

**VERRA
MOBILITY™**
Safe. Smart. Connected.

Verra Mobility Corporation

2022 ANNUAL REPORT

SAFE. SMART. CONNECTED.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.
Commission File Number 001-37979

VERRA MOBILITY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

1150 North Alma School Road

Mesa, Arizona

(Address of Principal Executive Offices)

81-3563824

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

85201

(Zip Code)

(480) 443-7000

(Registrant's telephone number, including area code)

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

<i>(Title of Each Class)</i>	<i>(Trading Symbol)</i>	<i>(Name of Each Exchange on Which Registered)</i>
Class A Common Stock, par value \$0.0001 per share	VRRM	Nasdaq Capital Market
Warrants to purchase Class A Common Stock	VRRMW	OTC Pink Marketplace

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 has filed a report on attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2022, computed by reference to the closing price reported on the Nasdaq Capital Market on such date was \$2,395,635,197 (152,491,101 shares at a closing price per share of \$15.71).

As of February 24, 2023, the registrant had 148,981,250 shares of Class A Common Stock, par value \$0.0001 per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be filed in connection with its annual meeting of stockholders to be held May 23, 2023 are incorporated by reference into Part III of this Form 10-K.

VERRA MOBILITY CORPORATION
FORM 10-K
For the Fiscal Year Ended December 31, 2022

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Cautionary Note Regarding Forward-Looking Statements

The discussions in this Annual Report on Form 10-K (“Annual Report”), as well as in our other filings with the Securities and Exchange Commission (the “SEC”) and other written and oral information we release, contain forward-looking statements within the meaning of federal securities laws. These forward-looking statements include, but are not limited to, statements concerning our future operating results and financial position, our strategy, expectations regarding demand and acceptance for our products, services and technologies, growth opportunities and trends in the markets in which we operate, future impacts to our business as a result of economic and market conditions, expected cost reductions, benefits and synergies related to our acquisitions and management’s plans and objectives. The words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” and “will,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on them. Actual events or results could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part I, Item 1A, “Risk Factors” in this Annual Report and in our other filings with the SEC. Forward-looking statements speak only as of the date they are made, and we do not undertake to update these statements other than as required by law.

When we refer to “Verra Mobility,” the “Company,” “we,” “us,” or “our” in this Annual Report, we are referring to Verra Mobility Corporation and its consolidated subsidiaries.

PART I

Item 1. Business

Overview

We are a leading provider of smart mobility technology solutions 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 fleet owners such as rental car companies (“*RACs*”) and fleet management companies (“*FMCs*”), governments, universities, parking operators, healthcare facilities, transportation hubs and other violation-issuing authorities.

Our vision is to develop and use technology and data intelligence to make transportation safer, smarter and more connected.

Segments

Our solutions are offered through three segments: (i) Commercial Services, (ii) Government Solutions and (iii) Parking Solutions.

Commercial Services

Our Commercial Services segment generated approximately \$326.0 million in revenue for 2022, or approximately 44.0% of our total revenue. We believe that our Commercial Services segment is the market-leading provider of automated toll and violations management and title and registration solutions to RACs, FMCs and other large fleet owners in North America. In Europe, our Commercial Services segment provides violations processing through Euro Parking Collection plc (“*EPC*”) and consumer tolling services through Pagatelia S.L.U. (“*Pagatelia*”). We have long-standing relationships with, among others, the three largest RACs in the United States, Avis Budget Group, Enterprise Holdings, Inc. and The Hertz Corporation. We also have relationships with key European RACs and the five largest FMCs in the United States. Through our established relationships with individual tolling authorities throughout the United States, we provide an automated and outsourced administrative solution for our customers while also providing a value-added convenience for vehicle drivers and benefits to the tolling and issuing authorities. Our toll and violations management solutions help ensure timely payment for tolls and violations incurred by our customers’ vehicles and perform timely transfers of liability on our customers’ behalf, and billing and collecting from the driver as applicable. We also manage regional toll transponder installation and vehicle association, a critical and highly complex process for RAC and FMC customers, to ensure that the transponder (and corresponding toll transactions) are associated with the correct vehicle.

Government Solutions

Our Government Solutions segment generated approximately \$336.7 million in revenue for 2022, or approximately 45.4% of our total revenue. We believe our Government Solutions segment is the market-leading provider of automated safety solutions in the United States, Canada and Australia to state and local governments. In the United States, we provide government agencies with road safety cameras to detect and process traffic violations for red-light, speed, school bus, and city bus lanes. Our proprietary hardware and software technologies provide government agencies the information, data, and automated end-to-end administrative capabilities to enforce traffic violations through photo enforcement. On behalf of our customers, we install, maintain, and manage automated safety solution hardware and software that processes event data, applies customer specific rules and connects a traffic violation to the responsible driver or vehicle owner. Additionally, upon law enforcement’s determination that a violation has occurred, we offer an “end-to-end” solution to manage the citation mailing, billing, and other administrative tasks on behalf of our customers. For many international customers, we design, engineer, and maintain roadside photo enforcement technology, including both hardware and software, which is sold or licensed to government agencies and often maintained with maintenance contracts to support the technology.

Parking Solutions

We formed our Parking Solutions segment after our acquisition of T2 Systems Parent Corporation (“*T2 Systems*”) in December 2021. This segment generated approximately \$79.0 million in revenue for 2022, or

approximately 10.6% of our total revenue. Our Parking Solutions segment is a North American leader of end-to-end commercial parking management solutions in the markets we serve. This segment serves over 2,000 customers in the university, municipal, healthcare and commercial operator markets. Our proprietary software and hardware technologies provides our customers with solutions needed to manage and monetize parking and enforcement operations. In 2022, we processed over 163 million transactions using our various parking solutions systems. Each need requires technology solutions for parking access and revenue control, single- and multi-space pay stations, integrated physical and mobile payments, back-office parking rate management, permit issuance and management, online citation payment, event parking, occupancy, and back-office management of violations, amongst other requirements.

Markets and Competition

There is no single competitor that provides a similarly broad suite of solutions across our business segments. However, in our Government Solutions segment, we face competition in certain automated safety solutions from other vendors in the areas of red-light, school bus, speed and bus lane photo enforcement. In our Commercial Services segment, we face competition from both our own customers, who may choose to invest in their own internal solutions, and vendors offering or seeking to offer new technologies or financial models, and we must continue to innovate to remain competitive. In Parking Solutions, we face competition from a variety of segment-specific competitors in our markets in the United States and Canada.

Tolling

The tolling industry is highly fragmented and complex, as it is comprised of more than 80 tolling operators with specific coverage regions and disparate technology platforms, processing requirements and business rules. We believe that as state and local governments fund a growing list of infrastructure, maintenance and construction projects, there will be an increase in the number of toll roads, including new express and high occupancy lanes in urban areas. We expect this trend will also increase utilization of dynamic tolling, which allows toll rates to fluctuate based on traffic trends and real-time congestion. In addition, 95% of toll road transactions in the United States are cashless or all-electronic payment. We believe that these trends create sizable opportunities for us to expand our tolling market presence while developing relationships with tolling authorities.

Commercial Fleet

Our Commercial Services customers consist of RACs, FMCs and other large fleet owners. The approximately \$36 billion United States RAC industry is highly consolidated, with three companies, with which we have long-standing relationships, accounting for a significant majority of United States RAC revenues in 2022. We believe that the above-mentioned trends toward the use of toll roads additionally create significant opportunities for us to expand our fleet market presence while developing relationships with both new and existing RACs, FMCs, and other fleet consumers.

Automated Safety

As cities and municipalities wrestle with the evolving challenges of managing traffic congestion, road safety and accessible transportation networks, automated enforcement solutions continue to serve as an effective tool for comprehensive safety and mobility initiatives. In 2020, the Congressional Research Service found cameras to be an effective tool for law enforcement and other agencies to reduce the number of traffic-related violations, collisions, injuries and fatalities, and the American Association of State Highway and Transportation Officials has called on states to support greater use of automated speed enforcement. New York City's Automated Speed Enforcement Program 2014-2020 Report, noted a 72% average reduction in dangerous speeding at its fixed camera locations. Additionally, programs like Vision Zero, a collaborative campaign helping communities reach their goals of eliminating all traffic fatalities and severe injuries, across most major U.S. cities and around the world, are driving capital investment to make meaningful strides in traffic safety. Public attention given to traffic safety issues for drivers, pedestrians, children, bicyclists and law enforcement is intensifying and governments are facing shortfalls in transportation revenue. In this context, smart technology solutions have emerged as an effective and revenue-positive method to address traffic safety issues. We believe that as public focus intensifies, the demand for our Government Solutions offerings will grow as well, and that we are positioned to take advantage of these opportunities.

Parking

The parking industry consists of a highly fragmented mix of end customers, including universities, municipalities, private operators, healthcare providers and airports, among other industries. These customers each have different parking needs such as off-street parking, on-street parking, permits, enforcement and consumer engagement. T2 Systems has customer relationships with approximately 30% of higher education institutions in its target tiers, according to internal analysis. The broader parking market in which T2 System's operates – North American municipalities, universities and healthcare providers – represents up to a \$4 billion market according to a 2021 market estimate. Parking Solutions market segments are focused on strategies to offset costs in reaction to downturns caused by the COVID-19 pandemic and market participants are struggling to attract and retain labor. At the same time, consumers are increasingly willing to adopt mobile solutions to simplify their transportation needs, creating market opportunities to advance self-service options. We believe that technology solutions that provide mobile-first, self-service offerings, improve operational efficiency, reduce reliance on parking-related labor, and commercial models that reduce up-front costs provide solutions for market needs and establish a long-term operating model.

Products

Commercial Services

Toll management solutions

We provide fully outsourced toll management solutions for our fleet owner customers, including RACs and FMCs, while also providing a value-added convenience for vehicle drivers via our established relationships and integrations with more than 50 individual tolling authorities throughout the United States. This comprehensive network allows RAC and FMC drivers the convenience of using cashless and all-electronic tolls. Additionally, this service helps prevent the liability and business disruption of costly toll violations incurred by vehicles owned by RAC and FMC customers and eliminates their need to manage a nationwide program internally. Our proprietary software technology and hardware allow us to effectively match a toll to the specific RAC or FMC vehicle and driver so that the toll can accurately and reliably be billed and collected on behalf of, or directly from, the RAC or FMC. Toll management solutions accounted for approximately 37.2% of our 2022 revenues.

Violations management solutions

Our violations management solutions process violations incurred by the drivers of RAC and FMC vehicles by working with more than 8,000 domestic violation-issuing authorities (more than 400 of which we are directly integrated with) to either pay the fine on behalf of the vehicle owner (for which we are able to bill the driver) or to transfer liability directly to the vehicle driver. Vehicle-issued violations include parking and photo enforcement violations. In Europe, we specialize in the identification, notification, and collection of unpaid traffic, parking and public transport related fees, charges, and penalties issued to foreign registered vehicles or persons on behalf of issuing authorities in 17 European countries. Violation management solutions accounted for approximately 4.6% of our 2022 revenues.

Title and registration solutions

Our title and registration solutions provide RAC and FMC customers with an integrated, end-to-end solution for managing vehicle titles and registrations and annual renewals. We provide automated title and registration solutions by leveraging connections with individual departments of motor vehicles for electronic title and registration processing in 20 states. Title and registration solutions accounted for approximately 2.2% of our 2022 revenues.

Government Solutions

We serve as a value-add partner to government agencies by providing photo enforcement solutions that promote traffic safety and reduce traffic violations. We work with our customers to identify problematic traffic areas and install, maintain and manage the technology platform needed to capture images or videos of drivers committing traffic violations. Red-light cameras are placed at intersections to capture vehicles running red lights. Similarly, speed safety cameras are used to capture vehicles exceeding speed limits, either on a fixed basis or in a mobile platform, and often in school zones. School bus cameras are fixed to the side of buses to capture vehicles passing school buses with extended stop arms. Finally, bus lane cameras are designed to capture vehicles illegally driving in restricted bus lanes.

For customers of our end-to-end solutions, we automatically send captured events to the designated enforcement agency of the customer, where an authorized individual determines if a violation occurred. Direct service revenue from red-light cameras, speed cameras, school bus cameras and city bus lane cameras accounted for approximately 38.3% of our 2022 revenues. Other segment service revenue consists primarily of ancillary revenue streams, which comprised 3.2% of total revenue. Product sales to customers are not recurring and are dependent on our customers' needs, and account for 3.9% of total revenue. We expect product sales to be at levels below the preceding three years due to the completion of the New York City camera installation program in 2022

Parking Solutions

Parking Access and Revenue Control

Our Parking Access and Revenue Control (“**PARCS**”) technology solutions include both software and hardware offerings which work in concert to help our customers manage their gated, gateless and license plate recognition-based parking lot and parking garage needs. We have installed over 2,500 PARCS lanes to date. Our related software is the industry's original hosted parking management software, which allows management of our customers' PARCS solutions from a computer or mobile device.

Pay Stations

Our pay stations hardware technology has interoperability with over 50 third-party systems, as well as our PARCS and parking enforcement solutions. They are powered by a highly configurable and data driven software technology which supports the enforcement, mobile payments, and back-office and accounting needs of our customers. Our fleet of Pay Stations hardware exceeded 16,800 units at December 31, 2022.

Permits & Enforcement

Our Permits & Enforcement (“**PE**”) software technology solutions allow our customers to control who is parking in their facilities and when and where drivers can park using physical or virtual permits, allowing customers to control traffic and maximize their parking-related revenues. This technology also provides enforcement officers with real-time information and custom notifications on their enforcement devices. Citations management features also help to organize fine escalations and notification letters to parking violators.

Intellectual Property

We rely on a combination of patents, trademarks, trade secrets, copyrights and confidentiality agreements to protect our intellectual property. We take steps to protect new intellectual property to safeguard our ongoing technological innovations and strengthen our brand, and believe we take appropriate action against infringement or misappropriation of our intellectual property rights by others. We review third-party intellectual property rights to help avoid infringement, and to identify strategic opportunities.

Our general policy is to seek patent protection for our inventions likely to be incorporated into our products and services or where obtaining such proprietary rights will improve our competitive position. We own approximately 82 U.S.- and foreign-issued patents and pending patent applications, including patents and rights to patent applications acquired through strategic transactions, which relate to various aspects of our products and technology. Our patent portfolio evolves as new patents are awarded to us and as older patents expire. Patents expire at various dates, generally 20 years from their original filing dates. While we believe that our portfolio of patents and applications has value, in general no single patent is essential to our business or any individual segment. In addition, any of our proprietary rights could be challenged, invalidated or circumvented, or may not provide significant competitive advantages.

Our business relies on both internally developed and externally licensed software, as well as internally, externally and co-developed hardware, to operate and provide our systems and deliver our services. We claim copyright on all internally developed software. We generally rely on common law protection for our copyrighted works. In addition, we rely on maintaining source code confidentiality to assure our market competitiveness. With respect to externally sourced software and hardware, we rely on contracts to retain our continued access for our business usage. From time to time, these agreements may expire or be subject to renegotiation.

We have approximately 214 registrations and pending applications in the United States and foreign jurisdictions for trademarks and service marks, reflecting our many products and services. These registrations and applications include our historic and acquired brands, as well as Verra Mobility. These marks may have a perpetual life, subject to

periodic renewal and may be subject to cancellation or invalidation based on certain use requirements and third-party challenges, or on other grounds. We vigorously enforce and protect our marks.

Government Regulation

We are subject to various local, state and national laws, regulations and administrative practices regulating matters such as data privacy, photo enforcement, consumer protection, procurement, licensing requirements, anti-corruption, equal employment, minimum wages, workplace health and safety, human rights and the environment, among others. Our operations are subject to regulation by various U.S. federal agencies, including the U.S. Department of Transportation, (“*USDOT*”), the Federal Trade Commission, (“*FTC*”), the Federal Communications Commission, the Consumer Product Safety Commission and the Environmental Protection Agency, as well as comparable international, state and local agencies, including the departments of transportation, departments of motor vehicles, and offices of inspectors general, and laws related to financial and banking regulations. Following the acquisition of EPC, Pagatelia and Redflex Holdings Limited, now known as Redflex Holdings Pty Ltd. (“*Redflex*”), and in connection with our European expansion efforts, we are subject to laws, regulations and administrative practices addressing many of these same matters in Europe, Australia and Canada, including those specifically relating to accessing and use of information obtained from vehicle licensing authorities, as well as European regulations to traffic enforcement and collections and other financial and banking regulations.

As part of our business, we collect, receive, process, use, transmit, disclose, and retain information relating to identifiable individuals (“*personal information*”) and, therefore, are subject to various laws protecting privacy and security of personal information, including but not limited to the U.S. Driver Privacy Protection Act, the General Data Protection Regulation (the “*GDPR*”) in the European Union (the “*E.U.*”), the Data Protection Act of 2018 in the United Kingdom, the Canadian Personal Information Protection and Electronic Documents Act, the Australia Privacy Act of 1988, New Zealand’s Privacy Act of 2020, the California Consumer Privacy Act (the “*CCPA*”) and other national and state privacy laws. We are also subject to similar restrictions and audit requirements pursuant to our contracts with the organizations from which we gain access to personal information, such as departments of motor vehicles and the National Law Enforcement Telecommunications System. Privacy laws and regulations are constantly evolving and changing, are subject to differing interpretations and may be inconsistent among countries and state and local jurisdictions, or conflict with other rules. As we expand our operations in foreign countries, or as U.S. federal or state law changes, our liability exposure and the complexity and cost of compliance with data and privacy requirements will increase. Laws and practices regarding handling and use of personal and other information by companies have also come under increased public scrutiny, and governmental authorities, consumer agencies and consumer advocacy groups have called for increased regulation and changes in industry practices. Our foreign photo enforcement programs are also subject to regulation in the various countries in which we operate.

Automated photo enforcement camera programs in the United States are typically regulated at the state and local level, not the federal level. Since 2010, there have been over 1,500 pieces of legislation introduced nationwide related to the photo enforcement industry. In general, photo enforcement is administered by state, provincial or local government agencies, under either state enabling legislation or under home rule authority established under the relevant state constitution. Where enabling legislation is not required, local ordinances impose further restrictions within a given jurisdiction. Whether in a state requiring enabling legislation or in home-rule states where municipalities pass ordinances permitting photo enforcement, if the legislation or ordinance is subsequently repealed, not renewed if required, or if the authority for a local ordinance is revoked, photo enforcement activities would stop.

State and local regulation affects our Commercial Services segment as well, particularly with respect to tolling. Over the past few years, bills have been introduced in multiple states to limit whether and how much RACs can charge their customers for the use of a toll transponder, limit the administrative penalties and fees that can be assessed for processing tolls, and/or impose increased disclosure requirements on RACs with respect to tolling or violation processing fees. In addition, there has been an increase in interest and greater focus on RAC tolling programs from state Attorneys General related to tolling issues from a consumer protection perspective.

Our Government Solutions customers are typically government agencies, and our operations within this segment are therefore subject to various procurement laws pertaining to gifts and entertainment, payments of commissions and contingency fees, conflicts of interest, licensing and permitting requirements and other matters. These laws are overseen by different government agencies, depending on the jurisdiction, including departments of procurements services, contracting offices and offices of inspector general.

To successfully navigate this regulatory landscape, we have a dedicated government relations team that works with national, state and local policymakers, often with the help of lobbyists and consultants, to track and help support favorable camera-enforcement safety and toll-related legislative outcomes. Through this network, we have a presence in most states in which our Government Solutions and Commercial Services segments do business. These lobbying activities are subject to state and local regulations and registration requirements.

In connection with the installation of photo enforcement systems, we or our customers routinely obtain permits from various permitting authorities. As a government contractor providing photo enforcement services directly or through subcontractors (including design, engineering, construction, installation, and maintenance) in various locations throughout the United States and internationally, we are at times required to obtain licenses regarding general contracting, performance of engineering services, performance of electrical work, performance of private investigative work and processing license plate and related personal information, and periodically receive notices from regulatory authorities regarding these matters and inquiring as to our compliance with the applicable state, local and foreign laws and regulations.

We believe we are in substantial compliance with the laws and regulations that regulate our business. There are, however, significant uncertainties involving the application of various legal requirements, the violation of which could result in, among other things, fines, penalties, revocation of permits or licenses, cessation of operations in a given jurisdiction and other adverse consequences. See “Risk Factors” for a discussion of our regulatory risks.

Human Capital Management

Our employees are critical to our success as a leading provider of smart mobility solutions. To continue delivering high-quality solutions to our customers and succeed in our highly competitive and rapidly evolving market, it is critical that we continue to attract, retain and develop diverse groups of talented individuals at all levels of our organization.

As of December 31, 2022, we had 1,570 employees, comprised of 1,396 full-time employees and 174 part-time employees. Of our full-time employees, 1,032 were located in the United States and 364 were located internationally. None of our employees are represented by a labor union or covered by a collective bargaining agreement, except for our 20 employees in Staten Island, New York. We believe our relations with our employees are good, and we have not experienced a strike or other significant work stoppage.

Talent Acquisition and Development

Our success depends upon attracting, retaining and developing a diverse group of talented individuals who possess the skills necessary to support our business objectives, assist in the achievement of our strategic goals, contribute their own unique perspective and skill set and create long-term value for our stockholders. We have implemented purposeful hiring strategies that include opportunities for internal mobility and promotion and an employee referral program, both of which we believe will further strengthen our growing employee base and promote retention at our Company. We have a multifaceted talent development framework that includes functional training, management training and targeted development problems, such as our Six Sigma training that aims to further enhance operational skills in our Government Solutions business unit. We also develop our employees through an annual performance review and assessment process that incorporates a dual-performance rating system and provides each employee with concrete, actionable feedback that will enable them to succeed at our Company.

Compensation and Benefits

Our compensation programs are designed to align the compensation of our employees with the Company’s and individual performance, and to provide a compensation package that will attract, retain, motivate and reward employees to achieve superior results. The structure of our compensation programs balances incentives for both short-term and long-term performance. In addition to cash compensation, we offer employees benefits such as health (medical, dental and vision) insurance, health savings accounts, flexible spending accounts, life insurance, accident insurance, paid time off, paid parental leave and a company-sponsored 401(k) plan, and related benefits for non-U.S. employees. For key leadership positions, we also provide compensation packages that include annual incentive bonuses and long-term equity awards.

Employee Engagement

We seek employees who collaborate and value differences, think and act globally, foster an engaging climate, and recognize and develop others. We engage and survey our employee population to gather insight, feedback, and data about employees' engagement, workplace experiences, and manager effectiveness. Survey results inform and support corporate, business unit, department, and team action plans, with the goal of enhancing workplace satisfaction and overall employee well-being and effectiveness.

Corporate Information

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

Our principal executive office is located at 1150 North Alma School Road, Mesa, AZ 85201. Our telephone number is (480) 443-7000. Our website address is www.verramobility.com. The information on, or accessible through, our website does not constitute part of, and is not incorporated into, this Annual Report.

The trade names, trademarks, and service marks appearing in this Annual Report include registered marks and marks in which we claim common law rights, such as Verra Mobility and the Verra Mobility logo, all of which are our intellectual property. This Annual Report contains additional trade names, trademarks, and service marks of other companies that are the property of their respective owners. We do not intend our use or display of other companies' trade names, trademarks, or service marks to imply a relationship with, or endorsement or sponsorship of us, by these companies. We have omitted the ® and ™ designations, as applicable, for the trademarks used in this Annual Report.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), are filed with the SEC. We are subject to the informational requirements of the Exchange Act, and we file or furnish reports, proxy statements and other information with the SEC. Such reports and other information we file with the SEC are available free of charge at <http://ir.verramobility.com/financial-information/sec-filings> when such reports become available on the SEC's website. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. We periodically provide other information for investors on our corporate website, www.verramobility.com, and our investor relations website, ir.verramobility.com. This includes press releases and other information about financial performance, information on corporate governance and details related to our annual meeting of stockholders. The information contained on the websites referenced in this Annual Report is not incorporated by reference into this filing. Further, our references to website URLs are intended to be inactive textual references only.

Item 1A. Risk Factors

Risk Factor Summary

Investing in our common stock involves a high degree of risk. In addition to the other information set forth in this Annual Report, you should carefully consider the following factors, which could materially affect our business, financial condition and results of operations in future periods. The risks described below are not the only risks we face. Additional risks not currently known to us may adversely affect our business, financial condition or results of operations in future periods.

Risks Related to Our Customers, Industry and Competition

- Our Commercial Services and Government Solutions segments have customer concentration that could

have a material adverse effect on our business.

- Our government contracts are subject to unique risks and uncertainties, including termination rights, delays in payment, audits and investigations, any of which could have a material adverse effect on our business.
- Any decreases in the prevalence or political acceptance of, or an increase in governmental restrictions regarding, automated and other similar methods of photo enforcement, the use of third-party tolling service providers, the ability to charge service or other fees to customers for services provided, could have a material adverse effect on our business.

Risks Related to Our Acquisitions

- Our inability to successfully implement our acquisition strategy could have a material adverse effect on our business.

Risks Related to Data Privacy and Cybersecurity

- A failure in or breach of our networks or systems, including as a result of cyber-attacks, could have a material adverse effect on our business.

Risks Related to our International Operations

- Our international operations expose us to additional risks, and failure to manage those risks could have a material adverse effect on our business.

