----------------|
| | | | File No. | Exhibit | Filing Date | |
| 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. 4 to Amended and Restated First Lien Term Loan Credit Agreement, dated as of October 3, 2024, by and among Greenlight Acquisition Corporation, VM Consolidated, Inc. (formerly known as ATS Consolidated, Inc.), American Traffic Solutions, Inc., and 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 | October 7, 2024 | |
| 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.

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: October 31, 2024

By: /s/ Craig Conti

Craig Conti

Chief Financial Officer

(Principal Financial Officer)

**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 does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
 - d) Disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2024

By: /s/ David Roberts

David Roberts

President and Chief Executive Officer

**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 does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2024

By: /s/ Craig Conti
Craig Conti
Chief Financial Officer

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, 2024 as filed with the Securities and Exchange Commission on the date hereof (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 Company.

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

Dated: October 31, 2024

By: /s/ David Roberts

David Roberts

President and Chief Executive Officer

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, 2024 as filed with the Securities and Exchange Commission on the date hereof (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 Company.

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

Dated: October 31, 2024

By: /s/ Craig Conti
Craig Conti
Chief Financial Officer