Risks Related to Our Intellectual Property

- Failure to acquire necessary intellectual property or adequately protect our intellectual property could have a material adverse effect on our business.

Risks Related to Our Indebtedness

- Our substantial level of indebtedness could cause our business to suffer and incurring additional debt could intensify debt-related risks.

Risks Related to Our Vendors

- Our reliance on specialized third-party providers could have a material adverse effect on our business.

Due to the risk factors discussed below, as well as other factors affecting our business, operating results, financial condition, financial performance or prospects, our past financial performance should not be considered to be a reliable indicator of our future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Customers, Industry and Competition

Our Commercial Services and Government Solutions segments have customer concentration that could have a material adverse effect on our business.

Our business experiences customer concentration from time to time. For example, our Commercial Services segment is dependent on certain key customers, including those in the RAC industry, such as Avis Budget Group, Inc., Enterprise Holdings, Inc. and The Hertz Corporation. The health of the RAC industry is impacted by a variety of factors, including seasonality, increases in energy prices, general international, national and local economic conditions and cycles, as well as other factors affecting travel levels, such as military conflicts, terrorist incidents, natural disasters and epidemic diseases.

We also experience customer concentration in our Government Solutions segment. The New York City Department of Transportation (“*NYCDOT*”) represented approximately 19.5% of our total revenues during fiscal 2022, and our contract with NYCDOT, like many other contracts, is subject to unique risks and uncertainties, including termination rights, delays in payment and audits and investigations, any of which could have a material adverse effect on our business. In the future, a small number of customers in our Government Solutions segment may continue to represent a significant portion of our total revenues in any given period. The loss of any of our top Government Solutions customers could have a material adverse effect on our business, financial condition and results of operations.

Our government contracts are subject to unique risks and uncertainties, including termination rights, delays in payment, audits and investigations, any of which could have a material adverse effect on our business.

We enter into government contracts from time to time with customers that are subject to various uncertainties, restrictions and regulations, which could result in withholding or delay of payments to us. For example, as of December 31, 2022, NYCDOT had an open receivable balance of \$35.6 million, which represented 22% of our accounts receivable, net.

Government entities typically finance projects through appropriated funds. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding or at their convenience. Changes in government or political developments, including administrative hurdles, budget deficits, shortfalls or uncertainties, government spending reductions or other debt or funding constraints, could result in our government contracts being reduced in price or scope or terminated altogether, as well as limit our ability to win new government work in the future.

Moreover, if a government customer does not follow the requisite procurement or ordinance-specific administrative procedures, the contract may be subject to protest or voidable regardless of whether we bear any responsibility for the error. Our government contracts are subject to underlying laws and regulations related to government contractors, and often include other one-sided, customer-friendly provisions and certifications, including broad indemnification provisions and uncapped exposure or liquidated damages for certain liabilities, which can impose obligations, requirements and liabilities on us that are beyond those associated with a typical commercial arrangement.

In addition, government contracts are generally subject to audits and investigations by government agencies or higher-tier government contractors. If improper or illegal activities or contractual non-compliance are identified, including improper billing or vendor non-compliance, we may be subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, the imposition of fines, penalties and sanctions, and suspensions or debarment from doing business for or on behalf of the government in the future. If penalties or other restrictions are imposed in one jurisdiction, they could also implicate similar provisions of contracts with other government customers in other jurisdictions. Further, the negative publicity related to these penalties, sanctions or findings in government audits or investigations could harm our reputation and hinder our ability to compete for new contracts with government customers and in the private sector. Any of the foregoing or any other reduction in revenue from government customers could have a material adverse effect on our business, financial condition and results of operations.

Any decreases in the prevalence or political acceptance of, or an increase in governmental restrictions regarding, automated and other similar methods of photo enforcement, the use of third-party tolling service providers or the ability to charge service or other fees to customers for services provided, could have a material adverse effect on our business.

Our Government Solutions segment provides automated safety solutions to national, state and local government agencies, generating revenues through automated photo enforcement of red-light, school bus, speed limit and bus lane laws. We sometimes make significant capital and other investments to attract and retain these contracts, such as the cost of purchasing information technology equipment, constructing and installing photo enforcement systems and developing and implementing software and labor resources. In 2022, revenues from this segment represented approximately 45% of our total revenues. Therefore, we depend on national, state and local governments authorizing the use of automated photo enforcement and not otherwise materially restricting its use. In states that have enabling legislation, if that legislation is amended, not renewed or is otherwise repealed, use of automated enforcement technology can be suspended until new legislation is passed. For example, in 2022, a North Carolina court of appeals issued a ruling limiting the ability of local authorities to make certain decisions with respect to funding automated enforcement programs, impacting the viability of automated enforcement in impacted jurisdictions.

Ballot initiatives, referendums, opinions of attorneys general and legal challenges can also be used to restrict the use of automated enforcement or to impose additional licensing requirements on its use. For example, the Attorneys General in the states of Arizona, Tennessee and Virginia have issued opinions that had the effect of limiting the use of these enforcement technologies or impacting the manner in which photo enforcement programs operate. Usage may also be affected if there is an unfavorable shift in political support for, or public sentiment towards, automated enforcement, or as a result of one or more scandals related to its use.

Similarly, our Commercial Services business may be materially impacted if there is an unfavorable shift in political support for or public sentiment towards tolling or its use is materially restricted or limited, including through the imposition of limits on the fees RAC companies can charge their customers for tolling or violation processing services. Any material restriction or limitation on the use of automated enforcement or material reduction in its use in the markets we serve, or any similar changes with respect to tolling, could have a material adverse effect on our ability to recoup our investments, and negatively impact our business, financial condition and results of operations. Further,

our relationships and commercial account agreements with tolling authorities, issuing authorities, motor vehicle departments and other governmental agencies significantly enhances and enables our service offerings, and changes in those relationship or agreements could significantly adversely impact our business.

We face intense competition and any failure to keep up with technological developments, changing customer preferences and new laws and policies could have a material adverse effect on our business.

The markets for our solutions are increasingly competitive, rapidly evolving and fragmented, and are subject to changing technology, shifting customer needs and new laws and policies. A number of vendors develop and market products and services that compete to varying extents with our offerings, and we expect this competition to intensify. The rapid rate of technological change in our industry could increase the chances that we will face competition from new products or services designed by companies that we do not currently compete with. Moreover, we face competition from our own customers as they may choose to invest in developing their own internal solutions.

Some of our existing competitors and potential new competitors have longer operating histories, greater name recognition, less debt, more established customer bases and significantly greater financial, technical, research and development, marketing and other resources than we do. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In some cases, our competitors may be better positioned to initiate or withstand substantial price competition, and we may have to reduce our pricing to retain existing business or obtain new business. If we are not able to maintain favorable pricing for our solutions, our profit margin and profitability could suffer. In addition, if a prospective customer is currently using a competing solution, the customer may be unwilling to switch to our solution without setup support services or other incentives. Certain existing and new competitors may be better positioned to acquire competitive solutions, develop new solutions, modify existing solutions, effectively negotiate third-party licenses and other strategic relationships, and take advantage of acquisition or other similar expansion opportunities. Any failure to achieve our target pricing levels, maintain existing customer relationships, generate additional customer wins or otherwise successfully compete would have a material adverse effect on our business, financial condition and results of operations.

Our new products and services and changes to existing products and services may not succeed.

Our ability to retain, increase and engage our customer base and to increase our revenue depends, in large part, on our ability to continue to evolve existing solutions and to create successful new solutions. We may introduce significant changes to our existing solutions or acquire or introduce new and unproven products and services, including using technologies or entering markets or industries in which we have little or no experience. For example, as Government Solutions customers increase their requirements related to data security, privacy and IT architecture, we may be unable to develop new solutions to keep up with increasing requirements. The failure of any new or enhanced solution to achieve customer adoption or our failure to otherwise successfully monetize our development efforts could have a material adverse effect on our business, financial condition and results of operations. Further, changes to the hardware solutions we offer to our government customers may require certification by a government agency, and failure to achieve such certification may result in an inability to operate photo enforcement systems in a particular jurisdiction. Any failure to evolve existing solutions or create new successful solutions could have a material adverse effect on our business, financial condition and results of operations.

We regularly pursue contracts and contract renewals, particularly in our Government Solutions and Parking Solutions segments, that require competitive bidding, which can involve substantial costs and could have a material adverse effect on our business.

Many of the government contracts and renewals for which we bid, particularly those for certain larger government customers, are extremely complex and require the investment for significant resources in order to prepare accurate bids and proposals. Further, a significant percentage of new customer growth opportunities in our Government Solutions, Parking Solutions and EPC businesses are only accessible through competitive bidding. Competitive bidding imposes substantial costs and presents several risks, including significant time and effort and the commitment of resources, regardless of whether the job is ultimately won. We may also be unable to meet the requirements of a solicitation or may have to incur substantial costs to be able to do so. These and other unanticipated costs related to the competitive bidding process, including advancing or defending bid protests, and any failure to win renewals or new customer accounts through the competitive bidding process, could have a material adverse effect on our business, financial condition and results of operations.

Our business and results of operations may be adversely affected by COVID-19, including emerging variant strains, and its impact on our customers.

The government and private business actions taken to curtail the spread of COVID-19 continue to have significant negative effects globally. Since the outbreak of COVID-19, logistics, manufacturing, and supply chain have been significantly impacted, resulting in global supply shortages. Our RAC and FMC customers have been, at times, severely impacted by COVID-19 and related “stay-at-home orders” and travel restrictions. The extent to which the COVID-19 pandemic may impact our future operational and financial performance remains uncertain and will depend on many factors outside our control, including the timing, extent, trajectory and duration of the pandemic, the emergence of new variants and the impact on our customers, partners, employees and suppliers.

Any new or additional measures implemented to contain COVID-19 could have a significant negative effect on our business, financial condition, results of operations, cash flows and liquidity position, along with heightening many of the other risks described herein.

Risks Related to Our Acquisitions

Our inability to successfully implement our acquisition strategy could have a material adverse effect on our business.

We have grown in large part as a result of our acquisitions, and we anticipate continuing to grow in this manner. Although we expect to regularly consider additional strategic transactions in the future, we may not identify suitable opportunities or, if we do identify prospects, it may not be possible to consummate a transaction on acceptable terms. Antitrust or other competition laws may also limit our ability to acquire or work collaboratively with certain businesses or to fully realize the benefits of a prospective or completed acquisition. Furthermore, a significant change in our business or the economy, an unexpected decrease in our cash flows or any restrictions imposed by our indebtedness may limit our ability to obtain the necessary capital or otherwise impede our ability to complete a transaction. Regularly considering strategic transactions can also divert management’s attention and lead to significant due diligence and other expenses regardless of whether we pursue or consummate any transaction. Failure to identify suitable transaction partners and to consummate transactions on acceptable terms, as well as the commitment of time and resources in connection with such transactions, could have a material adverse effect on our business, financial condition and results of operations.

The inability to successfully integrate our recent or future acquisitions could have a material adverse effect on our business.

We have integrated, and may in the future integrate, certain acquired businesses into our existing operations, which requires significant time and exposes us to significant risks and additional costs. Further, we may have difficulty integrating the operations, systems, controls, procedures or products of such acquired businesses and may not be able to do so in a timely, efficient and cost-effective manner.

These difficulties could include:

- combining management teams, strategies and philosophies;
- merging or linking different accounting and financial reporting systems and systems of internal controls;
- assimilating personnel, human resources and other administrative departments and potentially contrasting corporate cultures;
- merging computer, technology and other information networks and systems;
- disrupting our relationship with or losing key customers, suppliers or personnel; and
- interference with, or loss of momentum in, our ongoing business or that of the acquired business.

Any integration-related issues could cause significant disruption to our business, divert the attention of management and lead to substantial additional costs and delays. For example, between February 2022 and April 2022, our Audit Committee devoted significant time and resources into an accounting investigation of Redflex Holdings Limited, a recently acquired subsidiary, and we were unable to timely file our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. Our inability to successfully integrate acquired businesses could have a material adverse effect on our business, financial condition and results of operations.

Any failure to realize the anticipated benefits of an acquisition, including unanticipated expenses and liabilities related to acquisitions, could have a material adverse effect on our business.

We pursue each acquisition with the expectation that the transaction will result in various benefits, including growth opportunities and synergies from increased efficiencies. However, we may not realize some or all of the anticipated benefits of our acquisitions within our anticipated timeframes or at all. Furthermore, we may experience increased competition that limits our ability to expand our business, we may not be able to capitalize on expected business opportunities, and general industry and business conditions may deteriorate. Acquisitions also expose us to significant risks and costs, and business and operational overlaps may lead to hidden costs. These costs can include unforeseen pre-acquisition liabilities, the impairment of customer relationships or acquired assets such as goodwill, or exposure to oversight, operational and business control risks associated with a newly acquired business. We may also incur costs and inefficiencies to the extent an acquisition expands the industries, markets or geographies in which we operate due to our limited exposure to and experience in a given industry, market or region. Significant acquisitions may also require us to incur additional debt to finance the transactions, which could limit our flexibility in using our cash flow from operations for other purposes. Acquisitions often involve post-transaction disputes with the counterparty regarding a number of matters, including disagreements over the amount of a purchase price or other working capital adjustment or disputes regarding whether certain liabilities are covered by the indemnification provisions of the transaction agreement. We may underestimate the level of certain costs or the exposure we may face as a result of acquired liabilities. If any of these or other factors limit our ability to achieve the anticipated benefits of a transaction, or we encounter other unexpected transaction-related costs and liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Risks Related to Data Privacy and Cybersecurity

A failure in or breach of our networks or systems, including as a result of cyber-attacks, could have a material adverse effect on our business.

We act as a trusted business partner in both front office and back office platforms, interacting with our customers and other third parties. Our customers include large, multinational corporations and government agencies who depend upon our operational efficiency, non-interruption of service, and accuracy and security of information. We receive, process, transmit and store substantial volumes of information relating to identifiable individuals, both in our role as a back-end or direct-to-consumer service provider and as an employer, and receive, process and implement financial transactions, and disburse funds, which requires us to receive debit and credit card information. We also use third-party providers such as subcontractors, software vendors, utility providers and network providers, upon whom we rely to offer our products, services and solutions. As a result of these and other aspects of our business, the integrity, security and accuracy of our systems and information technology, and that of the third parties with which we interact, including our customers and other government agencies with which we work, are extremely important.

Our cybersecurity and processing systems, as well as those of the third parties with which we interact, may be damaged, disrupted or otherwise breached for a number of reasons, including power outages, computer and telecommunication failures, computer viruses, malware or other destructive software, internal design, manual or usage errors, cyber-attacks, terrorism, workplace violence or wrongdoing, catastrophic events, natural disasters and severe weather conditions. Our visibility and role as a processor of transactions containing personally identifiable information may also put us at a greater risk of being targeted by hackers. In the normal course of our business, we have been the target of malicious cyber-attack attempts.

In addition, numerous and evolving cybersecurity threats, including advanced and persistent cyber-attacks, phishing and social engineering schemes could compromise the confidentiality, availability and integrity of data in our systems as well as those of the third parties with which we interact. The security measures and procedures we and the third parties with which we interact have in place to protect sensitive consumer data and other information may not be successful or sufficient to counter all data breaches, cyber-attacks, or system failures. Further, employee error or malfeasance, faulty password management or other irregularities may result in a defeat of security measures or a system breach. Although we devote significant resources to our cybersecurity programs and have implemented security measures to protect our systems and data, and to prevent, detect and respond to data security incidents, in each case that we believe are reasonable and appropriate, these efforts, and the efforts of third parties with which we interact, may not prevent these or other threats.

Moreover, because the techniques used to obtain unauthorized access, or to disable or degrade systems change frequently, have become increasingly more complex and sophisticated, and may be difficult to detect for periods of time, we and the third parties with which we interact may not anticipate these acts or respond adequately or timely. As these threats continue to evolve and increase, we may be required to devote significant additional resources in order to modify and enhance our security controls and to identify and remediate any security vulnerabilities or diligencing those of third parties.

If we are sued in connection with any data security breach or system failure, we could be involved in protracted litigation. In addition, a breach could lead to unfavorable publicity and significant damage to our brand, the loss of existing and potential customers, allegations by customers that we have not performed or breached our contractual obligations, or decreased use and acceptance of our solutions. A breach or failure may also subject us to additional regulations or governmental or regulatory scrutiny, which could result in significant compliance costs, fines or enforcement actions, or potential restrictions imposed by regulators on our ability to operate our business. A security breach would also likely require us to devote significant management and other resources to address the problems created by the security breach. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We are subject to laws and regulations of the United States and foreign jurisdictions relating to personal information, privacy and data security, and failure to comply with these laws and regulations, whether or not inadvertent, could have a material adverse effect on our business.

Personal information is used both as part of our business and in our role as an employer. In addition, as part of our Government Solutions, Commercial Services and Parking Solutions businesses, we process other data which may be considered personal information or sensitive personal information in certain jurisdictions, such as photographs and video recordings. As a result, we are subject to various laws and regulations regarding personal information, privacy and data security, including those promulgated by the United States federal government and its agencies, and state, local and foreign governments, agencies, and public authorities. Our personal information handling also is subject to contractual obligations and industry standards.

Laws, regulations and industry standards relating to privacy are rapidly evolving, can be subject to significant change and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. These laws and regulations may also be subject to new or different interpretations. For example, in June 2018, California enacted the CCPA, which took effect on January 1, 2020. The CCPA creates several new obligations for companies which process personal information. It also gives California residents expanded rights to access, delete and obtain a copy of their personal information; opt out of certain personal information sharing and receive detailed information about how their personal data is processed. The law provides for civil penalties against companies that fail to comply. The California Attorney General's regulations governing compliance with the CCPA went into effect in August 2020, with additional amendments effective as of March 2021. A violation of these regulations constitutes a violation of the CCPA. A new California privacy law, the California Privacy Rights Act ("**CPRA**"), creates obligations relating to personal information that began on January 1, 2022, and enforcement beginning July 1, 2023. It substantially amends and amplifies the requirements of the CCPA, as well as creates a new agency responsible for enforcing California's privacy laws. Unlike the CCPA, the CPRA applies to employee personal information in addition to consumer personal information. In 2021, Virginia, Colorado, Connecticut and Utah also enacted comprehensive state privacy laws, which become operative in 2023. Additionally, dozens of other state legislatures have introduced privacy bills, and Congress is considering several privacy bills at the federal level.

Foreign laws concerning personal information, privacy and data security may be more restrictive and burdensome than those of the United States. Given that data is highly mobile and transferable, many data protection and privacy laws of foreign nations seek to have wide extraterritorial jurisdiction over conduct occurring outside geographical boundaries of the relevant jurisdiction. For example, on May 25, 2018, the E.U. General Data Protection Regulation GDPR replaced the 1995 Data Protection Directive. The GDPR extends the scope of E.U. data protection law to non-E.U. companies processing data of E.U. residents when certain conditions are satisfied. The GDPR contains numerous, more stringent requirements and changes from prior E.U. law, including more robust privacy and compliance obligations for both companies and their service providers, greater rights for individuals, heavier documentation requirements for data protection compliance programs and restrictions on transfers of personal data to non-E.U. countries. Further, our customers, through contractual requirements, could require us to comply with certain of these stringent requirements regardless of whether our business is actually subject to the GDPR.

The costs are high and deadlines are short for compliance with these privacy-related laws, regulations, contractual requirements and industry standards, each of which may limit our ability to compete for new business, do business with certain government agencies or continue to access certain data and may limit the use or adoption of our smart mobility technology solutions and services, reduce overall demand for our solutions and services, or slow the pace at which we generate revenue. Moreover, if our policies, procedures or measures relating to these issues fail to comply, or regulators assert we have failed to comply, with applicable laws, regulations or industry standards, we may be subject to governmental enforcement actions, litigation, regulatory investigations, fines, penalties and negative publicity, and our application providers, customers and partners may lose trust in or stop doing business with us entirely. We expect that there will continue to be new proposed laws, regulations and industry standards concerning personal information, privacy and data retention in the United States, the E.U. and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and industry standards may have on our business. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We are subject to domestic and foreign laws relating to processing certain financial transactions, including debit or credit card transactions, and failure to comply with those laws, even if inadvertent, could have a material adverse effect on our business.

We process, support and execute financial transactions as part of our business and disburse funds on behalf of certain of our customers. This activity includes receiving debit and credit card information, processing payments for and due to our customers and disbursing funds on payment or debit cards to payees of our customers. As a result, we may be subject to numerous U.S. federal and state and foreign jurisdiction laws and regulations, including the Electronic Fund Transfer Act, the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act) and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**Patriot Act**").

We have implemented policies and procedures to preserve and protect credit card and other payment data against loss, corruption, misappropriation caused by systems failures, unauthorized access or misuse. Notwithstanding these policies and procedures, we could be subject to liability claims by individuals and customers whose data resides in our databases for the misuse of that information. If we fail to meet appropriate compliance levels, this could negatively impact our ability to utilize credit cards as a method of payment, or collect and store credit card information, which could disrupt our business. Failure to comply with these laws may subject us to, among other things, additional costs or changes to our business practices, liability for monetary damages, fines or criminal prosecution, unfavorable publicity, restrictions on our ability to process and support financial transactions and allegations by customers that we have not performed our contractual obligations, any of which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Human Capital Management

We depend on the services of key executives and any inability to attract and retain key management personnel could have a material adverse effect on our business.

Our future success depends upon the continued services of our executive officers, including our Chief Executive Officer and Chief Financial Officer, who have critical experience and relationships that we rely on to implement our business plan and growth strategy. Additionally, as our business grows, we may need to attract and hire additional management personnel. We have employment agreements with some members of senior management that include non-competition provisions; however, we cannot prevent our executives from terminating their employment and may not be able to fully enforce non-competition provisions limiting former executives or key personnel from competing with us following any departure. Moreover, we do not carry “key-man” life insurance on the lives of our executive officers, employees or advisors. Our ability to retain our key management personnel or to identify and attract additional management personnel or suitable replacements should any members of the management team leave or be terminated is dependent on a number of factors, including the competitive nature of the employment market and our industry. Any failure to retain key management personnel or to attract additional or suitable replacement personnel could cause uncertainty among investors, employees, customers and others concerning our future direction and performance and could have a material adverse effect on our business, financial condition and results of operations.

A failure to attract and retain necessary skilled personnel and qualified subcontractors could have a material adverse effect on our business.

Our business depends on highly skilled technical, managerial, engineering, sales, marketing and customer support personnel and qualified and competent subcontractors. Competition for these personnel is intense. Any failure to attract, hire, assimilate in a timely manner and retain and motivate key qualified personnel, particularly software development, product development, analytics and other technical personnel, or inability to contract with qualified, competent subcontractors, could impair our success. Additionally, certain portions of our Government Solutions operations are dependent on employees and subcontractors who are subject to a collective bargaining agreement. When the collective bargaining agreement becomes subject to renegotiation or if we face union organizing drives, any disagreement between us and the union on important issues may lead to a strike, work slowdown or other job actions in one or more locations we serve. A strike, work slowdown or other job action could disrupt our services, resulting in reduced revenues or contract cancellations. State or local law in some jurisdictions requires that subcontractors for our Government Solutions segment are certified by the jurisdiction, and the failure on the part of our subcontractors to obtain and maintain such certification could impact their ability to perform services for us. Further, our acquisition activity could increase the challenge of retaining our key employees and subcontractors and those of the acquired businesses. The loss of any key technical employee or the termination of a key subcontractor relationship, and any inability to identify suitable replacements or offer reasonable terms to these candidates, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our International Operations

Our operations in international markets expose us to additional risks, and failure to manage those risks could have a material adverse effect on our business.

We have subsidiaries in various international markets around the world, including in the United Kingdom, the Netherlands, France, Ireland, Spain, Australia, Canada and Hungary. The success of our business depends, in part, on our ability to successfully manage these foreign operations. Our international operations subject us to risks that could increase expenses, restrict our ability to operate, result in lost revenues or otherwise materially and adversely affect our business, including:

- political, social, and economic instability, including European sovereign debt issues and tightening of government budgets;
- wars, civil unrest, acts of terrorism and other conflicts;
- increased complexity and costs of managing or overseeing foreign operations, including adapting and localizing our services to specific regions and countries and relying on different third-party service providers;
- complying with tariffs, trade restrictions, and trade agreements and any changes thereto;
- foreign exchange and other restrictions and limitations on the transfer or repatriation of funds;
- adverse tax consequences;
- fluctuations in currency exchange rates;
- complying with varying legal and regulatory environments in multiple foreign jurisdictions, including with respect to data and consumer privacy and payment processing, labor matters and VAT, and unexpected changes in these laws, regulatory requirements, and the enforcement thereof; and
- limited protection of our intellectual property and other assets as compared to the laws of the United States.

We have limited or no control over these and other factors related to international operations and our strategies to address these risks may not correctly anticipate any problems that arise or be successful in expanding our solutions from the United States into new markets. Any failure to successfully manage these and other similar risks could have a material adverse effect on our business, financial condition and results of operations.

Our growth strategy is, in part, dependent on successfully implementing our international expansion strategy.

Our growth strategy includes expanding our global footprint, which may involve moving into regions and countries beyond those in which we currently operate. In order to achieve widespread acceptance in new markets we may enter, we may need to develop new products and services or tailor our existing products and services to that market's unique customs, cultures and standards. Management of these and any future international subsidiaries may divert our resources and require significant attention from management. In addition to the risks inherent in conducting international business, expanding internationally with new and existing customers poses additional risks, including:

- lack of acceptance of our products and services;
- tax issues, including administration of value-added tax, restrictions on repatriating earnings, and with respect to our corporate operating structure and intercompany arrangements;
- our ability to adapt our marketing and selling efforts to different cultures and customers;
- a different competitive environment, including a number of smaller competitors and a more fragmented business model, as well as competition from other market participants;
- our ability to obtain and protect intellectual property rights to operate successfully in each territory due to pre-existing third-party intellectual property rights; and
- an unfamiliar regulatory environment, including different local, provincial and national regulations.

If we are unable to effectively manage these risks, our relationships with our existing and prospective customers, strategic partners and employees and our operations outside the United States may be adversely affected.

In many cases, we will have limited or no experience in a particular region or country where we intend to launch operations. Moreover, learning the customs and cultures, particularly with respect to consumer preferences, differing technology standards and language barriers, is a difficult task. Our failure to do so effectively could slow our growth in those regions or countries. In many of these markets, long-standing relationships between potential customers and their local partners and protective regulations, including local content requirements and approvals, and disparate networks and systems used by each country, will create barriers to entry. Difficulties in foreign financial markets and economies and of foreign financial institutions, particularly in emerging markets, could also adversely affect demand in the affected areas. For this strategy to be successful, we must generate sufficient revenues and margins from the new markets to offset the expense of the expansion. Moreover, as the scale of our international operations increases, we will be more susceptible to the general risks related to our existing international operations discussed above. If we are unable to further expand internationally or if we are unable to effectively and efficiently manage the complexity of our expanded operations and compete in these new regions and countries, our business, financial condition and results of operations could be adversely affected.

Failure to comply with anticorruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act and similar laws associated with our activities outside of the United States, could have a material adverse effect on our business.

Our operations subject us to anticorruption and other similar laws and regulations of multiple jurisdictions, both within the United States and internationally, which are often evolving, including the Foreign Corrupt Practices Act (the “*FCPA*”), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the Patriot Act, and comparable foreign anti-bribery and anti-money laundering laws and regulations, including the United Kingdom Bribery Act of 2010. Our Government Solutions business is subject to a number of international, federal, state and local laws and regulations regarding similar matters. These laws and regulations prohibit companies and their employees and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or other benefits to government officials, political parties and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person or securing any advantage.

We use various third parties to conduct our business, both domestically and abroad, and we can be held liable for the corrupt or illegal activities of our employees, representatives, contractors or subcontractors, partners, and agents, those of the third parties with which we do business or those of any businesses we acquire, even if we do not explicitly authorize such activities or if they occurred prior to our acquisition of the relevant business. Safeguards we implement to discourage these practices may prove to be ineffective and any internal investigations may not uncover any such practices that may exist. Violations of the *FCPA* or other applicable anti-bribery, anti-corruption, and anti-money laundering laws by us or any of these third parties can result in severe criminal or civil sanctions, or other liabilities or proceedings against us, including class action lawsuits, whistleblower complaints, enforcement actions by the SEC, Department of Justice, and U.S. state and local and foreign regulators, adverse media coverage, non-responsibility determinations by procuring agencies, and suspension or debarment from government contracts, any of which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Intellectual Property

Failure to acquire necessary intellectual property or adequately protect our intellectual property could have a material adverse effect on our business.

Our success depends, in part, on our ability to protect and defend our intellectual property against infringement, misappropriation and dilution. To protect our intellectual property rights, we rely on a combination of patent, trademark, copyright, trade secret and unfair competition laws of the United States and other countries, as well as contract provisions. We have registered certain patents and trademarks and have applications pending in the United States and foreign jurisdictions for some inventions and trademarks, including the Verra Mobility word mark and logo, for which some registrations have been granted and some applications are pending. However, not all of the trademarks and inventions we currently use have been registered in all of the countries in which we do business, and they may never be registered in all of those countries, and the applications we submit for these protections may not be granted. While we make efforts to acquire rights to intellectual property necessary for our operations, these measures may not adequately protect our rights in any given case, particularly in those countries where the laws do not protect proprietary rights as fully as in the United States.

If we fail to acquire necessary intellectual property rights or adequately protect or assert our intellectual property rights, competitors may manufacture and market similar products and services, or dilute our brands, which could adversely affect our market share. It may be possible for third parties to reverse engineer, otherwise obtain, copy, and use software or information that we regard as proprietary. In addition, our competitors may avoid application of our existing or future intellectual property rights. Further, patent rights, copyrights and contractual provisions may not prevent our competitors from developing, using or selling products or services that are similar to or address the same

market as, our products and services. Failure to obtain registrations for the Verra Mobility word mark or logo may have a significant adverse impact on our brand. Moreover, some of our trademarks and services are descriptive or include descriptive elements, which may make it difficult to enforce our rights or prevent others from adopting and using similar marks. Competitive products and services could reduce the market value of our brands, products and services, inhibit attracting new customers or maintaining existing customers, lower our profits, and could have a material adverse effect on our business, financial condition and results of operations.

Our measures to monitor and protect our intellectual property may not be adequate to maintain or enforce our patents, trademarks or other intellectual property rights.

Despite our efforts to monitor and protect our intellectual property, we may not be able to maintain or enforce our patents, trademarks or other intellectual property rights. Unauthorized third parties may use our trademarks and service marks, or marks that are similar thereto, to impinge on our goodwill, cause consumer confusion or dilute our rights in the marks. We are aware of products, software and marks similar to our intellectual property being used by other persons. Although we believe that such uses will not adversely affect us, further or currently unknown unauthorized uses or other infringement of our trademarks or service marks could diminish the value of our intellectual property and may adversely affect our business. Even where we have effectively secured protection for our intellectual property, our competitors may challenge, infringe, misappropriate or dilute our intellectual property and our employees, consultants, contractors, customers and suppliers may breach their contractual obligations not to reveal or use our confidential information, including trade secrets. Additionally, defending or enforcing our intellectual property rights and agreements, and seeking an injunction or compensation for infringements or misappropriations, could result in expending significant resources and diverting management attention, which in turn may have a material adverse effect on our business, financial condition and results of operations.

We have been and may become subject to third-party infringement claims or challenges to the validity of our intellectual property that could have a material adverse effect on our business.

We have faced, and may in the future face, claims for infringement, misappropriation or other violations of intellectual property rights from intellectual property owners in areas where we operate or intend to operate, including in foreign jurisdictions. Such claims may or may not be unfounded. Regardless of whether such claims have merit, our image, brands, competitive position and ability to expand our operations into other jurisdictions may be harmed and we may incur significant costs related to defense or settlement. If such claims were decided against us or a third party we indemnify pursuant to license terms, we could be required to pay damages, develop or adopt non-infringing products or services, or acquire a license to the intellectual property that is the subject of the asserted claim, which license may not be available on acceptable terms or at all.

Defending or settling claims would require the expenditure of additional capital, and negative publicity could arise, even if the matter was ultimately decided in our favor. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Indebtedness

Our substantial level of indebtedness could cause our business to suffer and incurring additional debt could intensify debt-related risks.

We have a substantial amount of debt, including approximately \$886 million outstanding under our first lien term loan facility as of December 31, 2022. Additionally, pursuant to an indenture, VM Consolidated, Inc. issued an aggregate principal amount of \$350 million in Senior Unsecured Notes (the “*Senior Notes*”) due 2029. We may also incur substantial additional debt in the future to, among other things, finance our acquisition strategy. We have the option to increase commitments under our revolving credit agreement by up to \$50.0 million, all of which would be secured. We also have the ability to draw an unlimited amount from our first lien term loan facility, subject to the satisfaction of a maximum total net leverage ratio or minimum fixed charge coverage ratio, on a pro forma basis, all of which will be secured. Our substantial debt could have important consequences, any of which could be intensified if new debt is added to our current debt levels. For example, it could:

- increase our vulnerability to adverse economic and industry conditions;
- limit our ability to obtain additional financing for future working capital, capital expenditures, strategic acquisitions and other general corporate requirements;
- expose us to interest rate fluctuations because the interest rate on certain of our debt is variable;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt,

thereby reducing the availability of our cash flow for operations and other purposes;

- make it more difficult for us to satisfy our general business obligations, including our obligations to our lenders, resulting in possible defaults on and acceleration of such indebtedness;
- limit our ability to refinance indebtedness or increase the associated costs;
- require us to sell assets to reduce debt or influence our decision about whether to do so;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate or prevent us from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve operating margins; and
- place us at a competitive disadvantage compared to any competitors that have less debt or comparable debt at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns.

Restrictive covenants in the agreements governing our indebtedness could restrict our operating flexibility.

The agreements governing our indebtedness limit our ability to take certain actions. These restrictions may limit our ability to operate our businesses, prohibit or limit our ability to enhance our operations or take advantage of potential business opportunities as they arise and cause us to take actions that are not favorable to stockholders.

The agreements governing our indebtedness restrict, among other things and subject to certain exceptions, our and our restricted subsidiaries' ability to:

- incur additional indebtedness;
- pay dividends or other payments on capital stock;
- guarantee other obligations;
- grant liens on assets;
- make loans, acquisitions or other investments;
- transfer or dispose of assets;
- make optional payments or modify certain debt instruments;
- engage in transactions with affiliates;
- amend organizational documents;
- engage in mergers or consolidations;
- enter into arrangements that restrict the ability to pay dividends;
- engage in business activities that are materially different from existing business activities;
- change the nature of the business we conduct; and
- designate subsidiaries as unrestricted subsidiaries.

Under our first lien term loan facility, we could be required to make periodic prepayments based on excess cash flow (as defined by the first lien term loan agreement) thereby limiting the amount of cash flow that can be reinvested in our business. For example, under our revolving credit facility, if availability goes below a certain threshold, we will be required to comply with a minimum "consolidated fixed charge coverage ratio" financial covenant as calculated therein. Moreover, if availability falls below a certain threshold for a specified number of business days, we could be required to remit our cash funds to a dominion account maintained by the administrative agent to the revolving credit facility, which would require daily review and approval of operating disbursements by the administrative agent.

Our ability to comply with the covenants and restrictions contained in agreements governing our indebtedness may be affected by economic conditions and by financial, market and competitive factors, many of which are beyond our control. Our ability to comply with these covenants in future periods will also depend substantially on the pricing and sales volume of our products, our success at implementing cost reduction initiatives and our ability to successfully implement our overall business strategy. The breach of any of these covenants or restrictions could result in a default under one or more of the agreements governing our indebtedness that would permit the applicable lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. In that case, we may be unable to borrow under our revolving credit agreement or otherwise, may not be able to repay the amounts

due under the agreements governing our indebtedness, and may not be able to make cash available by dividend, debt repayment or otherwise. In addition, our lenders could proceed against the collateral securing that indebtedness. Any of the foregoing could have serious consequences to our financial position, results of operations or cash flows and could cause us to become bankrupt or insolvent.

The agreements governing our indebtedness contain cross default or cross acceleration provisions that may cause all of the debt issued under those instruments to become immediately due and payable because of a default under an unrelated debt instrument.

The agreements governing our indebtedness contain numerous covenants and require us, if availability goes below a certain threshold, to comply with a minimum “consolidated fixed charge coverage ratio” financial covenant as calculated in the revolving credit agreement. Our failure to comply with the obligations contained in these agreements or other instruments governing our indebtedness could result in an event of default under the applicable instrument, which could result in the related debt and the debt issued under other instruments (together with accrued and unpaid interest and other fees) becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which funds may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such a default could require us to sell assets and otherwise curtail our operations in order to pay our creditors. These alternative measures could have a material adverse effect on our business, financial position, results of operations or cash flows.

If we do not generate sufficient cash flows, we may not be able to service all of our indebtedness.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash, make scheduled payments or to refinance our debt obligations depends on our successful financial and operating performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control.

If our cash flow and capital resources are insufficient to fund our debt service obligations or to repay indebtedness when it matures, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets or operations, reducing or delaying capital investments or seeking to raise additional capital. We may not be able to refinance our debt and any refinancing of our debt could be at higher interest rates and may require us to comply with more restrictive covenants that could further restrict our business operations and our ability to make cash available for dividends and distributions and payments on our other debt obligations (if any). Our ability to implement successfully any such alternative financing plans will be dependent on a range of factors, including general economic conditions, the level of activity in mergers and acquisitions and capital markets generally, and the terms of our various debt instruments then in effect. In addition, a significant portion of our outstanding indebtedness is secured by substantially all of our assets including our subsidiaries’ assets, and any successor credit facilities are likely to be secured on a similar basis. As such, our ability to seek additional financing or our ability to make cash available for dividends and distributions and payments on our other debt obligations (if any) could be impaired as a result of such security interests and the agreements governing such security interests. Moreover, as a result of these security interests, the underlying assets would only be available to satisfy claims of our general creditors or holders of our equity securities if we were to become insolvent to the extent the value of such assets exceeded the amount of our indebtedness and other obligations.

Our inability to generate sufficient cash flow to satisfy our debt obligations or to refinance our obligations on commercially reasonable terms could have a material adverse effect on our business, including our financial condition and results of operations.

We may be unable to obtain additional financing to fund operations and growth.

We may require additional financing to fund our operations or growth, whether organic or through acquisitions. Our failure to secure additional financing could have a material adverse effect on our continued development or growth.

Risks Related to Our Class A Common Stock, Warrants, Related Party Transactions and Organizational Documents

We are required to pay Lakeside Smart Holdco L.P for a significant portion of the tax benefit relating to pre-Business Combination tax attributes of Verra Mobility.

At the closing of the Business Combination, we entered into the Tax Receivable Agreement with the PE Greenlight Holdings, LLC (the “**Platinum Stockholder**”) and the stockholder representative (as may be amended from time to time, the “**Tax Receivable Agreement**”), which was subsequently assigned by the Platinum Stockholder to Lakeside Smart Holdco L.P. (“**Lakeside**”), as successor in interest to the Platinum Stockholder, on August 3, 2022. The Tax Receivable Agreement provides that we pay Lakeside 50% of the net cash savings, if any, in U.S. federal, state and local income tax that we actually realize (or are deemed to realize in certain circumstances) in periods after the closing of the Business Combination as a result of the increase in the tax basis of the intangible assets of Highway Toll Administration, LLC (“**HTA**”) resulting from the acquisition of HTA by Verra Mobility prior to the Business Combination. We will generally retain the benefit of the remaining 50% of these cash savings.

Under certain circumstances (including an election by us, a material breach of our obligations under the Tax Receivable Agreement, or certain transactions constituting a change in control or divestiture of the HTA assets under the Tax Receivable Agreement), payments under the Tax Receivable Agreement may accelerate, and we may be required to make such payments in a lump sum based on certain valuation assumptions, including that we and our subsidiaries will generate sufficient taxable income to fully utilize the applicable deductions generated by the intangible assets of HTA.

We cannot guarantee that our stock repurchase program will enhance long-term shareholder value. Stock repurchases could also increase the volatility of the trading price of our stock and could diminish our cash reserves. In addition, Congress enacted the Inflation Reduction Act on August 16, 2022, which (among other provisions) provides a 1% excise tax on net stock repurchases. This provision is expected to apply to any stock repurchases initiated after January 1, 2023.

In May 2022, our Board of Directors authorized a share repurchase program for up to an aggregate amount of \$125 million of our outstanding shares of Class A Common Stock. We subsequently paid \$50.0 million in May 2022 to repurchase outstanding shares of our Class A Common Stock through an ASR, and received an initial delivery of 2,739,726 shares. The final settlement occurred in August 2022, at which time we received 445,086 additional shares. In addition, during the second and third quarters, we paid \$6.9 million and repurchased 445,791 shares of our Class A Common Stock through open market transactions. During the third quarter of 2022, we discontinued open market repurchases and our Board of Directors authorized a second ASR for the remaining availability under the share repurchase program. In August 2022, we paid \$68.1 million for the second ASR, and received an initial delivery of 3,300,000 shares of our Class A Common Stock. The final settlement of the ASR resulted in the receipt of 943,361 additional shares. In November 2022, 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 transactions, ASRs or privately negotiated transactions. The Company has not yet repurchased shares under this repurchase program.

The timing, price, and quantity of purchases under the program have been, and will continue to be, made at the discretion of our management based upon a variety of factors including share price, general and business market conditions, compliance with applicable laws and regulations, corporate and regulatory requirements, and alternative uses of capital. There is no guarantee as to the exact number of shares that we will repurchase and we cannot guarantee that the program will enhance long-term stockholder value. The share repurchase program could affect the trading price of our common stock and increase volatility. In addition, our repurchases under our share repurchase program have diminished, and could continue to diminish, our cash reserves.

Anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our certificate of incorporation contains provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together, these provisions may make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities. These provisions include:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our Board of Directors (our “**Board**”);
- the requirement that directors may only be removed from the Board for cause;
- the right of our Board to elect a director to fill a vacancy created by the expansion of our Board or the resignation, death or removal of a director in certain circumstances, which prevents stockholders from being able to fill vacancies on our Board;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- a prohibition on stockholders calling a special meeting and the requirement that a meeting of stockholders may only be called by members of our Board or our Chief Executive Officer, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement that changes or amendments to certain provisions of our certificate of incorporation or bylaws must be approved by holders of at least two-thirds of our Common Stock; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our Board or to propose matters to be acted upon at a meeting of stockholders, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of us.

Our bylaws include a forum selection clause, which may impact the ability of our stockholders to bring actions against us.

Subject to certain limitations, our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware will be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring: (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees or our stockholders; (c) any action asserting a claim arising pursuant to any provision of the Delaware General Corporate Law or our certificate of incorporation or bylaws; or (d) any action asserting a claim governed by the internal affairs doctrine. In addition, our bylaws provide that unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the federal securities laws of the United States against us, our officers, directors, employees or underwriters. These limitations on the forum in which stockholders may initiate action against us could create costs or, inconvenience or otherwise adversely affect our stockholders’ ability to seek legal redress. If a court were to find the forum-selection provisions contained in our bylaws to be unenforceable, we may incur additional costs associated with resolving proceedings in forums other than the Court of Chancery in the State of Delaware and the federal district courts of the United States.

Our only significant asset is our ownership interest in our operating subsidiaries and such ownership may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our Class A Common Stock or satisfy our other financial obligations, including our obligations under the Tax Receivable Agreement.

We have no direct operations and no significant assets other than our ownership interest in our operating subsidiaries. We depend on our operating subsidiaries for distributions, loans and other payments to generate the funds necessary to meet our financial obligations, including our expenses as a publicly traded company, to pay any dividends with respect to our Class A Common Stock, and to satisfy our obligations under the Tax Receivable Agreement. The financial condition and operating requirements of our operating subsidiaries may limit our ability to obtain cash from our operating subsidiaries. The earnings from, or other available assets of, our operating subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our Common Stock or satisfy our other financial obligations, including our obligations under the Tax Receivable Agreement.

The ability of our operating subsidiaries (other than subsidiaries which have been designated as unrestricted pursuant to our ability to do so in certain limited circumstances) to make distributions, loans and other payments to us

for the purposes described above and for any other purpose is governed by the terms of the Debt Agreements and will be subject to the negative covenants set forth therein. Any loans or other extensions of credit will be subject to the investment covenants under the Rollover Credit Agreements. The “**Debt Agreements**” means, collectively: (i) the Amendment and Restatement Agreement No. 1 to First Lien Term Loan Credit Agreement, dated as of March 26, 2021, among Greenlight Acquisition Corporation, a Delaware corporation; VM Consolidated, Inc. (formerly known as ATS Consolidated, Inc.), a Delaware corporation; American Traffic Solutions, Inc., a Kansas corporation; and Lasercraft, Inc., the subsidiary guarantors party thereto, a Georgia corporation; the lenders party thereto from time to time; and Bank of America, N.A. as Administrative Agent and Collateral Agent; and (ii) the Revolving Credit Agreement, dated as of March 1, 2018, among Greenlight Acquisition Corporation, a Delaware corporation; VM Consolidated, Inc., a Delaware corporation; the other Borrowers (for this purpose only, as defined therein) party thereto from time to time; the lenders party thereto from time to time; and Bank of America, as the administrative agent and the collateral agent; and (iii) the Indenture governing VM Consolidated, Inc.’s 5.50% Senior Notes Due 2029, among VM Consolidated, Inc., Wilmington Trust, National Association, and the Guarantors named therein, dated as of March 26, 2021, in the case of each of the foregoing (i) and (ii), as amended or otherwise modified from time to time.

Our failure to be current in our SEC filings could pose significant risks to our business, each of which could materially and adversely affect our financial condition and results of operations.

Under the Exchange Act, the Company, as reporting company, is required to provide investors on a regular basis with periodic reports that contain important financial and business information. Examples of these reports include the annually filed Form 10-K and the quarterly filed Form 10-Q. The timely and complete submission of periodic reports provides investors with information to help them make informed investment decisions. Our inability to timely file our periodic reports with the SEC, as occurred with our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, could have an adverse impact on our ability to, among other things, (i) access our credit facilities, (ii) attract and retain key employees, and (iii) raise funds in the public markets, any of which could materially and adversely affect our financial condition and results of operations.

If our Class A Common Stock is delisted from Nasdaq, a market for our securities may not continue, which would adversely affect the liquidity and price of our securities.

The price of our securities may vary due to general economic conditions and forecasts, our general business condition and the release of our financial reports. Additionally, if our securities are not listed on, or become delisted from, Nasdaq for any reason, including for failure to maintain compliance with rules for continued listing on Nasdaq, and are quoted on the OTC Bulletin Board or OTC Pink, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities may be more limited than if we were quoted or listed on Nasdaq or another national securities exchange. For example, on March 3, 2022, we received a notice from Nasdaq stating that because we had not yet filed our Annual Report on Form 10-K for fiscal year 2021, we were no longer in compliance with Nasdaq Listing Rule 5250(c)(1), which requires listed companies to timely file all required periodic financial reports with the SEC. On March 17, 2022, we submitted to Nasdaq a plan to regain compliance with Nasdaq’s requirements for continued listing and on March 31, 2022, Nasdaq granted us an extension until May 2, 2022, to regain compliance with Nasdaq’s requirements for continued listing. We subsequently regained compliance with Nasdaq listing requirements.

Our warrants using the trading symbol “VRRMW” were removed from listing by Nasdaq on December 14, 2018, due to an insufficient number of round lot holders following completion of the Business Combination. Those warrants are now quoted on OTC Pink under the symbol “VRRMW.” Accordingly, the liquidity of our warrants may be more limited than if they were quoted or listed on Nasdaq or another national securities exchange. Our securities holders may be unable to sell their securities unless a market can be sustained.

The valuation of our warrants could increase the volatility in our net income (loss) in our consolidated statements of operations and comprehensive income (loss).

The warrants originally issued to Gores Sponsor II, LLC in a private placement in connection with the IPO (the “**Private Placement Warrants**”) are remeasured at the end of each reporting period and any changes in the fair value of the liability are recorded as a gain or loss on the consolidated statements of operations. Significant changes in the fair value of the Private Placement Warrants may create volatility and adversely affect our net income (loss) from period to period.

The change in fair value of our warrants is the result of changes in stock price and warrants outstanding at each reporting period. The change in fair value of warrant liabilities represents the mark-to-market fair value adjustments to the outstanding warrants issued in connection with the IPO. Significant changes in our stock price or number of warrants outstanding may adversely affect our net income (loss) in our consolidated statements of operations and comprehensive income (loss).

Our business could be negatively affected as a result of actions of activist stockholders or others.

We may be subject to actions or proposals from stockholders or others that may not align with our business strategies or the interests of our other stockholders. Responding to such actions can be costly and time-consuming, disrupt our business and operations, and divert the attention of our Board, management, and employees from the pursuit of our business strategies. Such activities could interfere with our ability to execute our strategic plan. Activist stockholders or others may create perceived uncertainties as to the future direction of our business or strategy which may be exploited by our competitors and may make it more difficult to attract and retain qualified personnel and potential guests, and may affect our relationships with current guests, vendors, investors, and other third parties. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our Board. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

Risks Related to Our Vendors

Our reliance on third-party providers could have a material adverse effect on our business.

We rely heavily on third-party providers, including subcontractors, manufacturers, software vendors, software application developers, and utility and network providers, to meet their obligations to us in a timely and high-quality manner. For example, we rely on third parties such as the National Law Enforcement Telecommunications System, Polk, DMVDesk, CVR and Dealertrack to provide a direct connection to state departments of motor vehicles (and their European equivalents) and other governmental agencies with which we do not have direct relationships for the driver and other information we use in our business. Our ability to offer our solutions would be materially affected if this access was unavailable or materially restricted, or if the price we pay increased significantly. Our Government Solutions business also relies on a number of third-party manufacturers, including camera manufacturers and automated license plate recognition providers, and outsources some engineering, construction, maintenance, printing and mailing, call center, image review and violations processing work. Further, if one or more tolling authorities cancels our accounts, or stops providing transponders and we are unable to obtain transponders through other sources, our Commercial Services business would be affected. Our Parking Solutions business also relies on a number of domestic and foreign third-party manufacturers in the production of our Pay Station, PARCS and PE hardware solutions, and our inability to access third-party providers could have a material adverse effect on our business.

We also outsource a meaningful percentage of our software development work to third parties. Some of our agreements with these third parties include termination rights, allowing the third party to terminate the arrangement in certain circumstances. For example, the agreements with our third-party payment processors give them the right to terminate the relationship if we fail to keep credit card chargeback and retrieval rates below certain thresholds. If any of our third-party providers are unable or unwilling to meet their obligations to us, fail to satisfy our expectations or those of our customers, including those imposed through flow-down provisions in prime contracts, or if they terminate or refuse to renew their relationships with us on substantially similar terms, we may be unable to find adequate replacements within a reasonable time frame, on favorable commercial terms or at all, and our business, financial condition and results of operations could be materially and adversely affected.

While we perform some due diligence on these third parties and take measures to ensure that they comply with applicable laws and regulations, we do not have an extensive screening or review process and ultimately cannot guarantee our third-party providers will comply with applicable laws, the terms of their agreements or flow-down requirements from our customers. Misconduct or performance deficiencies by any of our third-party providers may be perceived as misconduct or poor performance by us, cause us to fall short on our contractual obligations to our customers or harm our reputation, any of which could have a material adverse effect on our business, financial condition and results of operations.

We rely on communications networks and information systems and any interruption could have a material adverse effect on our business.

We rely heavily on the satisfactory performance and availability of our information technology infrastructure and systems, including our websites and network infrastructure, to conduct our business. We rely on third-party communications service and system providers to provide technology services and link our systems with our customers' networks and systems, including a reliable network backbone with the necessary speed, data capacity and security. We also rely on third-party vendors, including data center, bandwidth and telecommunications equipment providers. A failure or interruption that results in the unavailability of any of our information systems or a major disruption of communications between a system and the customers we serve could disrupt the effective operation of our solutions and otherwise adversely impact our ability to manage our business effectively. We may experience system and service interruptions or disruptions for a variety of reasons, including as the result of network failures, power outages, cyber-attacks, employee errors, software errors, an unusually high volume of transactions, or localized conditions such as fire, explosions or power outages or broader geographic events such as earthquakes, storms, floods, epidemics, strikes, acts of war, civil unrest or terrorist acts. We have taken steps to mitigate our exposure to certain service disruptions by investing in redundant or blended circuits, although the redundant or blended circuits may also suffer disruption. Because we are dependent in part on independent third parties for the implementation and maintenance of certain aspects of our systems and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all. Any interruption or delay in or cessation of these services and systems could significantly disrupt operations, impact customers, damage our reputation, result in litigation, decrease the overall use and acceptance of our solutions, result in lost data and be costly, time consuming and difficult to remedy, any of which could have a material adverse effect on our business, financial condition and results of operations.

General Risk Factors

Uncertainty about current and future economic conditions and other adverse changes in general political conditions.

Adverse macroeconomic conditions, including higher interest rates, inflation, slower growth or recession, barriers to trade, changes to fiscal and monetary policy, tighter credit, high unemployment, currency fluctuations, and other events beyond our control, such as economic sanctions, natural disasters, pandemics, including the COVID-19 pandemic, epidemics, political instability, armed conflicts and wars, including the Russia-Ukraine war, can materially adversely affect demand for our products and services. In addition, consumer spending and activities may be materially adversely affected in response to financial market volatility, negative financial news, conditions in the real estate and mortgage markets, declines in income or asset values, energy shortages and cost increases, labor and healthcare costs and other economic factors, all of which may have a negative affect on our business and results of operations.

Additionally, uncertainty about, or a decline in, global or regional economic conditions may have a significant impact on our suppliers, manufacturers, logistics providers, distributors and other partners. Potential effects on our suppliers and partners include financial instability, inability to obtain credit to finance operations, and insolvency. A downturn in the economic environment can also lead to increased credit and collectability risk on our trade receivables, the failure of derivative counterparties and other financial institutions, limitations on our ability to issue new debt, reduced liquidity, and declines in the fair value of our financial instruments. These and other economic factors can materially adversely affect our business, results of operations, financial condition and stock price.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results.

As a public company, we are required to comply with Section 404 of the Sarbanes Oxley Act of 2002 ("**SOX**"), which requires, among other things, that companies maintain disclosure controls and procedures to ensure timely disclosure of material information, and that management reviews the effectiveness of those controls on a quarterly basis. During fiscal year 2021, we identified material weaknesses in our internal controls over financial reporting related to: (i) the monitoring and control activities over the acquisition of Redflex Holdings Pty Ltd. due to the lack of sufficient qualified accounting resources to timely identify and assess accounting implications of revenue arrangements assumed as part of the acquisition and to provide adequate controls over the completeness and accuracy of inputs used in accounting for the business combination; and (ii) the design and maintenance of certain revenue and reporting controls related to a third-party application utilized in performing certain control activities and used in the

preparation of our consolidated financial statements. As a result of these material weaknesses, management concluded that our internal control over financial reporting was not effective as of December 31, 2021.

During fiscal year 2021, we also identified a material weakness in our internal control over the operation of certain controls over the review of the accounting for our Private Placement Warrants related to the April 12, 2021 SEC Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies. This material weakness resulted in a material misstatement of our private placement warrant liability, change in fair value of private placement warrant liability, additional paid-in capital and accumulated deficit as of December 31, 2020 and 2019 and for years ended December 31, 2020, 2019 and 2018. We restated our consolidated financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 upon completing our management's evaluation of the SEC Staff statement as a part of our remediation measures. As a result of these material weaknesses, management concluded that our internal control over financial reporting was not effective as of December 31, 2020. We completed the remediation measures related to the material weakness during fiscal year 2021.

We cannot be certain that we will be able to maintain adequate controls over our financial processes and reporting in the future or that we will be able to comply with our obligations under Section 404 of SOX. If we fail to maintain the adequacy of our internal controls, we cannot assure our stockholders that we will be able to conclude in the future that we have effective internal control over financial reporting, and/or we may encounter difficulties in implementing or improving our internal controls, which could harm our operating results or cause us to fail to meet our reporting obligations. If we fail to maintain effective internal controls, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our securities may be negatively affected, and we could be subject to sanctions or investigation by regulatory authorities, such as the SEC or Nasdaq.

Litigation and other disputes and regulatory investigations could have a material adverse effect on our business.

From time to time, we may be involved in litigation and other disputes or regulatory investigations that arise in and outside the ordinary course of business. We expect that the number, frequency and significance of these matters may increase as our business expands and we grow as a company. Litigation, disputes, or regulatory investigations may relate to, among other things, intellectual property, commercial arrangements, negligence and fiduciary duty claims, vicarious liability based upon conduct of individuals or entities outside of our control, including our third-party service providers, antitrust claims, deceptive trade practices, claims related to invoicing, personal injury claims, general fraud claims and employment law claims, including compliance with wage and hour regulations and contractual requirements. An adverse determination may result in liability to us for the claim and may also result in the imposition of penalties and/or fines. Like other companies that handle sensitive personal and payment information, we also face the possibility of allegations regarding employee fraud or misconduct. In addition to more general litigation, at times we are also a named party in claims made against our customers, including putative class actions challenging the legality and constitutionality of automated photo enforcement and other similar programs of our Government Solutions customers and consumer fraud claims brought against our RAC customers alleging faulty disclosures regarding our services.

As a public company, we may also be subject to securities class action and stockholder derivative lawsuits. From time to time, we may also be reviewed or investigated by U.S. federal, state, or local regulators or regulators in the foreign jurisdictions in which we operate regarding similar and other matters, including tax assessments.

These investigations can be commenced at the initiative of the governmental authority or as a result of complaints by private citizens, regardless of whether the complaint has any merit. At times, we are also required to obtain licensing and permitting, including with respect to matters such as general contracting, performance of engineering services, performance of electrical work and performance of private investigative work. Although we carry general liability insurance coverage, our insurance may not cover all potential claims to which we are exposed, whether as a result of a dispute, litigation or governmental investigation, and it may not adequately indemnify us for all liability that may be imposed.

Any claims against us or investigation into our business and activities, whether meritorious or not, could be time consuming, result in significant legal and other expenses, require significant amounts of management time and result in the diversion of significant operational resources. Class action lawsuits can often be particularly burdensome given the breadth of claims, large potential damages and significant costs of defense. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that is subject to third-party patents or other third-party intellectual property rights. Legal or regulatory matters involving our directors, officers or employees in their individual capacities can also create exposure for us because we may be obligated or may choose to indemnify the affected individuals against liabilities and expenses they incur in connection with such matters. Regulatory investigations, including with respect to proper licensing, payment of wages, procurement practices or permitting, can also lead to enforcement actions, fines and penalties, the loss of a license or permit or the assertion of private litigation claims. Risks associated with these liabilities are often difficult to assess or quantify and their existence and magnitude can remain unknown for significant periods of time, making the amount of any legal reserves related to these legal liabilities difficult to determine and, if a reserve is established, subject to future revision. Future results of operations could be adversely affected if any reserve that we establish for a legal liability is increased or the underlying legal proceeding, investigation or other contingency is resolved for an amount in excess of established reserves. Because litigation and other disputes and regulatory investigations are inherently unpredictable, the results of any of these matters may have a material adverse effect on our business, financial condition and results of operations.

Risks related to laws and regulations and any changes in those laws could have a material adverse effect on our business.

We are subject to multiple, and sometimes conflicting, laws and regulations in the countries, states and localities in which we operate. We are required to comply with certain SEC, Nasdaq and other legal or regulatory requirements. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly.

In addition to the laws and regulations discussed elsewhere in these risk factors regarding data privacy, foreign operations and other matters, we are subject to laws regarding transportation safety, consumer protection, procurement, anti-kickback, labor and employment matters, competition and antitrust, payment processing, intellectual property, environmental matters, and other trade-related laws and regulations. Certain of our operations are also subject to oversight by the USDOT, the Federal Communications Commission, the U.S. Consumer Product Safety Commission, and the Environmental Protection Agency, as well as comparable state and local agencies, including departments of transportation, departments of motor vehicles, professional licensing authorities and offices of inspector general. Our Government Solutions segment is also subject to laws related to the use of automated traffic enforcement, the capture, access and retention of data and matters related to government contracting.

Recent years have seen a substantial increase in the number of new laws and regulations and the rate of change and enforcement of many of these types of laws and regulations. We cannot predict the nature, scope or impact of future laws, regulatory requirements or similar standards may have on our business, whether implemented through changes to existing laws or the way they are administered or interpreted, or through entirely new regulations. Future laws, regulations, and standards or any changed interpretation or administration of existing laws or regulations could limit the continued use or adoption of one or more of our solutions, require us to incur additional costs, impact our ability to develop and market new solutions or impact our ability to retain existing business and secure new business. We may not be able to respond in a reasonable or cost-effective manner, or at all. Even if we make what we believe are appropriate changes, there is no certainty those actions will comply.

Any alleged or actual violations of any law or regulation, change in law or regulation or changes in the interpretation of existing laws or regulations may subject us to government scrutiny, including government or regulatory investigations and enforcement actions, civil and criminal fines and penalties, and negative publicity, or otherwise have a material adverse effect on our business, financial condition and results of operations.

Our failure to properly perform under our contracts or otherwise satisfy our customers could have a material adverse effect on our business.

Our business model depends in large part on our ability to retain existing work and attract new work from existing customers. If a customer is not satisfied with our products, services or solutions or the timeliness or quality of our work, we may incur additional costs to address the problem, the profitability of that contract may be impaired, we may experience payment delays, it could do harm to our reputation and hinder our ability to win new work from prospective customers. Failure to properly transition new customers to our systems or existing customers to our different systems, properly budget transition costs or accurately estimate contract costs could also result in delays and general customer dissatisfaction. Many of our contracts may be terminated by the customer upon specified advance notice without cause. Any failure to properly perform under our contracts or meet our customers' expectations could have a material adverse effect on our business, financial condition and results of operations.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We are subject to income taxes in numerous countries, and our domestic tax liabilities are subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

In addition, we are subject to audits of our income, sales and other transaction taxes by U.S. federal and state authorities, as well as foreign tax authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease all of the properties used in our business, including 108,956 square feet of office space for our corporate headquarters in Mesa, Arizona. In addition to the corporate headquarters, we lease office space in various locations for corporate and administrative purposes and multiple small warehouse locations. We do not consider any of these properties to be material to our overall business.

Item 3. Legal Proceedings

We are subject to legal and regulatory actions that arise from time to time in the ordinary course of business, and may be subject to similar or other claims in the future. Legal disputes and other claims and proceedings may relate to, among other things, intellectual property, commercial arrangements, negligence and fiduciary duty claims, vicarious liability based on conduct of individuals or entities outside of our control, including our third-party service providers, antitrust claims, deceptive trade practices, general fraud claims and employment law claims, including compliance with wage and hour regulations. In addition to more general litigation, at times we have also been a named party in claims made against our customers, including putative class actions challenging the legality and constitutionality of automated photo enforcement and other similar programs of our Government Solutions customers, and consumer fraud claims brought against us and our Commercial Services customers alleging faulty disclosures regarding our services. From time to time, we may also be reviewed or investigated by U.S. federal, state or local regulators or regulators in the foreign jurisdictions in which we operate regarding these and other matters, including proper licensing and tax assessments. All litigation is inherently unpredictable and we could incur judgments or enter into settlements or claims in the future that could materially impact our results.

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Class A Common Stock is currently quoted on Nasdaq under the symbol “VRRM” and our warrants are currently quoted on OTC Pink under the symbol “VRRMW.”

The following table sets forth the high and low sales prices per share of our Class A Common Stock as reported on Nasdaq for the two most recent fiscal years:

	Fiscal Year 2022				Fiscal Year 2021			
	High	Low	High	Low	High	Low	High	Low
First Quarter	\$ 18.13	\$ 14.10	\$ 15.38	\$ 12.54	\$ 15.38	\$ 13.38	\$ 17.50	\$ 14.26
Second Quarter	\$ 16.73	\$ 12.70	\$ 15.94	\$ 13.38	\$ 15.94	\$ 13.38	\$ 17.50	\$ 14.26
Third Quarter	\$ 17.31	\$ 14.92	\$ 17.50	\$ 14.26	\$ 17.50	\$ 14.26	\$ 17.50	\$ 14.26
Fourth Quarter	\$ 17.60	\$ 12.76	\$ 17.01	\$ 13.47	\$ 17.01	\$ 13.47	\$ 17.01	\$ 13.47

Holders of Record

As of December 31, 2022, we had six holders of record of our Class A Common Stock. Because many of our shares of Class A Common Stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Warrants

As of December 31, 2022, there were warrants outstanding to acquire 19,999,967 shares of our Class A Common Stock including: (i) 6,666,666 Private Placement Warrants; and (ii) 13,333,301 warrants issued in connection with the IPO (the “*Public Warrants*” and, together with the Private Placement Warrants, the “*Warrants*”). The Warrants entitle the registered holder to purchase one share of our Class A Common Stock at a price of \$11.50 per share, subject to certain adjustments.

The Warrants became exercisable on November 16, 2018, 30 days following the completion of the Business Combination, and expire five years after that date, or earlier upon redemption or liquidation. We may redeem the outstanding Warrants at a price of \$0.01 per warrant, if the last sale price of our Class A Common Stock equals or exceeds \$18.00 per share for any 20 trading days within a 30 trading-day period ending on the third business day before we send the notice of redemption to the Warrant holders. The Private Placement Warrants, however, are nonredeemable so long as they are held by Gores Sponsor II, LLC or its permitted transferees.

Dividends

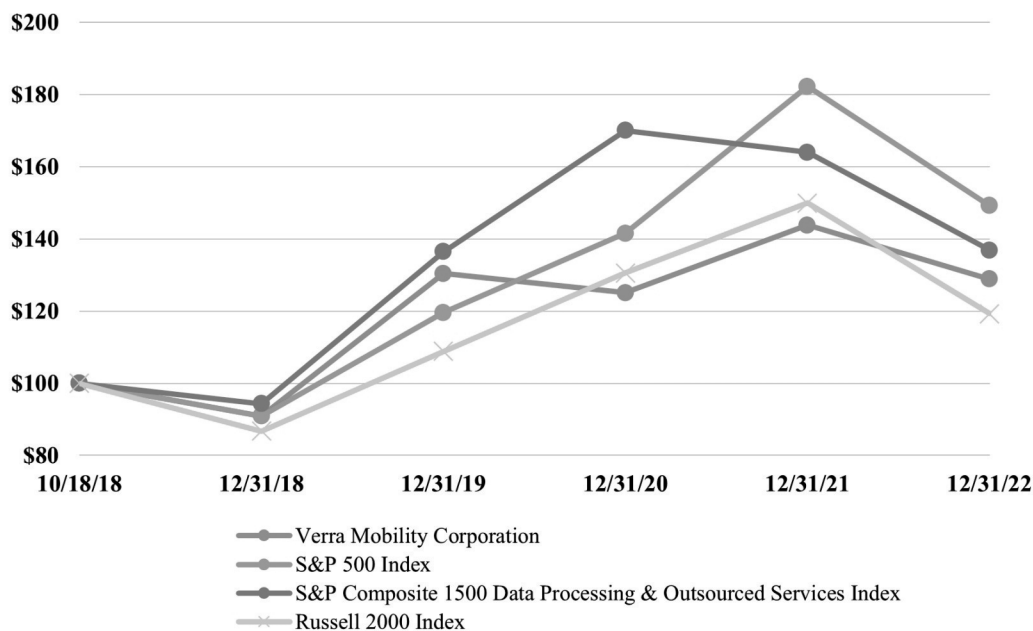
We have not paid any cash dividends on our Class A Common Stock to date. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition. The payment of any cash dividends is within the discretion of our Board. In addition, our Board is not currently contemplating and does not anticipate declaring any stock dividends in the foreseeable future. Further, our ability to declare dividends is limited by restrictive covenants in the agreements governing our indebtedness.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item with respect to our equity compensation plans is incorporated by reference to our Proxy Statement for the 2023 annual meeting of stockholders.

Stock Performance Graph

Comparison of Cumulative Total Return



The graph above compares the cumulative total return on our Class A Common Stock with that of the S&P 500 Index, the S&P Composite 1500 Data Processing & Outsourced Services Index and the Russell 2000 Index. The period shown commences on October 18, 2018 and ends on December 31, 2022, the end of our last fiscal year. The graph assumes an investment of \$100 in each of the above on the close of market on October 18, 2018. We did not declare or pay any dividends on our Class A Common Stock during the comparison period. The stock performance graph is not necessarily indicative of future price performance.

This performance graph is not deemed to be incorporated by reference into any of our other filings under the Exchange Act, or the Securities Act, except to the extent we specifically incorporate it by reference into such filings.

Recent Sales of Unregistered Securities and Use of Proceeds

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In May 2022, our Board of Directors authorized a share repurchase program for up to an aggregate amount of \$125.0 million of our outstanding shares of Class A common stock over a 12-month period in open market, accelerated share repurchase (“**ASR**”) or privately negotiated transactions, each as permitted under applicable rules and regulations, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1 of the Exchange Act.

We subsequently paid \$50.0 million in May 2022 to repurchase outstanding shares of our Class A Common Stock through an ASR, and received an initial delivery of 2,739,726 shares. The final settlement occurred in August 2022, at which time we received 445,086 additional shares. In addition, during the second and third quarters, we paid \$6.9 million and repurchased 445,791 shares of our Class A Common Stock through open market transactions. Our Board of Directors authorized a second ASR during the third quarter of 2022 for the remaining availability under the share repurchase program and we paid \$68.1 million in August 2022 and received an initial delivery of 3,300,000

shares of our Class A Common Stock. The final settlement occurred in November 2022, at which time we received 943,361 additional shares.

In November 2022, 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, each as permitted under applicable rules and regulations, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1 of the Exchange Act. The Company has not yet repurchased shares under this repurchase program.

The following details the purchases of the Company's Class A Common Stock during the three months ended December 31, 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet to be Purchased Under the Plans or Programs
As of October 1, 2022	—	\$ —	—	\$ —
Share repurchases	—	\$ —	—	\$ —
As of October 31, 2022	—	\$ —	—	\$ —
Share repurchases ⁽¹⁾	943,361	\$ 16.27	943,361	\$ —
As of November 30, 2022	943,361	\$ —	943,361	\$ 100,000,000
Share repurchases	—	\$ —	—	\$ —
As of December 31, 2022	943,361	\$ —	943,361	\$ 100,000,000

(1) This relates to the final share settlement of the second ASR on November 4, 2022.

Earn-Out Agreement

Under the Merger Agreement, the Platinum Stockholder is entitled to receive additional shares of Class A Common Stock (the “*Earn-Out Shares*”) if the volume weighted average closing sale price of one share of Class A Common Stock on the Nasdaq exceeds certain thresholds for a period of at least 10 days out of 20 consecutive trading days at any time during the five-year period following the closing of the Business Combination (the “*Common Stock Price*”). The expiration of the five-year period is October 17, 2023.

The Earn-Out Shares are issued by the Company to the Platinum Stockholder as follows:

Common Stock Price Thresholds	One-time Issuance of Shares
> \$13.00 ^(a)	2,500,000
> \$15.50 ^(a)	2,500,000
> \$18.00	2,500,000
> \$20.50	2,500,000

(a) The first and second tranches of Earn-Out Shares have been issued, as discussed below.

If any of the Common Stock Price thresholds above (each, a “*Triggering Event*”) are not achieved within the five-year period following the closing of the Business Combination, the Company will not be required to issue the Earn-Out Shares in respect of such Common Stock Price threshold. In no event shall the Platinum Stockholder be entitled to receive more than an aggregate of 10,000,000 Earn-Out Shares.

If, during the earn-out period, there is a change of control (as defined in the Merger Agreement) that will result in the holders of our Class A Common Stock receiving a per share price equal to or in excess of the applicable Common Stock Price required in connection with any Triggering Event, then immediately prior to the consummation of such change of control: (a) any such Triggering Event that has not previously occurred shall be deemed to have occurred; and (b) the Company shall issue the applicable Earn-Out Shares to the cash consideration stockholders (as defined in the Merger Agreement) (in accordance with their respective pro rata cash share), and the recipients of the issued Earn-Out Shares shall be eligible to participate in such change of control.

The Company estimated the original fair value of the contingently issuable shares to be \$73.15 million, of which \$36.6 million remains contingently issuable as of December 31, 2022. The estimated value is not subject to future revisions during the five-year period discussed above. The Company used a Monte Carlo simulation option-pricing model to arrive at its original estimate. Each tranche was valued separately giving specific consideration to the tranche's price target. The simulation considered volatility and risk-free rates utilizing a peer group based on a five-year term. This was initially recorded as a distribution to shareholders and was presented as common stock contingent consideration. Upon the occurrence of a Triggering Event, any issuable shares are transferred from common stock contingent consideration to common stock and additional paid-in capital accounts. Any contingently issuable shares not issued as a result of a Triggering Event not being attained by the end of the earn-out period will be canceled.

On April 26, 2019 and on January 27, 2020, the Triggering Events for the issuance of the first and second tranches of Earn-Out Shares occurred, as the volume weighted average closing sale price per share of the Company's Class A Common Stock as of that date had been greater than \$13.00 and \$15.50, respectively, for 10 out of 20 consecutive trading days. These Triggering Events resulted in the issuance of an aggregate 5,000,000 shares of the Company's Class A Common Stock to the Platinum Stockholder and an increase in the Company's common stock and additional paid-in capital accounts of \$36.6 million, with a corresponding decrease to the common stock contingent consideration account. At December 31, 2022, the potential future shares issuable pursuant to the earn-out are between zero and 5.0 million.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with the consolidated financial statements and the related notes that are included in Item 8 of Part II of this Annual Report.

Business Overview

We are a leading provider of smart mobility technology solutions 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 fleet owners such as RACs and FMCs, governments, universities, parking operators, healthcare facilities, transportation hubs and other violation-issuing authorities.

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 and expand offerings into adjacent markets through innovation or acquisition. During the periods presented, we:

- Increased total revenue by \$191.0 million, or 35%, from \$550.6 million in fiscal year 2021 to \$741.6 million in fiscal year 2022. Redflex and T2 Systems contributed \$113.9 million to revenue growth, and the remaining increase was mainly due to service revenue resulting from increased travel volume and tolling activity in 2022 in the Commercial Services segment and expansion of speed programs in the Government Solutions segment; and
- Generated cash flows from operating activities of \$218.3 million, \$193.2 million, and \$46.9 million for fiscal years 2022, 2021 and 2020, respectively. Our cash on hand was \$105.2 million as of December 31, 2022.
- Authorized two share repurchase programs, together totaling \$225.0 million, during fiscal year 2022. We used existing cash on hand of \$125.0 million to repurchase shares under the first repurchase program and have not yet repurchased shares under the second repurchase program.
- Entered into an interest rate swap agreement to hedge our exposure to interest rate fluctuations associated with the LIBOR portion of the variable interest rate on our 2021 Term Loan.

Significant Events Impacting Our Business

Share Repurchase and Retirement

On May 7, 2022, our Board of Directors authorized a share repurchase program for up to an aggregate amount of \$125.0 million of our outstanding Class A Common Stock over the next 12 months from time to time 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.

On May 12, 2022, we paid \$50.0 million for an ASR, and received an initial delivery of 2,739,726 shares of our Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement occurred on August 3, 2022, at which time, we received 445,086 additional shares calculated using a volume-weighted average price over the term of the ASR agreement. In addition, we paid \$6.9 million and repurchased 445,791 shares of our Class A Common Stock through open market transactions during the year ended December 31, 2022. Our Board of Directors authorized a second ASR during the third quarter of 2022 for the remaining availability under the share repurchase program. On August 19, 2022, we paid \$68.1 million for this second ASR and received an initial delivery of 3,300,000 shares of our Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement occurred on November 4, 2022, at which time, we received 943,361 additional shares calculated using a volume-weighted average price over the term of the ASR agreement. We used

existing cash on hand and paid a total of \$125.0 million for shares repurchases and \$0.1 million for direct costs during the year ended December 31, 2022.

In November 2022, 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, each as permitted under applicable rules and regulations, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1 of the Exchange Act. The Company has not yet repurchased shares under this repurchase program.

Interest Rate Swap Agreement

In December 2022, we entered into a cancellable interest rate swap agreement to hedge our exposure to interest rate fluctuations associated with the LIBOR portion of the variable interest rate on our 2021 Term Loan. Under the interest rate swap agreement, we pay a fixed rate and the counterparty pays a variable interest rate which is net settled. The notional amount on the interest rate swap is \$675 million. We have the option to terminate the interest rate swap agreement starting in December 2023, and monthly thereafter until December 2025, in the event interest rates decrease. Any changes in the fair value of the derivative instrument (including accrued interest) are recorded in the consolidated statements of operations within the gain on interest rate swap line item, and we recorded a \$1.0 million gain for the year ended December 31, 2022. See Note 2, *Significant Accounting Policies*, in Item 8, Financial Statements and Supplementary Data, for additional information on the interest rate swap.

Segments

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

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

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

During the third quarter of 2022, we changed our measure of segment profit to include (gain) loss on disposal of assets, net, and to exclude transaction and transformation expenses that were previously included within the selling, general and administrative expenses and other income, net line items. The comparable periods have been recast to conform to the revised presentation, although the impact of this revision to previously reported segment profit was not material. See Note 18, *Segment Reporting*.

Primary Components of Our Operating Results

Revenues

Service Revenue. Our Commercial Services segment generates service revenue primarily through the operation and management of tolling programs and processing violations for RACs, FMCs and other large fleet customers. These solutions are full-service offerings by which we enroll the license plates of our customers' vehicles and transponders with tolling authority accounts, pay tolls and violations on the customers' behalf and, through proprietary technology, integrate with customer data to match the toll or violation to the driver and then bill the driver (or our

customer, as applicable) for use of the service. The cost of certain tolls, violations and our customers' share of administration fees are netted against revenue. We also generate service revenue in our Commercial Services segment through processing titles and registrations.

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

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

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

Costs and Expenses

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

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

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

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

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

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

Change in Fair Value of Private Placement Warrants. Change in fair value of private placement warrants consists of liability adjustments related to the 6,666,666 Private Placement Warrants originally issued to Gores Sponsor II, LLC re-measured to fair value at the end of each reporting period.

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

Gain on Interest Rate Swap. Gain on interest rate swap relates to the gain associated with the derivative instrument re-measured to fair value at the end of each reporting period.

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

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

Results of Operations

Fiscal Year 2022 Compared to Fiscal Year 2021

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)	Year Ended December 31,					
			Percentage of Revenue		Increase (Decrease) 2022 vs 2021	
	2022	2021	2022	2021	\$	%
Service revenue	\$ 695,218	\$ 492,846	93.7%	89.5%	\$ 202,372	41.1%
Product sales	46,380	57,744	6.3%	10.5%	(11,364)	(19.7)%
Total revenue	741,598	550,590	100.0%	100.0%	191,008	34.7%
Cost of service revenue	16,330	5,337	2.2%	1.0%	10,993	206.0%
Cost of product sales	30,932	29,809	4.2%	5.4%	1,123	3.8%
Operating expenses	226,324	163,370	30.5%	29.7%	62,954	38.5%
Selling, general and administrative expenses	163,133	123,407	22.0%	22.4%	39,726	32.2%
Depreciation, amortization and (gain) loss on disposal of assets, net	140,174	116,801	18.9%	21.2%	23,373	20.0%
Total costs and expenses	576,893	438,724	77.8%	79.7%	138,169	31.5%
Income from operations	164,705	111,866	22.2%	20.3%	52,839	47.2%
Interest expense, net	69,372	44,942	9.4%	8.1%	24,430	54.4%
Change in fair value of private placement warrants	(14,400)	7,600	(2.0)%	1.4%	(22,000)	(289.5)%
Tax receivable agreement liability adjustment	(720)	(1,016)	(0.1)%	(0.2)%	296	(29.1)%
Gain on interest rate swap	(996)	—	(0.1)%	—	(996)	n/a
(Gain) loss on extinguishment of debt	(3,005)	5,334	(0.4)%	1.0%	(8,339)	(156.3)%
Other income, net	(12,654)	(12,895)	(1.7)%	(2.3)%	241	(1.9)%
Total other expenses	37,597	43,965	5.1%	8.0%	(6,368)	(14.5)%
Income before income taxes	127,108	67,901	17.1%	12.3%	59,207	87.2%
Income tax provision	34,633	26,452	4.6%	4.8%	8,181	30.9%
Net income	\$ 92,475	\$ 41,449	12.5%	7.5%	\$ 51,026	123.1%

Service Revenue. Service revenue increased by \$202.4 million, or 41.1%, to \$695.2 million for fiscal year 2022 from \$492.8 million in fiscal year 2021, representing 93.7% and 89.5% of total revenue, respectively. The following table depicts service revenue by segment:

(\$ in thousands)	Year Ended December 31,					
			Percentage of Revenue		Increase (Decrease) 2022 vs 2021	
	2022	2021	2022	2021	\$	%
Service revenue						
Commercial Services	\$ 325,971	\$ 260,899	44.0%	47.4%	\$ 65,072	24.9%
Government Solutions	307,639	227,992	41.4%	41.4%	79,647	34.9%
Parking Solutions	61,608	3,955	8.3%	0.7%	57,653	1457.7%
Total service revenue	\$ 695,218	\$ 492,846	93.7%	89.5%	\$ 202,372	41.1%

Commercial Services service revenue includes mainly toll and violation management revenues from RACs and FMCs. Commercial Services service revenue increased by \$65.1 million, or 24.9%, from \$260.9 million in fiscal year 2021 to \$326.0 million in fiscal year 2022. This increase was primarily due to the increase in travel volume in 2022

compared to 2021 which was negatively impacted by the COVID-19 pandemic, especially in the first three months of 2021. The volume of tolls incurred by RAC vehicles increased along with a shift towards an all-inclusive fee structure from an incidental or daily usage rate and higher pricing for certain products contributed to a \$45.4 million increase, and the tolling related revenue generated by our FMC customers contributed to a \$11.8 million increase during the year ended December 31, 2022 compared to the same period in 2021.

Government Solutions service revenue includes revenue from speed, red-light, school bus stop arm and bus lane photo enforcement systems. Service revenue was \$307.6 million and \$228.0 million for the years ended December 31, 2022, and 2021, respectively, and it increased by \$79.6 million. Redflex operations contributed \$37.4 million to our growth year-over-year. Organic growth excluding Redflex was \$42.2 million, which was primarily driven by the expansion of school zone speed programs, and speed is the largest product in this segment. We added 752 speed cameras in 2021, excluding Redflex, which provided for service revenue growth in 2022, and added 632 speed cameras in 2022 which provided growth in the current period and will continue to provide growth for 2023 and beyond. The remaining growth is attributable to other expansions and improvement in variable rate programs that recovered from COVID-19 to more normalized volumes.

Parking Solutions service revenue increased to \$61.6 million in fiscal year 2022 compared to \$4.0 million in 2021 due to only 23 days of activity being included in fiscal year 2021 since the date of acquisition.

Product Sales. Product sales decreased \$11.4 million year over year and were \$46.4 million and \$57.7 million for fiscal years 2022 and 2021, respectively. The product sales for the Government Solutions business decreased by \$26.1 million largely from a single customer whose buying patterns varied from period to period. This decrease was offset by a \$14.8 million growth generated from T2 Systems' product sales year over year.

Cost of Service Revenue. Cost of service revenue increased from \$5.3 million for fiscal year 2021 to \$16.3 million for fiscal year 2022. The \$11.0 million increase was mainly attributable to the inclusion of costs in the Parking Solutions segment for the full year compared to only 23 days in the prior year. The costs in this line item will be higher in future periods due to higher recurring service costs for the Parking Solutions business.

Cost of Product Sales. Cost of product sales increased slightly year over year and was \$30.9 million and \$29.8 million for the fiscal years 2022 and 2021, respectively. This was mainly due to increased costs from the inclusion of T2 Systems for the full year compared to only 23 days in the prior year, offset by the reduced costs resulting from the decrease in product sales to Government Solutions customers.

Operating Expenses. Operating expenses increased by \$63.0 million, or 38.5%, from \$163.4 million for fiscal year 2021 to \$226.3 million in fiscal year 2022. This was primarily due to an aggregate \$56.0 million increase in costs in the Government Solutions and Parking Solutions segments resulting from increased wages expense, subcontractor expenses, recurring services and information technology costs from the inclusion of Redflex for the full fiscal year in 2022 compared to approximately two hundred days in 2021 and T2 Systems' operations for the full fiscal year in 2022 compared to only 23 days in the prior year. Operating expenses as a percentage of total revenue increased from 29.7% to 30.5% in fiscal years 2021 and 2022, respectively. The following table presents operating expenses by segment:

(\$ in thousands)	Year Ended December 31,					
			Percentage of Revenue		Increase (Decrease)	
	2022	2021	2022	2021	2022 vs 2021	
				\$	%	
Operating expenses						
Commercial Services	\$ 72,328	\$ 65,718	9.8%	12.0%	\$ 6,610	10.1%
Government Solutions	139,961	96,284	18.9%	17.5%	43,677	45.4%
Parking Solutions	12,905	553	1.7%	0.1%	12,352	2233.6%
Total operating expenses before stock-based compensation	225,194	162,555	30.4%	29.6%	62,639	38.5%
Stock-based compensation	1,130	815	0.1%	0.1%	315	38.7%
Total operating expenses	<u>\$ 226,324</u>	<u>\$ 163,370</u>	<u>30.5%</u>	<u>29.7%</u>	<u>\$ 62,954</u>	<u>38.5%</u>

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$39.7 million to \$163.1 million for fiscal year 2022 compared to \$123.4 million for fiscal year 2021. The increase is primarily due to an aggregate \$35.9 million increase due to the inclusion of Redflex for the full fiscal year in 2022 as compared to approximately two hundred days in the prior year and T2 Systems' operations included for the full fiscal year in 2022 compared to only 23 days in the prior year. In addition, we had an increase of \$13.7 million in the Commercial Services segment from increased wages expense, professional services and credit loss expenses year over

year, and a \$2.6 million increase in total stock-based compensation expense compared to the prior year. These increases were partially offset by a \$12.5 million decrease in certain transaction and transformation costs compared to 2021. Selling, general and administrative expenses as a percentage of total revenue decreased slightly from 22.4% to 22.0% in fiscal years 2021 and 2022, respectively. The following table presents selling, general and administrative expenses by segment:

(\$ in thousands)	Year Ended December 31,					
			Percentage of Revenue		Increase (Decrease) 2022 vs 2021	
	2022	2021	2022	2021	\$	%
Selling, general and administrative expenses						
Commercial Services	\$ 56,105	\$ 42,386	7.5%	7.7%	\$ 13,719	32.4%
Government Solutions	61,235	51,052	8.3%	9.3%	10,183	19.9%
Parking Solutions	27,104	1,361	3.7%	0.2%	25,743	1891.5%
Corporate and other	3,156	15,639	0.4%	2.8%	(12,483)	(79.8)%
Total selling, general and administrative expenses before stock-based compensation	147,600	110,438	19.9%	20.0%	37,162	33.6%
Stock-based compensation	15,533	12,969	2.1%	2.4%	2,564	19.8%
Total selling, general and administrative expenses	<u>\$ 163,133</u>	<u>\$ 123,407</u>	<u>22.0%</u>	<u>22.4%</u>	<u>\$ 39,726</u>	32.2%

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net, increased by \$23.4 million to \$140.2 million for 2022 from \$116.8 million for 2021. This was mainly due to increased amortization and depreciation expense from the inclusion of T2 Systems' operations for the full fiscal year in 2022 compared to only 23 days in the prior year and Redflex for the full fiscal year in 2022 as compared to approximately two hundred days in the prior year.

Interest Expense, Net. Interest expense, net increased by approximately \$24.4 million from \$44.9 million in fiscal year 2021 to \$69.3 million in fiscal year 2022. This increase is due to higher outstanding debt in 2022 which included the \$250 million of incremental term loan borrowing, and higher interest rates on our variable debt for six months of fiscal year 2022. See "Liquidity and Capital Resources" below.

Change in Fair Value of Private Placement Warrants. We recorded a \$14.4 million gain and a \$7.6 million loss in fiscal years 2022 and 2021, respectively, related to the changes in fair value of our Private Placement Warrants which are accounted for as liabilities on our consolidated balance sheets. The change in fair value is the result of re-measurement of the liability at the end of each reporting period.

Tax Receivable Agreement Liability Adjustment. We recorded \$0.7 million and \$1.0 of tax benefits in fiscal years 2022 and 2021, respectively, as a result of lower estimated state tax rates due to changes in apportionment.

Gain on Interest Rate Swap. We recorded a \$1.0 million gain related to the interest rate swap associated with mark-to-market adjustments from re-measuring to fair value at the end of the reporting period.

(Gain) Loss on Extinguishment of Debt. We recorded a \$3.0 million gain on extinguishment of debt during the year ended December 31, 2022 related to the forgiveness of the PPP loan, which is further discussed below. Loss on extinguishment of debt was \$5.3 million for the year ended December 31, 2021 consisting of a \$4.0 million write-off of pre-existing deferred financing costs and discounts and \$1.3 million of lender and third-party costs associated with the issuance of the 2021 Term Loan, as discussed and defined below.

Other Income, Net. Other income, net was \$12.7 million in fiscal year 2022 compared to \$12.9 million in fiscal year 2021. The slight decrease was primarily due to income resulting from volume rebates earned from total spend on purchasing cards from increased tolling activity, especially in the RAC industry, offset by a \$1.3 million impairment related to an equity investment and the remaining due to other non-operating expenses incurred in 2022.

Income Tax Provision. Income tax provision was \$34.6 million representing an effective tax rate of 27.2% for fiscal year 2022 compared to \$26.5 million, representing an effective tax rate of 39.0% for fiscal year 2021. The Company's effective tax rate for 2022 was lower compared to 2021 primarily due to an increase in pre-tax income in 2022 combined with the permanent differences related to the mark-to-market adjustment on the private placement warrants and the adjustments to the carrying value of the Company's tax receivable agreement liability.

Net Income. We had net income of \$92.5 million for fiscal year 2022 compared to a net income of \$41.4 million for 2021. The \$51.0 million increase in net income was primarily due to the increase in service revenue and the other statement of operations activity discussed above.

Fiscal Year 2021 Compared to Fiscal Year 2020

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)	Year Ended December 31,					
			Percentage of Revenue		Increase (Decrease) 2021 vs 2020	
	2021	2020	2021	2020	\$	%
Service revenue	\$ 492,846	\$ 336,274	89.5%	85.4%	\$ 156,572	46.6%
Product sales	57,744	57,319	10.5%	14.6%	425	0.7%
Total revenue	550,590	393,593	100.0%	100.0%	156,997	39.9%
Cost of service revenue	5,337	3,967	1.0%	1.0%	1,370	34.5%
Cost of product sales	29,809	29,573	5.4%	7.5%	236	0.8%
Operating expenses	163,370	115,729	29.7%	29.4%	47,641	41.2%
Selling, general and administrative expenses	123,407	89,664	22.4%	22.8%	33,743	37.6%
Depreciation, amortization and (gain) loss on disposal of assets, net	116,801	116,844	21.2%	29.7%	(43)	(0.0)%
Total costs and expenses	438,724	355,777	79.7%	90.4%	82,947	23.3%
Income from operations	111,866	37,816	20.3%	9.6%	74,050	195.8%
Interest expense, net	44,942	40,865	8.1%	10.4%	4,077	10.0%
Change in fair value of private placement warrants	7,600	1,133	1.4%	0.3%	6,467	570.8%
Tax receivable agreement liability adjustment	(1,016)	6,850	(0.2)%	1.7%	(7,866)	(114.8)%
Loss on extinguishment of debt	5,334	—	1.0%	—	5,334	n/a
Other income, net	(12,895)	(11,885)	(2.3)%	(3.0)%	(1,010)	8.5%
Total other expenses	43,965	36,963	8.0%	9.4%	7,002	18.9%
Income before income taxes	67,901	853	12.3%	0.2%	67,048	7860.3%
Income tax provision	26,452	5,431	4.8%	1.4%	21,021	387.1%
Net income (loss)	\$ 41,449	\$ (4,578)	7.5%	(1.2)%	\$ 46,027	1005.4%

Service Revenue. Service revenue increased by \$156.6 million, or 46.6%, to \$492.8 million for fiscal year 2021 from \$336.3 million in fiscal year 2020, representing 89.5% and 85.4% of total revenue, respectively. The following table depicts service revenue by segment:

(\$ in thousands)	Year Ended December 31,					
			Percentage of Revenue		Increase (Decrease) 2021 vs 2020	
	2021	2020	2021	2020	\$	%
Service revenue						
Commercial Services	\$ 260,899	\$ 180,856	47.4%	46.0%	\$ 80,043	44.3%
Government Solutions	227,992	155,418	41.4%	39.4%	72,574	46.7%
Parking Solutions	3,955	—	0.7%	—	3,955	n/a
Total service revenue	\$ 492,846	\$ 336,274	89.5%	85.4%	\$ 156,572	46.6%

Commercial Services service revenue includes toll and violation management revenues from RACs and FMCs. Commercial Services service revenue increased by \$80.0 million, or 44.3%, from \$180.9 million in fiscal year 2020 to \$260.9 million in fiscal year 2021. This increase was primarily due to the wide distribution of COVID-19 vaccines and the lifting of travel restrictions that positively impacted the travel industry in 2021. Our RAC customers experienced a rebound in leisure travel that impacted our volume in 2021 compared to the prior year which was negatively impacted by the COVID-19 pandemic.

Government Solutions service revenue includes revenue from speed, red-light, school bus stop arm and bus lane photo enforcement systems. Service revenue was \$228.0 million and \$155.4 million for the years ended December 31, 2021, and 2020, respectively, and it increased by \$72.6 million. The acquisition of Redflex on June 17, 2021 contributed \$33.0 million to our year-over-year growth. Organic growth excluding Redflex was \$39.6 million which was primarily driven by the expansion of school zone speed programs. Speed is our largest product in this segment and grew \$33.5 million in 2021 excluding Redflex. We added 805 speed cameras in 2020 which provided year-over-year growth in 2021 and 752 speed cameras in 2021 which provided growth in the 2021 and will continue to provide growth into 2022. The remaining growth can be attributable to improvement in variable rate programs that returned to more normalized volume as COVID-19 restrictions lifted throughout 2021.

Parking Solutions service revenue of \$4.0 million resulted from the December 7, 2021 acquisition of T2 systems with no revenue in the comparable period.

Product Sales. Product sales increased slightly year over year and were \$57.7 million and \$57.3 million for fiscal years 2021 and 2020, respectively, which relate to revenue generated from Government Solutions and Parking Solutions customers who purchase their equipment. We generated product revenue of \$8.1 million from the Redflex and T2 Systems acquisitions for which there was no revenue in the comparable period. Prior to these acquisitions, product revenue was limited to a few large customers whose buying patterns vary greatly from period to period. Product sales for these customers decreased by \$7.7 million due to a decline of 60 units sold and to a lesser extent from product mix.

Cost of Service Revenue. Cost of service revenue increased from \$4.0 million for fiscal year 2020 to \$5.3 million for fiscal year 2021. The \$1.3 million increase resulted from increased costs from third-party professional services associated with the delivery of certain ancillary services, a portion of which related to the Parking Solutions segment with no comparable costs in the prior year.

Cost of Product Sales. Cost of product sales increased slightly year over year and was \$29.8 million and \$29.6 million for fiscal years 2021 and 2020, respectively. This was mainly due to a decrease from the timing of installations at a single customer that is expanding its school zone speed program, offset by an increase from the inclusion of Redflex and T2 Systems product sales in the 2021 period with no comparable amounts in the prior year.

Operating Expenses. Operating expenses increased by \$47.6 million, or 41.2%, from \$115.7 million for fiscal year 2020 to \$163.4 million in fiscal year 2021. The increase was primarily attributable to increases of \$20.4 million in wages expense, \$13.4 million for subcontractor expenses and \$9.4 million of recurring services resulting from increased operations in 2021, which were lower in the 2020 year due to the impact from the COVID-19 pandemic. Operating expenses as a percentage of total revenue increased from 29.4% to 29.7% in fiscal years 2020 and 2021, respectively. This slight increase represents improved operating leverage corresponding to the revenue improvement in the Commercial Services segment and decreased operating leverage for the Government Solutions business with the addition of Redflex which historically had lower margins than the Verra Mobility business. The following table presents operating expenses by segment:

(\$ in thousands)	Year Ended December 31,					
			Percentage of Revenue		Increase (Decrease)	
	2021	2020	2021	2020	2021 vs 2020	
				\$	%	
Operating expenses						
Commercial Services	\$ 65,718	\$ 52,505	12.0%	13.3%	\$ 13,213	25.2%
Government Solutions	96,284	62,387	17.5%	15.9%	33,897	54.3%
Parking Solutions	553	—	0.1%	—	553	n/a
Total operating expenses before stock-based compensation	162,555	114,892	29.6%	29.2%	47,663	41.5%
Stock-based compensation	815	837	0.1%	0.2%	(22)	(2.6)%
Total operating expenses	\$ 163,370	\$ 115,729	29.7%	29.4%	\$ 47,641	41.2%

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$33.7 million to \$123.4 million for fiscal year 2021 compared to \$89.7 million for fiscal year 2020. The increase was primarily due to \$12.4 million in transaction costs incurred related to the Redflex and T2 systems acquisitions, increased wages expense due to the reinstatement of employee bonus accrual in 2021, and increased wages, rent, information technology and other professional expenses from the inclusion of Redflex operations for approximately 200 days in 2021 with no comparable amounts in prior year. These increases were partially offset by a \$4.9 million reduction to the credit loss expense resulting from changes in loss rate estimates based on improved economic conditions. Selling, general and administrative expenses as a percentage of total revenue decreased from 22.8% to 22.4% in fiscal years 2020 and 2021, respectively. The following table presents selling, general and administrative expenses by segment:

(\$ in thousands)	Year Ended December 31,					
			Percentage of Revenue		Increase (Decrease) 2021 vs 2020	
	2021	2020	2021	2020	\$	%
Selling, general and administrative expenses						
Commercial Services	\$ 42,386	\$ 40,462	7.7%	10.3%	\$ 1,924	4.8%
Government Solutions	51,052	34,465	9.3%	8.8%	16,587	48.1%
Parking Solutions	1,361	—	0.2%	—	1,361	n/a
Corporate and other	15,639	2,985	2.8%	0.7%	12,654	423.9%
Total selling, general and administrative expenses before stock-based compensation	110,438	77,912	20.0%	19.8%	32,526	41.7%
Stock-based compensation	12,969	11,752	2.4%	3.0%	1,217	10.4%
Total selling, general and administrative expenses	<u>\$ 123,407</u>	<u>\$ 89,664</u>	<u>22.4%</u>	<u>22.8%</u>	<u>\$ 33,743</u>	37.6%

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net, remained consistent at \$116.8 million for both fiscal years 2021 and 2020. This was mainly due to a decrease from certain trademark intangibles being fully amortized for ten months in fiscal year 2021, offset by increased depreciation and amortization expense resulting from the Redflex and T2 Systems acquisitions in 2021 with no comparable amounts in the prior year.

Interest Expense, Net. Interest expense, net increased by \$4.0 million from \$40.9 million in fiscal year 2020 to \$44.9 million in fiscal year 2021. This increase was primarily a result of the additional borrowing of \$350 million in unsecured notes at a higher fixed rate, offset by the reduction in the variable rate on our first lien term loan facility. See “*Liquidity and Capital Resources*” below.

Change in Fair Value of Private Placement Warrants. We recorded losses of \$7.6 million and \$1.1 million in fiscal years 2021 and 2020, respectively, related to the changes in fair value of our Private Placement Warrants which are accounted for as liabilities on our consolidated balance sheets. The change in fair value is the result of re-measurement of the liability at the end of each reporting period.

Tax Receivable Agreement Liability Adjustment. We recorded a \$1.0 million tax benefit in fiscal year 2021 and a \$6.8 million tax expense in fiscal year 2020. The liability adjustment in 2021 was a result of lower estimated state tax rates due to changes in apportionment, whereas in 2020 it was a result of higher state tax rates due to changes in apportionment.

Loss on Extinguishment of Debt. Loss on extinguishment of debt was \$5.3 million for fiscal year 2021 consisting of a \$4.0 million write-off of pre-existing deferred financing costs and discounts and \$1.3 million of lender and third-party costs associated with the issuance of the new 2021 Term Loan.

Other Income, Net. Other income, net was \$12.9 million in fiscal year 2021 compared to \$11.9 million in fiscal year 2020. The increase of \$1.0 million was primarily due to increased tolling activity as a result of COVID-19

recovery in the travel industry, offset by a total of \$2.8 million in gains recorded in fiscal year 2020 from a settlement agreement and related insurance proceeds.

Income Tax Provision. Income tax provision was \$26.5 million representing an effective tax rate of 39.0% for fiscal year 2021 compared to \$5.4 million, representing an effective tax rate of 636.7% for fiscal year 2020. The Company's effective tax rate for 2021 was lower compared to 2020 primarily due to an increase in pretax income in 2021, resulting in the Company's permanent book and tax differences having a proportionately lesser impact on the effective tax rate for 2021.

Net Income (Loss). We had net income of \$41.4 million for fiscal year 2021 compared to a net loss of \$4.6 million for 2020. The \$46.0 million increase in net income was primarily due to the significant recovery in the travel industry positively impacting our RAC customers and from the other statement of operations activity discussed above.

Liquidity and Capital Resources

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

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

We believe that our existing cash and cash equivalents, cash flows provided by operating activities and our ability to borrow under our Revolver (as defined below) will be sufficient to meet operating cash requirements and service debt obligations for at least the next 12 months. Our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control. In addition, our future capital expenditures and other cash requirements could be higher than currently expected due to various factors, including any expansion of our business or strategic acquisitions. Should we pursue strategic acquisitions, we may need to raise additional capital, which may be in the form of additional long-term debt, borrowing on our Revolver, or equity financings, all of which may not be available to us on favorable terms or at all.

We have the ability to borrow under our Revolver to meet obligations as they come due. As of December 31, 2022, we had \$74.8 million available for borrowing, net of letters of credit, under our Revolver.

Share Repurchases

In May 2022, our Board of Directors authorized a share repurchase program for up to an aggregate amount of \$125.0 million of our outstanding shares of Class A Common Stock over a 12-month period in open market, ASR or privately negotiated transactions, each as permitted under applicable rules and regulations.

We subsequently paid \$50.0 million in May 2022 to repurchase outstanding shares of our Class A Common Stock through an ASR, and received an initial delivery of 2,739,726 shares. The final settlement occurred in August 2022, at which time we received 445,086 additional shares. In addition, during the second and third quarters, we paid \$6.9 million and repurchased 445,791 shares of our Class A Common Stock through open market transactions. Our Board of Directors authorized a second ASR during the third quarter of 2022 for the remaining availability under the share repurchase program and we paid \$68.1 million in August 2022 and received an initial delivery of 3,300,000 shares of our Class A Common Stock. The final settlement occurred in November 2022, at which time we received 943,361 additional shares.

In November 2022, 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, each as permitted under applicable rules and regulations. The Company has not yet repurchased shares under this repurchase program.

Concentration of Credit Risk

The City of New York Department of Transportation (“*NYCDOT*”) represented 22% and 39% of total accounts receivable, net as of December 31, 2022 and 2021, respectively. There is no material reserve related to NYCDOT open receivables as amounts are deemed collectible based on current conditions and expectations.

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

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
Net cash provided by operating activities	\$ 218,337	\$ 193,171	\$ 46,909
Net cash used in investing activities	(48,592)	(475,970)	(24,153)
Net cash (used in) provided by financing activities	(164,932)	268,722	(34,004)

Cash Flows from Operating Activities

Cash provided by operating activities increased by \$25.2 million, from \$193.2 million in 2021 to \$218.3 million in 2022. Net income increased \$51.0 million from \$41.4 million in 2021 compared to \$92.5 million in 2022. The adjustments to net income included decreases of \$37.1 million for the changes in the fair value of private placement warrants, (gain) loss on extinguishment of debt and changes in deferred income taxes year over year, partially offset by increases of \$29.7 million from depreciation and amortization, credit loss expense, and stock-based compensation expense year over year. The aggregate changes in operating assets and liabilities decreased by \$20.8 million in 2022 primarily due to increased accounts receivable balances mainly in the Commercial Services business.

Cash provided by operating activities in 2021 increased by \$146.3 million, from \$46.9 million in 2020 to \$193.2 million in 2021. Net income increased \$46.0 million from a \$4.6 million loss in 2020 compared to \$41.4 million income in 2021. The adjustments to net income (loss) included increases of \$6.5 million for the changes in the fair value of private placement warrants year over year and \$5.3 million loss on extinguishment of debt, partially offset by decreases from lower credit loss expense, changes in deferred income taxes and the tax receivable agreement liability adjustments year over year. Changes in operating assets and liabilities were mainly driven by a significant reduction in the accounts receivable balance from \$182 million in payments received from NYCDOT in 2021, and increases in accounts payable and accrued liabilities resulting from increases in accrued interest at the end of 2021, reinstatement of the bonus accrual in 2021 and increased liabilities related to Redflex which were not in the comparable prior period.

Cash Flows from Investing Activities

Cash used in investing activities in 2022 and in 2020 was primarily related to purchases of installation and service parts and property and equipment. Cash used in investing activities in 2021 was mainly related to acquisitions of Redflex, T2 Systems and NuPark. We acquired one hundred percent of the outstanding equity of Redflex on June 17, 2021 at A\$0.96 per share for total consideration of A\$152.5 million, or approximately US\$117.9 million. On December 7, 2021, we acquired all of the outstanding shares of T2 Systems for \$353.2 million, net of \$14.1 million of cash acquired. On December 13, 2021, we acquired NuPark for \$7.0 million, which included approximately \$5.0 million of cash paid.

Cash Flows from Financing Activities

Cash used in financing activities was \$164.9 million in 2022 mainly due to the repurchases of approximately 7.9 million shares of the Company's Class A Common Stock for \$125.1 million in the second and third quarters of 2022 as discussed further in Note 13, *Stockholders' Equity*, the repayment of \$25.0 million of borrowing on the Revolver (defined below) in January 2022 and the quarterly principal payments on the 2021 Term Loan.

Cash provided by financing activities was \$268.7 million in 2021. We had aggregate borrowings of \$1.3 billion during 2021 consisting of the 2021 Term Loan (which included \$250 million incremental borrowing), Senior Notes and the Revolver and repayments of \$884.5 million on outstanding debt related to the 2018 and 2021 Term Loans, and debt assumed as part of the Redflex and T2 acquisitions that was subsequently paid. The 2018 Term Loan had been fully repaid in March 2021. The aggregate borrowings net of the repayments along with existing cash on hand

were used to fund the close of the Redflex and T2 systems acquisitions in June 2021 and December 2021, respectively, and the share repurchase and retirement for \$100 million in August 2021.

The cash used in financing activities in 2020 of \$34.0 million was primarily due to the \$19.7 million mandatory prepayment of excess cash flows made pursuant to the terms of the 2018 Term Loan and the quarterly principal payments on the 2018 Term Loan.

Long-term Debt

2021 Term Loan and Senior Notes

In March 2021, VM Consolidated, Inc., the Company’s wholly owned subsidiary (“**VM Consolidated**”), 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 \$650.0 million, maturing on March 26, 2028, and an accordion feature providing for an additional \$250.0 million of term loans, subject to satisfaction of certain requirements. In connection with the 2021 Term Loan, the Company had an offering discount cost of \$3.3 million and \$0.7 million of deferred financing costs, both of which were capitalized and are amortized over the remaining life of the 2021 Term Loan.

In addition, 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.

The net proceeds from both the 2021 Term Loan and the Senior Notes were used in March 2021 to repay in full all outstanding debt which was represented by the First Lien Term Loan Credit Agreement (as amended, the “**2018 Term Loan**”) with a balance of \$865.6 million.

On December 7, 2021, VM Consolidated entered into an agreement to exercise the accordion feature under the 2021 Term Loan, borrowing \$250.0 million in incremental term loans (“**Incremental Term Loan**”). The proceeds from the Incremental Term Loan were used, along with cash on hand, to fund the acquisition of T2 Systems, including repayment in full all outstanding debt for T2 Systems. In connection with the Incremental Term Loan, the Company had an offering discount cost of \$1.3 million and \$3.8 million of deferred financing costs, both of which were capitalized and are amortized over the remaining life of the 2021 Term Loan. The Incremental Term Loan accrued interest from the date of borrowing until December 31, 2021, at which time, it was combined with the 2021 Term Loan to be a single tranche of term loan borrowings. The total principal outstanding under the 2021 Term Loan, which includes the Incremental Term Loan, was \$886.1 million at December 31, 2022.

The 2021 Term Loan is repayable at 1.0% per annum of the amount initially borrowed, paid in quarterly installments. It bears interest based, at the Company’s option, on either (1) LIBOR plus an applicable margin of 3.25% per annum, or (2) an alternate base rate plus an applicable margin of 2.25% per annum. As of December 31, 2022, 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, beginning with the year ending December 31, 2022), 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%

The Company will make a \$12.9 million mandatory prepayment of excess cash flows during the first quarter of fiscal year 2023, which was classified as current portion of long-term debt in the consolidated balance sheet at

December 31, 2022. We did not have a mandatory prepayment of excess cash flow for the fiscal year ended December 31, 2021.

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

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

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

The Company evaluated the March 2021 refinancing transactions on a lender-by-lender basis and accounted for the portion of the transaction that did not meet the accounting criteria for debt extinguishment as a debt modification. Accordingly, the Company recognized a loss on extinguishment of debt of \$5.3 million on the 2018 Term Loan during the year ended December 31, 2021, consisting of a \$4.0 million write-off of pre-existing deferred financing costs and discounts and \$1.3 million of lender and third-party costs associated with the issuance of the 2021 Term Loan.

PPP Loan

During fiscal year 2020, Redflex received a \$2.9 million loan from the U.S. Small Business Administration (“**SBA**”) as part of the Paycheck Protection Program (“**PPP Loan**”) to offset certain employment and other allowable costs incurred as a result of the COVID-19 pandemic. In early 2021, Redflex applied for forgiveness of this loan, and on September 23, 2022, the Company was notified by the SBA that the loan, together with accrued interest, had been fully forgiven under the provisions of the PPP Loan program. Accordingly, the Company recognized a \$3.0 million gain on extinguishment of debt in the consolidated statement of operations for the year ended December 31, 2022.

The Revolver

The Company has a Revolving Credit Agreement (the “**Revolver**”) with a commitment of up to \$75.0 million available for loans and letters of credit. The Revolver matures on December 20, 2026. Borrowing eligibility under the Revolver is subject to a monthly borrowing base calculation based on (i) certain percentages of eligible accounts receivable and inventory, less (ii) certain reserve items, including outstanding letters of credit and other reserves. The Revolver bears interest on either (1) LIBOR plus an applicable margin, or (2) an alternate base rate, plus an applicable margin. The margin percentage applied to (1) LIBOR 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. At December 31, 2021, the Company had \$25.0 million in outstanding borrowings on the Revolver, which was repaid in full in January 2022. At December 31, 2022, the availability to borrow was \$74.8 million, net of \$0.2 million of outstanding letters of credit.

Interest on the unused portion of the Revolver is payable quarterly at 0.375% and the Company is also required to pay participation and fronting fees at 1.38% on \$0.2 million of outstanding letters of credit as of December 31, 2022.

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 December 31, 2022, the Company was compliant with all debt covenants.

Interest Expense

The Company recorded interest expense, including amortization of deferred financing costs and discounts, of \$69.4 million, \$44.9 million and \$40.9 million for the fiscal years ended December 31, 2022, 2021 and 2020 respectively.

See Note 2, *Significant Accounting Policies*, in Item 8, Financial Statements and Supplementary Data for additional information on the interest rate swap entered into in December 2022 to hedge our exposure against rising interest rates.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (“*GAAP*”) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that its estimates and assumptions are reasonable in the circumstances; however, actual results could differ materially from those estimates.

Our significant accounting policies are described in Note 2, *Significant Accounting Policies*, in Item 8, Financial Statements and Supplementary Data, of this Annual Report. We believe that the critical accounting policies listed below involve our more significant judgments, assumptions, and estimates and, therefore, could have the greatest potential impact on the financial statements.

Revenue Recognition

Judgment is required for the estimation of the standalone selling price (“*SSP*”) and the allocation of the transaction price by relative SSPs. Within our Government Solutions and Parking Solutions operating segments, some customer arrangements include multiple performance obligations. Government Solutions’ customer arrangements containing multiple performance obligations typically include the sale and installation of photo-enforcement cameras and the performance of maintenance services on such cameras over a contractual term. Parking Solutions’ customer arrangements containing multiple performance obligations typically include the sale and installation of parking access hardware systems, the licensing of SaaS products and/or the performance of maintenance services over a contractual term. In most instances, we have determined these performance obligations qualify as distinct performance obligations, as the customer can benefit from the service on its own or together with other resources that are readily available to the customer, and our promise to transfer the service is separately identifiable from other promises in the contract. For arrangements that contain multiple performance obligations, we exercise judgement in allocating the transaction price based on the relative SSP method by comparing the SSP of each distinct performance obligation to the total value of the contract. We determine the SSP based on our historical pricing and discounting practices for the distinct performance obligation when sold separately. If the SSP is not directly observable, we estimate the SSP by considering information such as market conditions and information about the customer.

Allowance for Credit Losses

We review historical credit losses and customer payment trends on receivables and develop 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. The Company periodically evaluates the adequacy of its allowance for expected credit losses by comparing its actual historical write-offs to its previously recorded estimates and adjusts appropriately. This includes evaluation by portfolio segment the changes in expectations based on the newest information available on customer payment trends and risk characteristics, and adjusting the probability-weighting either upward or downward that is most representative of the expected credit losses.

Acquisitions

We apply the acquisition method to account for business combinations. We allocate the fair value of the purchase price consideration to assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase consideration over the fair value of the identifiable assets and liabilities is recorded as goodwill.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment and includes the use of independent valuation specialists to assist us in estimating fair values of acquired tangible and intangible assets. Fair values of acquired assets and their respective useful lives are based on, among other factors, critical estimates of expected cash flows, customer turnover and anticipated growth from acquired customers, discount rates and royalty cost savings. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from estimates. Differences between estimates and actual results may result in adjustment to goodwill and acquisition date fair values of assets and liabilities during a measurement period or upon a final determination of asset and liability fair values, whichever occurs first. Adjustments to fair values of assets and liabilities made after the end of the measurement period are recognized within our consolidated statements of operations as a current period gain or loss.

Impairment of Goodwill and Long-Lived Assets

We assess goodwill for impairment annually on October 1, or more frequently if events or circumstances indicate that the carrying amounts may not be fully recoverable. We first consider the option to assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value is less than the carrying amount, we then perform a one-step quantitative impairment test by comparing the reporting unit's fair value with its carrying value. An impairment loss is recognized for the amount by which the reporting units' carrying value exceeds its fair value, up to the total amount of goodwill allocated to the reporting unit. No impairment is recognized if the fair value of the reporting unit exceeds its carrying value.

The process of evaluating goodwill requires significant judgment including the identification of reporting units and the determination of the fair value of each reporting unit. If necessary, we determine fair values of our reporting units based on an income approach or more specifically, a discounted cash flow method ("**DCF Method**"). The DCF Method is based on projected future cash flows and terminal value estimates discounted to their present values. Terminal value represents the present value an investor would pay on the valuation date for the rights to the cash flows of the business for the years subsequent to the discrete cash flow projection period. We consider the DCF Method to be the most appropriate valuation technique since it is based on our long-term financial projections. In addition to determining the fair value of our reporting units based on the DCF method, we also compare the aggregate values of our net corporate assets and the reporting unit fair values to our overall market capitalization and use certain market-based valuation techniques to assess the reasonableness of the reporting unit fair values determined in accordance with the DCF Method. The key inputs used in the DCF Method include revenue growth rates, gross margin percentage, selling, general and administrative expense percentage, terminal growth rates and discount rates that are at or above our weighted-average cost of capital. We apply discount rates that are commensurate with the risks and uncertainties inherent in the respective reporting units and our internally developed projections of future cash flows.

In connection with our 2022 assessment of goodwill impairment, we qualitatively concluded that our Commercial Services and Government Solutions North America reporting units did not have indicators of impairment. We did however perform quantitative impairment reviews on our Parking Solutions and Government Solutions International reporting units, both of which were acquired in 2021. The fair values of these reporting units were determined in accordance with the DCF Method described above using currently available financial forecasts. Based on the results of our quantitative review, we concluded no adjustment to goodwill was necessary because the estimated fair values exceeded their reporting unit carrying values and the fair values were consistent with the operating values estimated in 2021 as part of the respective purchase price allocations. Moreover, we utilized earnings multiples to estimate the fair values of our Commercial Services and Government Solutions reporting units and corroborated the reasonableness of the reporting unit fair values by reconciling to the Company's market capitalization as of October 1, 2022. Our qualitative analyses performed as of October 1 for fiscal years 2021 and 2020 did not have indicators of impairment.

We review our long-lived assets other than goodwill for impairment whenever events or circumstances indicate that the carrying amount of an asset or asset group may not be fully recoverable. We assess recoverability by comparing the estimated undiscounted future cash flows expected to be generated by the asset or asset group with its carrying value. If the carrying value of the asset or asset group exceeds the estimated undiscounted future cash flows, an impairment loss is recognized for the difference between the estimated fair value and the carrying value. Our estimates of cash flows are subjective judgments based on past experiences adjusted for trends and future expectations, and can be significantly impacted by changes in our business or economic conditions. The determination of asset group' fair value is also subject to significant judgment and utilizes valuation techniques including discounting estimated future cash flows and market-based analyses. If our estimates or underlying assumptions change in the future, our operating results may be materially impacted. We did not have any indicators of impairment related to long-lived assets for the years ended December 31, 2021 or 2020. We recorded \$0.7 million of impairment related to certain photo enforcement programs that ended during the year ended December 31, 2022 within the depreciation, amortization and (gain) loss on disposal of assets, net line item on the consolidated statements of operations.

Income Taxes

We account for income taxes under the asset and 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. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax return in future years, while deferred tax liabilities generally represent items that generate a future tax liability for items where deductions have been accelerated for tax purposes. We provide a valuation allowance for deferred tax assets if it is more likely than not that some portion or all of the tax assets will not be realized. We calculate 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 realization of deferred tax assets can be affected by, among other things, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, the length of statutory carryforward periods, our experience with utilizing operating losses and tax credit carryforwards by jurisdiction, the reversal of existing taxable temporary differences and tax planning alternatives and strategies that may be available.

Our effective tax rate is based on income, statutory tax rates, differences in the deductibility of certain expenses and inclusion of certain income items between financial statement and tax return purposes, and tax planning opportunities available to us in the various jurisdictions in which we operate. Under GAAP, if we determine that a tax position is more likely than not of being sustained upon audit, based solely on the technical merits of the position, we recognize the benefit. Tax code and regulations require certain items to be included in the tax return at different times than when those items are required to be recorded in the consolidated financial statements. As a result, our effective tax rate reflected in our consolidated financial statements is different from that reported in our tax returns. Some of these differences are permanent, such as meals and entertainment expenses that are not fully deductible on our tax returns, and some are temporary differences, such as depreciation expense. Temporary differences create deferred tax assets and liabilities.

Our policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax provision or benefit.

Private Placement Warrant Liabilities

We account for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance. For warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations. Our Public Warrants meet the criteria for equity classification and accordingly, are reported as a component of shareholders' equity while our

Private Placement Warrants do not meet the criteria for equity classification and are instead classified as a liability. The fair value of the Private Placement Warrants is estimated at period-end using a Black-Scholes option pricing model, which is a Level 3 fair value measurement exposed to valuation risk. The risk of exposure is estimated using a sensitivity analysis of potential changes in the significant unobservable inputs, primarily the volatility input that is the most susceptible to valuation risk. A 5% increase to the volatility input at December 31, 2022 would increase the estimated fair value of \$3.61 by \$0.19 per unit. A 5% decrease to the volatility input at December 31, 2022 would decrease the estimated fair value by \$0.18 per unit.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, refer to Note 2, *Significant Accounting Policies*, in Item 8, Financial Statements and Supplementary Data.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate market risk due to the variable interest rate on the 2021 Term Loan described in “Item 7. *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 \$886.1 million at December 31, 2022. The 2021 Term Loan presently bears interest based, at our option, on either (1) LIBOR plus an applicable margin of 3.25% per annum, or (2) an alternate base rate plus an applicable margin of 2.25% per annum. At December 31, 2022, the interest rate on the 2021 Term Loan was 7.6%. Based on the December 31, 2022 balance outstanding, each 1% movement in interest rates will result in an approximately \$8.9 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 portion of the variable interest rate on our 2021 Term Loan. Under the interest rate swap agreement, we pay a fixed rate and the counterparty pays a variable interest rate which is net settled. The notional amount on the interest rate swap is \$675 million. We have the option to terminate the interest rate swap agreement starting in December 2023, and monthly thereafter until December 2025, in the event interest rates decrease. We recorded a \$1.0 million gain on interest rate swap for the year ended December 31, 2022. See Note 2, *Significant Accounting Policies*, in Item 8, Financial Statements and Supplementary Data for additional information on the interest rate swap.

VERRA MOBILITY CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Verra Mobility Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Verra Mobility Corporation (the Company) as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Commercial Services Revenue

Description of the Matter As described in Notes 2 and 18 to the consolidated financial statements, the Company generated commercial services revenue of \$326.0 million for the year ended December 31, 2022.

The Company's commercial services revenue recognition process involves several applications and data sources needed for the initiation, processing, and recording of transactions from the Company's various commercial services revenue sources, as well as the calculation of commercial services revenue in accordance with the Company's accounting policy. Auditing the Company's

accounting for commercial services revenue from contracts with customers was challenging and complex primarily due to the high volume of transactions, as well as the multiple applications and data sources associated with the commercial services revenue recognition process.

*How We
Addressed
the Matter
in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the commercial services revenue recognition process. This included testing controls over the completeness and accuracy of data within the commercial services revenue systems, the interfaces of data between relevant systems, testing of relevant IT application controls and testing of relevant IT general controls over the IT applications supporting the commercial services revenue recognition process.

To test the Company's accounting for commercial services revenue from contracts with customers, we performed substantive audit procedures that included, among others, testing on a sample basis the completeness and accuracy of the underlying data within the commercial services revenue systems, performing data analytics to test recorded revenue amounts, tracing a sample of sales transactions to supporting documentation, and testing a sample of cash to billings reconciliations.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

Phoenix, Arizona
March 1, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Verra Mobility Corporation

Opinion on Internal Control over Financial Reporting

We have audited Verra Mobility Corporation's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Verra Mobility Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15(a) and our report dated March 1, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Phoenix, Arizona
March 1, 2023

VERRA MOBILITY CORPORATION
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 105,204	\$ 101,283
Restricted cash	3,911	3,149
Accounts receivable (net of allowance for credit losses of \$15.9 million and \$12.1 million at December 31, 2022 and 2021, respectively)	163,786	160,979
Unbilled receivables	30,782	29,109
Inventory	19,307	12,093
Prepaid expenses and other current assets	39,604	41,456
Total current assets	<u>362,594</u>	<u>348,069</u>
Installation and service parts, net	22,923	13,332
Property and equipment, net	109,775	96,066
Operating lease assets	37,593	38,862
Intangible assets, net	377,420	487,299
Goodwill	833,480	838,867
Other non-current assets	12,484	14,561
Total assets	<u>\$ 1,756,269</u>	<u>\$ 1,837,056</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 79,869	\$ 67,556
Deferred revenue	31,164	27,141
Accrued liabilities	48,847	38,435
Tax receivable agreement liability, current portion	4,994	5,107
Current portion of long-term debt	21,935	36,952
Total current liabilities	<u>186,809</u>	<u>175,191</u>
Long-term debt, net of current portion	1,190,045	1,206,802
Operating lease liabilities, net of current portion	33,362	34,984
Tax receivable agreement liability, net of current portion	50,900	56,615
Private placement warrant liabilities	24,066	38,466
Asset retirement obligations	12,993	11,824
Deferred tax liabilities, net	21,149	47,524
Other long-term liabilities	5,875	5,686
Total liabilities	<u>1,525,199</u>	<u>1,577,092</u>
Commitments and contingencies (Note 17)		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 1,000 shares authorized with no shares issued and outstanding at December 31, 2022 and 2021	—	—
Common stock, \$0.0001 par value, 260,000 shares authorized with 148,962 and 156,079 shares issued and outstanding at December 31, 2022 and 2021, respectively	15	16
Common stock contingent consideration	36,575	36,575
Additional paid-in capital	305,423	309,883
Accumulated deficit	(98,078)	(81,416)
Accumulated other comprehensive loss	(12,865)	(5,094)
Total stockholders' equity	<u>231,070</u>	<u>259,964</u>
Total liabilities and stockholders' equity	<u>\$ 1,756,269</u>	<u>\$ 1,837,056</u>

See accompanying Notes to Consolidated Financial Statements.

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

(\$ in thousands, except per share data)	For the Year Ended December 31,		
	2022	2021	2020
Service revenue	\$ 695,218	\$ 492,846	\$ 336,274
Product sales	46,380	57,744	57,319
Total revenue	741,598	550,590	393,593
Cost of service revenue	16,330	5,337	3,967
Cost of product sales	30,932	29,809	29,573
Operating expenses	226,324	163,370	115,729
Selling, general and administrative expenses	163,133	123,407	89,664
Depreciation, amortization and (gain) loss on disposal of assets, net	140,174	116,801	116,844
Total costs and expenses	576,893	438,724	355,777
Income from operations	164,705	111,866	37,816
Interest expense, net	69,372	44,942	40,865
Change in fair value of private placement warrants	(14,400)	7,600	1,133
Tax receivable agreement liability adjustment	(720)	(1,016)	6,850
Gain on interest rate swap	(996)	—	—
(Gain) loss on extinguishment of debt	(3,005)	5,334	—
Other income, net	(12,654)	(11,895)	(11,885)
Total other expenses	37,597	43,965	36,963
Income before income taxes	127,108	67,901	853
Income tax provision	34,633	26,452	5,431
Net income (loss)	\$ 92,475	\$ 41,449	\$ (4,578)
Other comprehensive (loss) income:			
Change in foreign currency translation adjustment	(7,771)	(5,305)	2,788
Total comprehensive income (loss)	\$ 84,704	\$ 36,144	\$ (1,790)
Net income (loss) per share:			
Basic	\$ 0.61	\$ 0.26	\$ (0.03)
Diluted	\$ 0.50	\$ 0.25	\$ (0.03)
Weighted average shares outstanding:			
Basic	152,848	159,983	161,632
Diluted	159,026	163,778	161,632

See accompanying Notes to Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock		Common Stock Contingent Consideration	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Amount					
Balance as of December 31, 2019	159,150	\$ 16	\$ 54,862	\$ 346,891	\$ (89,578)	\$ (2,577)	\$ 309,614
Net loss	—	—	—	—	(4,578)	—	(4,578)
Cumulative effect of adoption of the credit loss accounting standard, net of tax	—	—	—	—	(694)	—	(694)
Earn-out shares issued to Platinum Stockholder	2,500	—	(18,287)	18,287	—	—	—
Vesting of restricted stock units ("RSUs")	619	—	—	—	—	—	—
Payment of employee tax withholding related to RSUs vesting	—	—	—	(4,147)	—	—	(4,147)
Stock-based compensation	—	—	—	12,589	—	—	12,589
Other comprehensive income, net of tax	—	—	—	—	—	2,788	2,788
Balance as of December 31, 2020	162,269	\$ 16	\$ 36,575	\$ 373,620	\$ (94,850)	\$ 211	\$ 315,572
Net income	—	—	—	—	41,449	—	41,449
Share repurchases and retirement	(6,849)	—	—	(71,985)	(28,015)	—	(100,000)
Vesting of RSUs	647	—	—	—	—	—	—
Exercise of stock options	12	—	—	155	—	—	155
Payment of employee tax withholding related to RSUs vesting	—	—	—	(5,691)	—	—	(5,691)
Stock-based compensation	—	—	—	13,784	—	—	13,784
Other comprehensive loss, net of tax	—	—	—	—	—	(5,305)	(5,305)
Balance as of December 31, 2021	156,079	\$ 16	\$ 36,575	\$ 309,883	\$ (81,416)	\$ (5,094)	\$ 259,964
Net income	—	—	—	—	92,475	—	92,475
Share repurchases and retirement	(7,874)	(1)	—	(15,933)	(109,137)	—	(125,071)
Vesting of RSUs	654	—	—	—	—	—	—
Exercise of stock options	103	—	—	1,334	—	—	1,334
Payment of employee tax withholding related to RSUs vesting	—	—	—	(6,524)	—	—	(6,524)
Stock-based compensation	—	—	—	16,663	—	—	16,663
Other comprehensive loss, net of tax	—	—	—	—	—	(7,771)	(7,771)
Balance as of December 31, 2022	148,962	\$ 15	\$ 36,575	\$ 305,423	\$ (98,078)	\$ (12,865)	\$ 231,070

See accompanying Notes to Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
Cash Flows from Operating Activities:			
Net income (loss)	\$ 92,475	\$ 41,449	\$ (4,578)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	138,684	116,753	116,570
Amortization of deferred financing costs and discounts	5,472	5,170	5,437
Change in fair value of private placement warrants	(14,400)	7,600	1,133
Tax receivable agreement liability adjustment	(720)	(1,016)	6,850
Gain on interest rate swap	(996)	—	—
(Gain) loss on extinguishment of debt	(3,005)	5,334	—
Credit loss expense	14,481	9,588	14,391
Deferred income taxes	(17,355)	(10,640)	(4,746)
Stock-based compensation	16,663	13,784	12,589
Impairment on a privately-held equity investment	1,340	—	—
Other	1,654	308	1,210
Changes in operating assets and liabilities:			
Accounts receivable	(17,685)	14,946	(90,592)
Unbilled receivables	(1,936)	(7,753)	5,964
Inventory	(10,310)	2,798	—
Prepaid expenses and other assets	4,306	(5,097)	3,829
Deferred revenue	4,591	(3,966)	58
Accounts payable and other current liabilities	6,513	8,296	(16,925)
Other liabilities	(1,435)	(4,383)	(4,281)
Net cash provided by operating activities	218,337	193,171	46,909
Cash Flows from Investing Activities:			
Acquisitions, net of cash and restricted cash acquired	—	(451,237)	—
Payment of contingent consideration	(647)	—	—
Purchases of installation and service parts and property and equipment	(48,186)	(24,998)	(24,260)
Cash proceeds from the sale of assets	241	265	107
Net cash used in investing activities	(48,592)	(475,970)	(24,153)
Cash Flows from Financing Activities:			
Borrowings on revolver	—	25,000	—
Repayment on revolver	(25,000)	—	—
Borrowings of long-term debt	—	1,245,500	—
Repayment of long-term debt	(9,019)	(884,530)	(28,779)
Payment of debt issuance costs	(447)	(10,646)	(1,078)
Payment of debt extinguishment costs	—	(1,066)	—
Share repurchases and retirement	(125,071)	(100,000)	—
Proceeds from exercise of stock options	1,334	155	—
Payment of employee tax withholding related to RSUs vesting	(6,524)	(5,691)	(4,147)
Payment of contingent consideration	(205)	—	—
Net cash (used in) provided by financing activities	(164,932)	268,722	(34,004)
Effect of exchange rate changes on cash and cash equivalents	(130)	(2,383)	(290)
Net increase (decrease) in cash, cash equivalents and restricted cash	4,683	(16,460)	(11,538)
Cash, cash equivalents and restricted cash - beginning of period	104,432	120,892	132,430
Cash, cash equivalents and restricted cash - end of period	<u>\$ 109,115</u>	<u>\$ 104,432</u>	<u>\$ 120,892</u>

See accompanying Notes to Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	For the Year Ended December 31,		
	2022	2021	2020
Supplemental cash flow information:			
Interest paid	\$ 63,663	\$ 35,786	\$ 35,822
Income taxes paid, net of refunds	47,623	35,774	12,638
Supplemental non-cash investing and financing activities:			
Earn-out shares issued to Platinum Stockholder	—	—	18,287
Additions related to asset retirement obligations and property and equipment ^(a)	946	1,397	133
Purchases of installation and service parts and property and equipment in accounts payable and accrued liabilities at year-end	10,421	1,714	1,289
Contingent consideration related to NuPark acquisition	—	1,450	—

(a) Asset retirement obligations of \$3.9 million assumed as part of the Redflex acquisition in 2021 are excluded from these additions.

See accompanying Notes to Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Verra Mobility Corporation (collectively with its subsidiaries, the “*Company*” or “*Verra Mobility*”), formerly known as Gores Holdings II, Inc. (“*Gores*”), was originally incorporated in Delaware on August 15, 2016, as a special purpose acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or other similar business combination with one or more target businesses. On January 19, 2017, the Company consummated its initial public offering (the “*IPO*”), following which its shares began trading on the Nasdaq Capital Market (“*Nasdaq*”). On June 21, 2018, Gores entered into an Agreement and Plan of Merger (as amended, the “*Merger Agreement*”) with Greenlight Holding II Corporation (“*Greenlight*”), PE Greenlight Holdings, LLC (the “*Platinum Stockholder*”), AM Merger Sub I, Inc., a direct, wholly owned subsidiary of Gores and AM Merger Sub II, LLC, a direct, wholly owned subsidiary of Gores. On October 17, 2018, the transactions contemplated by the Merger Agreement (the “*Business Combination*”) were consummated. In connection with the closing of the Business Combination, Gores changed its name to Verra Mobility Corporation. As a result of the Business Combination, Verra Mobility Corporation became the owner, directly or indirectly, of all of the equity interests of Verra Mobility Holdings, LLC and its subsidiaries.

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 18. *Segment Reporting*).

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

The Government Solutions segment offers photo enforcement solutions and services to its customers. Through its acquisition of Redflex Holdings Limited (“*Redflex*”) in June 2021, the Company expanded its current footprint in the United States and gained access to international markets (see Note 3. *Acquisitions*). The Government Solutions segment provides complete, end-to-end speed, red-light, school bus stop arm and bus lane enforcement solutions within the United States and Canada. These programs are designed to reduce traffic violations and resulting collisions, injuries, and fatalities. The Company implements and administers traffic safety programs for municipalities, counties, school districts and law enforcement agencies of all sizes. The international operations acquired through Redflex primarily involve the sale or license of traffic enforcement products and related maintenance services.

The Parking Solutions segment offers an integrated suite of parking software and hardware solutions to its customers which include universities, municipalities, parking operators, healthcare facilities and transportation hubs. The Company added this operating segment as a result of the acquisition of T2 Systems Parent Corporation (“*T2 Systems*”) in December 2021, which allows the Company to diversify its operations into the parking solutions space (see Note 3. *Acquisitions*). The Parking Solutions 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. T2 Systems 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 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 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 consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates and assumptions include those related to the fair values assigned to net assets acquired (including identifiable intangibles) in business combinations, allocating the transaction price for revenue recognition, inventory valuation, allowance for credit losses, fair value of the private placement warrant liabilities, fair value of the interest rate swap, self insurance liability, valuation allowance on deferred tax assets, uncertain tax positions, apportionment for state income taxes, the tax receivable agreement liability, fair value of privately-held securities, impairment assessments of goodwill, intangible assets and other long-lived assets, asset retirement obligations, contingent consideration and the recognition and measurement of loss contingencies.

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

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less when acquired to be cash equivalents.

Restricted Cash

The Company collects cash on behalf of customers under certain contracts which it deposits daily into Company bank accounts and transfers regularly to customer bank accounts. Restricted cash represents customer cash collected but not yet remitted to the customer. Restricted cash is classified as a current asset and the corresponding liability is classified in current liabilities.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, accounts receivable and unbilled receivables. The Company limits cash and cash equivalents to highly rated financial institutions.

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:

	For the Year Ended December 31,		
	2022	2021	2020
City of New York Department of Transportation	19.5%	26.6%	31.3%

The City of New York Department of Transportation (“**NYCDOT**”) represented 22% and 39% of total accounts receivable, net as of December 31, 2022 and 2021, 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 revenue concentrations generated through the Company’s Commercial Services partners as a percent of total revenue are presented below:

	For the Year Ended December 31,		
	2022	2021	2020
Hertz Corporation	11.1%	12.6%	12.0%
Avis Budget Group, Inc.	13.0%	12.3%	9.5%
Enterprise Holdings, Inc.	9.3%	11.4%	11.3%

The Avis Budget Group, Inc. was 10.2% of total accounts receivable, net as of December 31, 2022. No other Commercial Services customer exceeded 10% of total accounts receivable, net as of any period presented.

There were no significant customer concentrations that exceeded 10% of total revenue or accounts receivables, net for the Parking Solutions segment.

Allowance for Credit Losses

Accounts receivable and unbilled receivables are uncollateralized customer obligations arising from the sale of products or services. Accounts receivable and unbilled receivables have normal trade terms of less than one year and are initially stated at the amounts billed to the customers and subsequently measured at amortized cost net of allowance for credit losses. Unbilled receivables are recorded when revenues have been earned but have not been included on a customer invoice through the end of the current period.

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

The Company identified portfolio segments based on the type of business, industry in which the customer operates and historical credit loss patterns. The following presents the activity in the allowance for credit losses for the years ended December 31, 2021 and 2022, respectively:

(\$ in thousands)	Commercial Services (Driver-billed) ⁽¹⁾	Commercial Services (All other)	Government Solutions	Parking Solutions	Total
Balance at January 1, 2021	\$ 3,210	\$ 4,277	\$ 3,984	\$ —	\$ 11,471
Credit loss expense (income)	11,040	(1,138)	(314)	—	9,588
Write-offs, net of recoveries	(8,853)	(47)	(21)	—	(8,921)
Balance at December 31, 2021	\$ 5,397	\$ 3,092	\$ 3,649	\$ —	\$ 12,138
Credit loss expense	11,739	1,307	950	485	14,481
Write-offs, net of recoveries	(7,536)	(2,822)	(26)	(328)	(10,712)
Balance at December 31, 2022	<u>\$ 9,600</u>	<u>\$ 1,577</u>	<u>\$ 4,573</u>	<u>\$ 157</u>	<u>\$ 15,907</u>

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

The Commercial Services (Driver-billed) portfolio segment's credit loss estimate as of December 31, 2021 and 2022 increased compared to the prior years due to increased revenue that impacted the volume of transactions as a result of recovery from COVID-19. The Company adjusted down its estimate for credit loss as of December 31, 2021 for the Commercial Services (All other) portfolio segment to reflect improved economic conditions based on customer payment trends from the preceding twelve months. The credit loss estimate for this portfolio segment decreased as of December 31, 2022 mainly due to a \$1.7 million write-off for a rental car customer who filed for bankruptcy.

Inventory

Inventories consist of parts and electronic components used in the production of parking management related hardware sold to certain Parking Solutions customers and photo enforcement equipment sold to certain Government Solutions customers. Inventories are stated at cost on a first-in, first-out basis or net realizable value. The Company assesses the value of its inventory and writes down the cost to net realizable value upon evaluation of historical experience and assumptions regarding future usage, and any such write down establishes a new cost basis for the

items. Finished goods were approximately \$5.1 million and \$2.5 million as of December 31, 2022 and 2021, respectively.

Installation and Service Parts

Installation and service parts consist of components used in the construction and maintenance of our photo enforcement systems. Installation and service parts are stated at cost and are reclassified to property and equipment upon initiation of construction. Installation and service parts used in repairs and maintenance are recorded as operating expenses.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. All repairs and maintenance costs are expensed as incurred. Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets as follows:

Equipment installed at customer sites	3-7 years
Computer equipment	3-5 years
Furniture	3-10 years
Automobiles	3-7 years
Software	3-7 years
Leasehold improvements	Shorter of lease term or estimated useful life

Equipment installed at customer sites includes certain installation costs that qualify for capitalization. Software costs include certain internal and external costs associated with the development of software that are incurred during the application development stage. In addition, a modification or upgrade to existing software is capitalized only to the extent it results in additional functionality to existing software. Software maintenance and training costs are expensed as incurred. The Company capitalized internally developed software costs of \$7.5 million, \$3.0 million and \$5.1 million during fiscal years 2022, 2021, and 2020 respectively.

Investment in Privately-held Securities

The Company holds an investment in privately-held equity securities which is recorded at cost and adjusted based on observable transactions for same or similar investments or for impairment. Investment gains and losses are recorded in other income, net.

Valuation of privately-held securities requires judgment due to the lack of readily available observable market data. The carrying value is not adjusted if there are no identified events that would indicate a need for upward or downward adjustments or changes in circumstances that may indicate impairment. In determining the estimated fair value of its investment, the Company utilizes the most recent data available. The Company assesses its investment for impairment quarterly using both qualitative and quantitative factors. If an investment is considered impaired, an impairment loss is recognized and a new carrying value is established for the investment.

The Company considered the existence of impairment indicators by evaluating the financial and liquidity position and as a result, a \$1.3 million impairment during the year ended December 31, 2022 was recorded within other income, net on the consolidated statements of operations. There were no indicators of impairment during the year ended December 31, 2021. See Note 16, *Other Significant Transactions* for more information.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. Goodwill is assessed for impairment at least annually at the reporting unit level or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable. If, based on a qualitative analysis, it is determined more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, a one-step quantitative impairment test is performed. Reporting units are identified by assessing whether the components of the Company's operating segments constitute businesses for which discrete financial information is available and if segment management regularly reviews the operating results of those components. Application of the goodwill impairment test requires judgment, including the identification of reporting units, the assignment of assets (including goodwill) to those reporting units and the determination of the fair value of

each reporting unit. The date of the Company's annual impairment analysis is October 1. The Company has four reporting units for the purposes of assessing potential impairment of goodwill.

In connection with the Company's 2022 assessment of goodwill impairment, it qualitatively concluded that the Commercial Services and Government Solutions North America reporting units did not have indicators of impairment. It did however, perform quantitative impairment reviews on the Parking Solutions and Government Solutions International reporting units, both of which were acquired in 2021. The fair values of these reporting units were determined in accordance with the discounted cash flow method using currently available financial forecasts. Based on the results of the Company's quantitative review, it concluded no adjustment to goodwill was necessary for fiscal year 2022. Moreover, the Company utilized earnings multiples to estimate the fair values of its Commercial Services and Government Solutions reporting units and corroborated the reasonableness of the reporting unit fair values by reconciling to the Company's market capitalization as of October 1, 2022. The qualitative analyses performed as of October 1 for fiscal years 2021 and 2020 did not have indicators of impairment.

Intangible Assets

Intangible assets represent existing customer relationships, trademarks, developed technology (hardware and software) and non-compete agreements. Intangible assets are amortized over their respective estimated useful lives on a straight-line basis, which approximates the utilization of their expected future benefits. Amortization of intangible assets is included in depreciation, amortization and (gain) loss on disposal of assets, net in the consolidated statements of operations.

The Company annually evaluates the estimated remaining useful lives of its intangible assets to determine whether events or changes in circumstances warrant a revision to the remaining period of amortization.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets (including intangible assets with finite useful lives and installation and service parts) for impairment whenever events or circumstances indicate that the carrying amount of an asset or an asset group may not be fully recoverable. The Company assesses recoverability by comparing the estimated undiscounted future cash flows expected to be generated by the asset or asset group with its carrying value. If the carrying value of the asset or asset group exceeds the estimated undiscounted future cash flows, an impairment loss is recognized for the difference between the estimated fair value and the carrying value.

The Company did not have any indicators of impairment related to long-lived assets for the years ended December 31, 2021 or 2020. The Company had \$0.7 million of impairment related to certain photo enforcement programs that ended during the year ended December 31, 2022 within the depreciation, amortization and (gain) loss on disposal of assets, net line item on the consolidated statements of operations.

Self-Insurance

The Company is self-insured for medical costs and has stop-loss insurance policies to limit its exposure to individual and aggregate claims made. Liabilities for these programs are estimated based on outstanding claims and claims estimated to be incurred but not yet reported using historical loss experience. These estimates are subject to variability due to changes in trends of losses for outstanding claims and incurred but not reported claims, including external factors such as the number, and cost of, claims, benefit level changes and claim settlement patterns.

Warrants

As of December 31, 2022, there were warrants outstanding to acquire 19,999,967 shares of the Company's Class A Common Stock including: (i) 6,666,666 Private Placement Warrants and (ii) 13,333,301 warrants issued in connection with the IPO (the "***Public Warrants***" and, together with the Private Placement Warrants, the "***Warrants***"). The Warrants entitle the registered holder to purchase one share of our Class A Common Stock at a price of \$11.50 per share, subject to certain adjustments.

The Warrants became exercisable on November 16, 2018, 30 days following the completion of the Business Combination, and expire five years after that date, or earlier upon redemption or liquidation. The Company may

redeem the outstanding Public Warrants at a price of \$0.01 per warrant, if the last sale price of its Class A Common Stock equals or exceeds \$18.00 per share for any 20 trading days within a 30 trading-day period ending on the third business day before it sends the notice of redemption to the Warrant holders. The Private Placement Warrants, however, are nonredeemable so long as they are held by Gores Sponsor II, LLC or its permitted transferees.

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance under FASB ASC 480, Distinguishing Liabilities from Equity ("*ASC 480*") and ASC 815, Derivatives and Hedging ("*ASC 815*"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common shares, among other conditions for equity classification.

For warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations. The Company's Public Warrants meet the criteria for equity classification and accordingly, are reported as a component of shareholders' equity while the Company's Private Placement Warrants do not meet the criteria for equity classification because the holder of the instrument is not an input into the pricing of a fixed-for-fixed option on equity shares and are instead classified as a liability. The fair value of the Private Placement Warrants is estimated at period-end using a Black-Scholes option pricing model. Shares issuable under the Warrants are considered for inclusion in the diluted share count in accordance with GAAP. As the shares issuable under the Warrants are issuable shares when exercised by the holders, they are included when computing diluted income (loss) per share, if such exercise is dilutive to income (loss) per share.

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 portion of the variable interest rate on its 2021 Term Loan. Under the interest rate swap agreement, the Company pays a fixed rate and the counterparty pays a variable interest rate. The Company entered into an International Swaps and Derivatives Association, Inc. Master Agreement with the counterparty which provides for the net settlement of all, or a specified group, of derivative transactions through a single payment. The notional amount on the interest rate swap is \$675 million. The Company has the option to terminate the interest rate swap agreement starting in December 2023, and monthly thereafter until December 2025. The Company is treating the interest rate swap as an economic hedge for accounting purposes and any changes in the fair value of the derivative instrument (including accrued interest) are recorded in the consolidated statements of operations within the gain on interest rate swap line item. The Company recorded a \$1.0 million gain on interest rate swap for the year ended December 31, 2022, which is recorded within operating activities on the consolidated statements of cash flows. The fair value of cash flows of approximately \$1.0 million due within one year are presented in the accrued liabilities line item and the fair value of cash flows of \$2.0 million received greater than one year are within the other non-current assets line item on the consolidated balance sheet as of December 31, 2022. See below for discussion on the fair value measurement of the interest rate swap, and Note 9, *Long-term Debt*, for additional information on the Company's mix of fixed and variable debt.

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 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 are as follows:

(\$ in thousands)	Level in Fair Value Hierarchy	December 31, 2022		December 31, 2021	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
2021 Term Loan	2	\$ 866,365	\$ 883,891	\$ 871,467	\$ 895,125
Senior Notes	2	345,615	313,250	344,918	355,250
Revolver	2	—	—	24,435	25,000

The fair value of the private placement warrant liabilities is measured on a recurring basis and is estimated using the Black-Scholes option pricing model using significant unobservable inputs, primarily related to estimated volatility, and is therefore classified within level 3 of the fair value hierarchy. The key assumptions used were as follows:

	December 31, 2022	December 31, 2021
Stock price	\$ 13.83	\$ 15.43
Strike price	\$ 11.50	\$ 11.50
Volatility	44.0%	48.0%
Remaining life (in years)	0.8	1.8
Risk-free interest rate	4.74%	0.66%
Expected dividend yield	0.0%	0.0%
Estimated fair value	\$ 3.61	\$ 5.77

The Company is exposed to valuation risk on these Level 3 financial instruments. The risk of exposure is estimated using a sensitivity analysis of potential changes in the significant unobservable inputs, primarily the volatility input that is the most susceptible to valuation risk. A 5% increase to the volatility input at December 31, 2022 would increase the estimated fair value by \$0.19 per unit. A 5% decrease to the volatility input at December 31, 2022 would decrease the estimated fair value by \$0.18 per unit. The following summarizes the changes in fair value of private placement warrant liabilities included in net income (loss) for the respective periods:

(\$ in thousands)	December 31, 2022	December 31, 2021
Beginning balance	\$ 38,466	\$ 30,866
Change in fair value of private placement warrants	(14,400)	7,600
Ending balance	\$ 24,066	\$ 38,466

The Company has an equity investment measured at cost which 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. The carrying value of the investment was \$2.1 million and \$3.7 million as of December 31, 2022 and 2021, respectively. The Company considered the existence of impairment indicators by evaluating the financial and liquidity position and as a result, remeasured the equity investment to fair value and recorded an impairment of \$1.3 million during the year ended December 31, 2022. There were no identified events that required a fair value adjustment as of December 31, 2021.

The fair value of the contingent consideration payable in connection with the NuPark acquisition was \$1.5 million at December 13, 2021 acquisition date and was classified within level 3 of the fair value hierarchy. The

valuation of the contingent consideration was measured using a discounted cash flow model and the significant unobservable inputs used in the measurement relate to forecasts of annualized revenue developed by the Company. During fiscal year 2022, the Company made payments to settle in full the contingent consideration payable to Passport Labs Inc, and there was no remaining payable as of December 31, 2022.

The recurring fair value measurement of the interest rate swap was valued based on observable inputs for similar assets and liabilities including swaption values and other observable inputs for interest rates and yield curves and is classified within level 2 of the fair value hierarchy.

Asset Retirement Obligation

The Company records obligations to perform certain retirement activities on camera and speed enforcement systems in the period that the related assets are placed in service. Asset retirement obligations are contractual obligations to restore property to its initial state. These obligations, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to operating expenses in the consolidated statements of operations. The associated asset retirement obligation is capitalized as part of the related asset's carrying value and is depreciated over the asset's estimated remaining useful life. When events and circumstances indicate that the original estimates used for asset retirement obligations may need revision, the Company reassesses the assumptions used and adjusts the liability appropriately.

Deferred Financing Costs

Deferred financing costs consist of the costs incurred to obtain long-term financing, including the Company's credit facilities (See Note 9). These costs, which are a reduction to long-term debt on the consolidated balance sheets, are amortized over the term of the related debt, using the effective interest method for term debt and the straight-line method for revolving credit facilities. Amortization of deferred financing costs for fiscal years 2022, 2021 and 2020 was \$5.5 million, \$5.2 million, and \$5.4 million respectively.

Income Taxes

The Company accounts for income taxes under the asset and 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. Deferred tax assets generally represent items that can be used as a tax deduction or credit in tax returns in future years, while deferred tax liabilities generally represent items that generate a future tax liability for items where deductions have been accelerated for tax purposes. The Company provides a valuation allowance for deferred tax assets if it is more likely than not that some portion or all of the tax assets will not be realized. 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 realization of deferred tax assets can be affected by, among other things, the nature, frequency, and severity of current and cumulative losses, forecasts of future profitability, the length of statutory carryforward periods, our experience with utilizing operating losses and tax credit carryforwards by jurisdiction, the reversal of existing taxable temporary differences and tax planning alternatives and strategies that may be available.

The Company's effective tax rate is based on income, statutory tax rates, differences in the deductibility of certain expenses and inclusion of certain income items between financial statement and tax return purposes, and tax planning opportunities available to it in the various jurisdictions in which it operates. Under GAAP, if the Company determines that a tax position is more likely than not of being sustained upon audit, based solely on the technical merits of the position, the Company recognizes the benefit. Tax code and regulations require certain items to be included in the tax return at different times than when those items are required to be recorded in the consolidated financial statements. As a result, the effective tax rate reflected in its consolidated financial statements is different from that reported in its tax returns. Some of these differences are permanent, such as meals and entertainment expenses that are not fully deductible on the Company's tax returns, and some are temporary differences, such as depreciation expense. Temporary differences create deferred tax assets and liabilities.

The Company’s policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax provision or benefit.

Stock-based Compensation

In October 2018, the Company established the Verra Mobility 2018 Equity Incentive Plan (the “**2018 Plan**”) which provides for a variety of stock-based awards for issuance to employees and directors. The Company grants RSUs, stock options and performance share units (“**PSUs**”).

The Company recognizes the fair value of RSUs based on the Company’s common stock price at market close on the date of the grant. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options, and uses the Monte Carlo simulation model to determine the fair value of PSUs containing market conditions. The Black-Scholes model requires an assumption regarding the expected life of the stock option, which the Company estimated to be 6.25 years by applying the short-cut method permitted under SEC Staff Accounting Bulletin No. 110. The expected term of PSUs granted was three years, which matches the awards’ performance period. RSUs and stock options vest based on the continued service of the recipient. PSUs are issued upon continued service along with the relative satisfaction of a market condition that measures the Company’s total stockholder return relative to a comparably calculated return for a peer group during the performance period. In addition, the Black-Scholes and the Monte Carlo models require assumptions to be made regarding the expected volatility of the Company’s stock price. Stock price volatility is determined by averaging an implied volatility with the measure of historical volatility.

The following represents our weighted average assumptions for stock options and PSUs granted for the respective periods:

	For the Year Ended December 31,		
	2022	2021	2020
<u>Stock options</u>			
Weighted average expected volatility	45.1%	47.7%	34.5%
Weighted average risk-free interest rate	2.94%	0.94%	0.73%
<u>PSUs</u>			
Weighted average expected volatility	48.0%	50.4%	34.0%
Weighted average risk-free interest rate	2.78%	0.33%	0.61%

Compensation expense for share-based awards is determined based on the grant date fair value. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the share-based award. The compensation expense for the PSUs is recognized over the requisite service period regardless of whether the market condition is satisfied. Forfeitures are accounted for as they occur. See Note 14, *Equity Incentive Plan*, for more information on the Company’s share-based awards.

Revenue Recognition

Nature of Goods and Services

The following is a description of principal activities, separated by reportable segments, from which the Company generates revenue:

Commercial Services. The Commercial Services segment offers toll and violation management solutions for the commercial fleet and rental car industries. The Company determined its performance obligation is a distinct stand-ready obligation, as there is an unspecified quantity of services provided that does not diminish, and the customer is being charged only when it uses the Company's services, such as toll payment, title and registration, etc. Payment terms for contracts with commercial fleet and rental car companies vary, but are usually billed as services are performed. The Company recognizes revenue from these services over time.

Government Solutions. The Government Solutions segment principally generates revenue by providing complete, end-to-end speed, red-light, school bus stop arm, and bus lane enforcement solutions. Products, when sold, are typically sold together with the services in a bundle for a majority of customers. The average initial term of a contract is 3 to 5 years. Payment terms for contracts with government agencies vary depending on whether the consideration is fixed or variable. Payment terms for contracts with fixed consideration are usually based on equal installments over the duration of the contract. Payment terms for contracts with variable consideration are usually billed and collected as citations are issued or paid. In instances when the consideration expected from the customer is subject to variation, any variable consideration affecting revenue recognition is allocated to the distinct period (the monthly period) that it relates to.

For bundled offerings, the Company accounts for individual products and services separately if they are distinct – i.e., if a product or service is separately identifiable from other items in the bundle and if a customer can benefit from it as a stand-alone item. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices (“SSP”). The Company estimates the SSP for its services based upon observable evidence, market conditions and other relevant inputs. If products are sold without the related services, no allocation is required.

- Product sales (sale of camera systems and installation) – the camera systems and related installation services are highly interdependent and interrelated and are accounted for as a single performance obligation. The revenues for this performance obligation are generally recognized at the point in time when the installation process is completed and the camera system is ready to perform the services as expected by the customer. Generally, this occurs at site acceptance or first citation.
- Service revenue – the Company has determined its performance obligation is to provide a complete end-to-end safety and enforcement solution. Promises include providing a system to capture images, processing images taken by the camera, forwarding eligible images to the police department and processing payments on behalf of the municipality. The Company has determined that certain of the promises to its customers are capable of being distinct as they are capable of providing some measure of benefit to the customer either on their own or together with other resources that are readily available to the customer. However, the Company has determined the promises to its customers do not meet the criterion of being distinct within the context of its contracts. The Company would not be able to fulfill its promises individually as its customers could not obtain the intended benefit from the contract without the Company fulfilling all promises. Accordingly, the Company concluded that each contract represents one service offering and is a single performance obligation to the customer. Further, the Company accounts for all the services as a single continuous service. The Company applied the series guidance for those services as it stands ready to deliver those services over the contract period. The Company recognizes revenue from services over time, as they are performed.

Parking Solutions. The T2 Systems business offers an integrated suite of parking software and hardware solutions to its customers. Revenue is derived primarily from the sale of software as a service (“SaaS”) and specialized hardware. For bundled offerings, the Company accounts for individual products and services separately if they are distinct and allocate the transaction price based on the relative SSP. For substantially all performance obligations except SaaS subscriptions, the Company is able to establish the SSP based on the observable prices of products or services sold separately in comparable transactions. The Company's estimates of SSP are reassessed on a periodic basis or when facts and circumstances change. The Company is unable to establish the SSP for its software licenses based on observable prices given the same products are sold at a broad range of prices and a representative SSP is not

discernible from past transactions or other observable evidence, as such, the SSP for software licenses included in a contract with multiple performance obligations is generally determined by applying a residual approach.

- The Company's hosted parking management software products provide customers the ability to manage access to their parking lots and garages, issue physical or virtual parking permits and manage citations issued through enforcement devices. Revenue derived from these SaaS products is recognized ratably over the contractual service period beginning on the date the service is made available to the customer.
- Service revenue derived from the Company's professional services are recognized over time as the services are performed. Revenues for fixed-price service projects are generally recognized over time applying input methods to estimate progress to completion.
- Revenue from product sales is recognized at a point in time when a customer takes control of the hardware, which typically occurs when the product is delivered to the customer and ownership is transferred to the customer.

Deferred Revenue

Deferred revenue represents amounts that have been invoiced in advance which are expected to be recognized as revenue in future periods, and it primarily relates to the Government Solutions and Parking Solutions customers. As of December 31, 2021 and 2022, the Company had approximately \$8.9 million and \$12.2 million of deferred revenue in the Government Solutions segment. The majority of the remaining performance obligations as of December 31, 2022 are expected to be completed and recognized in 2023 and \$4.7 million is expected to be recognized between 2024 through 2027. As of December 31, 2021 and 2022, the Company had approximately \$20.9 million and \$21.2 million of deferred revenue in the Parking Solutions segment. The majority of the remaining performance obligations as of December 31, 2022 are expected to be completed and recognized as revenue in 2023 and \$0.5 million is expected to be recognized in 2024.

Credit Card Rebates

The Company earns volume rebates from total spend on purchasing cards and recognizes the income in other income, net in the consolidated statements of operations. For the fiscal years ended December 31, 2022, 2021 and 2020, the Company recorded \$14.5 million, \$11.3 million, and \$8.5 million respectively, related to rebates.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs for the fiscal years ended December 31, 2022, 2021 and 2020, were \$1.0 million, \$0.7 million and \$0.8 million, respectively, and were included in selling, general, and administrative expenses in the consolidated statements of operations.

Foreign Currency

Assets and liabilities denominated in foreign currencies that differ from their functional currencies are re-measured at the exchange rate on the balance sheet date. The foreign currency effect of the re-measurement is included in other income, net in the consolidated statements of operations. The impact of foreign currency re-measurement was (losses) gains of \$(0.7) million, \$(0.2) million and \$0.4 million for the fiscal years ended December 31, 2022, 2021 and 2020, respectively.

The assets and liabilities of our foreign subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars at current exchange rates while revenue and expenses are translated from functional currencies at average monthly exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive loss in stockholders' equity.

Acquisitions

The Company applies the acquisition method to account for business combinations. The Company allocates the fair value of the purchase price consideration to assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase consideration over the fair value of the identifiable assets and liabilities is recorded

as goodwill. The Company includes the results of operations of businesses acquired from the date of the respective acquisition. Any transaction costs associated with acquisitions are expensed as incurred.

Measurement period adjustments to preliminary purchase price allocations are recognized in the period in which they are determined, with the effect on earnings of any changes in depreciation, amortization or other income resulting from such changes calculated as if the accounting had been completed at the acquisition date. If applicable, we estimate the fair value of contingent consideration payments in determining the purchase price. Contingent consideration is adjusted to fair value in subsequent periods as an increase or decrease in selling, general and administrative expenses.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment, and includes the use of independent valuation specialists to assist the Company in estimating fair values of acquired tangible and intangible assets. Although the Company believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from estimates.

Recent Accounting Pronouncements

Accounting Standards Adopted

In May 2021, the Financial Accounting Standards Board (“*FASB*”) issued Accounting Standards Update (“*ASU*”) 2021-04, *Earnings Per Share (Topic 260)*, *Debt—Modifications and Extinguishments (Subtopic 470-50)*, *Compensation—Stock Compensation (Topic 718)*, and *Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. This ASU provides guidance for a modification or an exchange of a freestanding equity-classified written call option that is not within the scope of another topic. It specifically addresses the measurement and recognition of the effect of a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option if it remains equity-classified after the modification or exchange. The Company adopted this standard as of January 1, 2022, which did not have an impact on its financial statements and related disclosures, as the Company had no transactions subject to the standard. If the Company were to have modifications or exchanges in the future, such guidance would apply.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, to increase transparency in financial reporting by requiring business entities to disclose information about certain types of government assistance they receive. The amendments require annual disclosures regarding the nature of any transactions with a government accounted for by applying a grant or contribution accounting model by analogy and the related accounting policy used, the effect of the assistance on the entity’s financial statements, and the significant terms and conditions of the transactions. The Company adopted the ASU as of January 1, 2022, which did not have a material impact on its financial statements or related disclosures.

Accounting Standards Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. It provides optional expedients and exceptions for applying GAAP to contract modifications, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* which extended the period of time stakeholders can utilize the reference rate reform relief guidance for two additional years until December 31, 2024.

Under the terms of the 2021 Term Loan (as defined below) discussed in Note 9, *Long-term Debt*, in the event there is a benchmark transition away from LIBOR, a benchmark replacement rate has been defined in the 2021 Term

Loan agreement along with the mechanism for such a transition to take place. The Company does not anticipate this transition will have a material impact on its consolidated financial statements.

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

3. Acquisitions

Redflex Acquisition

On June 17, 2021, the Company completed the acquisition of Redflex, an Australian public company formerly listed on the Australian Securities Exchange. At the closing of the Redflex acquisition, VM Consolidated, Inc., an indirect wholly owned subsidiary of the Company, purchased one hundred percent of the outstanding equity of Redflex at A\$0.96 per share at consideration of A\$152.5 million, or approximately US\$117.9 million. Transaction costs for Redflex were \$9.7 million which primarily related to professional fees and other expenses related to the acquisition. At the date of acquisition, Redflex was a provider of intelligent traffic management products and services that are sold and managed in the Asia Pacific, North America, Europe, and Middle East regions. Redflex designed, manufactured, and operated a range of platform-based solutions, utilizing advanced sensor and image capture technologies to enable active management of state and local motorways. The Company has included the financial results of Redflex in the financial statements from the date of acquisition.

The final allocation of the purchase consideration is summarized as follows:

(\$ in thousands)		
Assets acquired		
Cash and cash equivalents	\$	8,760
Restricted cash		2,163
Accounts receivable		6,870
Unbilled receivables		5,283
Property and equipment		29,809
Deferred tax assets		10,315
Other assets		19,247
Trademark		900
Customer relationships		25,900
Developed technology		18,200
Total assets acquired		127,447
Liabilities assumed		
Accounts payable and accrued liabilities		31,936
Deferred revenue		8,048
Long-term debt		14,014
Other long-term liabilities		11,736
Total liabilities assumed		65,734
Goodwill		56,214
Total purchase consideration	\$	117,927

The Company finalized the evaluation of historical Redflex tax positions and the impact on assumed uncertain tax positions and other tax attributes during the three months ended March 31, 2022 which did not result in any changes to the previously disclosed amounts at December 31, 2021.

Goodwill consists largely of the expected cash flows and future growth anticipated for the Company and was assigned to the Company's Government Solutions segment. The goodwill is not deductible for tax purposes. The customer relationships value was based on the multi-period excess earnings methodology utilizing projected cash flows. The significant assumptions used to value customer relationships included, among others, customer churn rates, forecasted revenue growth rates attributable to existing customers, forecasted EBITDA margins and the discount rate. The values for the trademark and the developed technology related assets were based on a relief-from-royalty method. The significant assumptions used to value these intangible assets included, among others, forecasted revenue growth rates, royalty rates and the expected obsolescence curve. The trademark, customer relationships and the developed technology related assets were assigned useful lives of 5.0 years, 10.0 years, and 8.7 years, respectively.

T2 Systems Acquisition

On December 7, 2021, the Company acquired all of the outstanding shares of T2 Systems, which offers an integrated suite of parking software and hardware solutions to its customers. This acquisition supports the Company's strategy to expand and diversify into new markets within the mobility sector. The Company has included the financial results of T2 Systems in the consolidated financial statements from the date of acquisition, and reported within the Parking Solutions segment.

The Company paid a purchase price of \$353.2 million. Transaction costs for T2 Systems were \$3.4 million which primarily related to professional fees and other expenses related to the acquisition.

The final allocation of the purchase consideration is summarized as follows:

(\$ in thousands)	
Assets acquired	
Cash and cash equivalents	\$ 13,866
Restricted cash	228
Accounts receivable	9,673
Unbilled receivables	2,153
Inventory	7,467
Property and equipment	3,336
Prepaid and other assets ^(a)	7,031
Trademark	3,200
Customer relationships	164,300
Developed technology	19,300
Total assets acquired	230,554
Liabilities assumed	
Accounts payable and accrued liabilities	10,379
Deferred revenue ^(a)	21,002
Deferred tax liabilities ^(a)	37,690
Other liabilities	4,228
Total liabilities assumed	73,299
Goodwill ^(a)	195,982
Total assets acquired and liabilities assumed	\$ 353,237

(a) The Company adjusted the fair values from the initial valuation as of December 31, 2021 to reflect new information obtained about facts and circumstances that existed as of the T2 Systems acquisition date. The measurement period adjustments include an increase of \$0.6 million to the deferred tax liabilities, a \$0.4 million decrease to deferred tax assets included within prepaid and other assets, a \$0.2 million decrease in deferred revenue, and a net offsetting increase of \$0.8 million to the goodwill line item. There was no impact to the consolidated statement of operations as a result of these adjustments.

Goodwill consists largely of the expected cash flows and future growth anticipated for the Company and was assigned to the Company's Parking Solutions segment. The goodwill is not deductible for tax purposes. The customer relationships value was based on the multi-period excess earnings methodology utilizing projected cash flows. The

significant assumptions used to value customer relationships included, among others, customer upsell and churn rates, forecasted revenue growth rates attributable to existing customers, forecasted EBITDA margins and the discount rate. The values for the trademark and the developed technology related assets were based on a relief-from-royalty method. The significant assumptions used to value these intangible assets included, among others, forecasted revenue growth rates, royalty rates and the expected obsolescence curve. The trademark, customer relationships and the developed technology related assets were assigned useful lives of 10.0 years, 10.0 years, and 6.1 years, respectively.

NuPark Acquisition

On December 13, 2021, the Company completed the acquisition of NuPark (“**NuPark**”), a provider of parking services and permit management product platform from Passport Labs, Inc., which expanded the Company’s presence in the United States in the Parking Solutions segment. The acquisition date fair value of the consideration transferred to Passport Labs, Inc. was approximately \$7.0 million, which consisted primarily of \$5.5 million of cash (inclusive of a \$0.5 million indemnity holdback) and \$1.5 million of contingent consideration payable. The Company recorded \$0.3 million of tangible assets, \$4.9 million of customer relationships intangible assets valued using a multi-period excess earnings methodology, with an estimated useful life of 10.0 years, and \$1.3 million of assumed liabilities, which was primarily deferred revenue. Goodwill recorded was \$3.2 million for future growth anticipated for the Company and is deductible for tax purposes. The Company has included the financial results of NuPark in the consolidated financial statements from the date of acquisition, which were not material. The transaction costs for the acquisition were not material.

During fiscal year 2022, the Company recorded a measurement period adjustment to reduce the customer relationship intangible assets’ value by \$0.6 million. Additionally, the Company made payments that totaled approximately \$0.9 million to settle in full the contingent consideration payable to Passport Labs Inc.

Pro Forma Financial Information (Unaudited)

The pro forma information below gives effect to the Redflex and T2 systems acquisitions as if they had been completed on the first day of each period presented. Pro forma information for NuPark was not provided as it was not material. The pro forma results of operations are presented for information purposes only. As such, they are not necessarily indicative of the Company’s results had the Redflex and T2 systems acquisitions been completed on the first day of each period presented, nor do they intend to represent the Company’s future results. The pro forma information does not reflect any cost savings from operating efficiencies or synergies that could result from the acquisitions and does not reflect additional revenue opportunities following the acquisition of Redflex and T2 Systems. The pro forma information includes adjustments to record the assets and liabilities associated with the Redflex and T2 Systems acquisitions at their respective fair values and to give effect to the financing of the acquisitions.

(\$ in thousands)	For the Year Ended December 31,	
	2021	2020
Revenue	\$ 650,567	\$ 530,807
Net income (loss)	30,099	(58,695)

The pro forma results primarily include adjustments related to amortization of intangibles, depreciation expense, interest expense and related debt extinguishment costs from the debt refinancing transactions and exclusion of acquisition-related costs and certain capitalized costs related to operating leases and developed technology.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at December 31:

(\$ in thousands)	2022	2021
Prepaid tolls	\$ 9,978	\$ 7,539
Prepaid services	9,171	8,643
Prepaid income taxes	4,629	5,324
Prepaid computer maintenance	5,492	3,742
Costs to fulfill a customer contract	3,193	3,364
Prepaid insurance	3,112	4,293
Deposits	2,057	6,742
Other	1,972	1,809
Total prepaid expenses and other current assets	<u>\$ 39,604</u>	<u>\$ 41,456</u>

5. Property and Equipment, Net

Property and equipment, net, consists of the following at December 31:

(\$ in thousands)	2022	2021
Equipment installed at customer sites	\$ 122,507	\$ 112,770
Software	30,288	24,207
Leasehold improvements	9,806	9,255
Computer equipment	20,274	14,215
Furniture	2,648	2,662
Automobiles	12,933	4,761
Construction in progress	19,357	12,169
Property and equipment	217,813	180,039
Less: accumulated depreciation	(108,038)	(83,973)
Property and equipment, net	<u>\$ 109,775</u>	<u>\$ 96,066</u>

Depreciation expense was \$32.2 million, \$26.8 million and \$23.1 million for the fiscal years ended December 31, 2022, 2021 and 2020, respectively, including depreciation related to costs to develop or implement software for internal use of \$3.4 million, \$4.4 million and \$4.3 million for the fiscal years ended December 31, 2022, 2021 and 2020, respectively.

6. 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, 2020	\$ 426,689	\$ 159,746	\$ —	\$ 586,435
Acquisition of Redflex	—	56,214	—	56,214
Acquisition of T2 Systems	—	—	195,226	195,226
Acquisition of NuPark	—	—	3,160	3,160
Foreign currency translation adjustment	(1,608)	(560)	—	(2,168)
Balance at December 31, 2021	425,081	215,400	198,386	838,867
Measurement period adjustment ^(a)	—	—	756	756
Foreign currency translation adjustment	(5,361)	(782)	—	(6,143)
Balance at December 31, 2022	<u>\$ 419,720</u>	<u>\$ 214,618</u>	<u>\$ 199,142</u>	<u>\$ 833,480</u>

(a) This is a measurement period adjustment related to the T2 Systems acquisition, see Note 3. *Acquisitions* for additional information.

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

(\$ in thousands)	Weighted Average Remaining Useful Life	Weighted Average Amortization Period	At December 31, 2022	
			Gross Carrying Amount	Accumulated Amortization
Trademarks	0.4 years	3.7 years	\$ 36,151	\$ 32,233
Non-compete agreements	0.1 years	5.0 years	62,529	60,926
Customer relationships	5.5 years	9.3 years	557,570	227,102
Developed technology	1.2 years	5.8 years	201,548	160,117
Gross carrying value of intangible assets			857,798	\$ 480,378
Less: accumulated amortization			(480,378)	
Intangible assets, net			\$ 377,420	

(\$ in thousands)	Weighted Average Remaining Useful Life	Weighted Average Amortization Period	At December 31, 2021	
			Gross Carrying Amount	Accumulated Amortization
Trademarks	0.5 years	3.7 years	\$ 36,225	\$ 31,429
Non-compete agreements	1.0 years	5.0 years	62,555	49,982
Customer relationships	6.5 years	9.3 years	561,767	167,255
Developed technology	2.2 years	5.8 years	202,768	127,350
Gross carrying value of intangible assets			863,315	\$ 376,016
Less: accumulated amortization			(376,016)	
Intangible assets, net			\$ 487,299	

Amortization expense was \$106.2 million, \$89.9 million and \$93.5 million for fiscal years ended December 31, 2022, 2021 and 2020, respectively.

Estimated amortization expense in future years is expected to be:

(\$ in thousands)	
2023	\$ 77,347
2024	66,859
2025	64,161
2026	57,170
2027	28,353
Thereafter	83,530
Total	\$ 377,420

7. Accrued Liabilities

Accrued liabilities consist of the following at December 31:

<u>(\$ in thousands)</u>	<u>2022</u>	<u>2021</u>
Accrued salaries and wages	\$ 19,109	\$ 15,744
Current deferred tax liabilities	7,559	—
Current portion of operating lease liabilities	6,355	5,760
Accrued interest payable	4,459	4,209
Restricted cash due to customers	3,541	3,062
Payroll liabilities	2,136	1,876
Advanced deposits	1,029	2,554
Current portion of interest rate swap liability	977	—
Other	3,682	5,230
Total accrued liabilities	<u>\$ 48,847</u>	<u>\$ 38,435</u>

8. Asset Retirement Obligations

The following summarizes the changes in the Company's asset retirement obligations for the years ended December 31:

<u>(\$ in thousands)</u>	<u>2022</u>	<u>2021</u>
Asset retirement obligations, beginning balance	\$ 11,824	\$ 6,409
Liabilities incurred ^(a)	944	5,210
Accretion expense	445	308
Liabilities settled	(220)	(103)
Asset retirement obligations, ending balance	<u>\$ 12,993</u>	<u>\$ 11,824</u>

(a) For the year ended December 31, 2022, this includes approximately \$0.4 million increase resulting from a change in estimate for the impact of inflation. For the year ended December 31, 2021, this includes \$3.9 million of asset retirement obligations assumed as part of the Redflex acquisition in 2021, and a \$1.2 million increase resulting from a change in estimate for the impact of inflation.

9. Long-term Debt

The following table provides a summary of the Company's long-term debt at December 31:

<u>(\$ in thousands)</u>	<u>2022</u>	<u>2021</u>
2021 Term Loan, due 2028	\$ 886,106	\$ 895,125
Senior Notes, due 2029	350,000	350,000
PPP Loan	—	2,933
Revolver	—	25,000
Less: original issue discounts	(5,637)	(6,753)
Less: unamortized deferred financing costs	(18,489)	(22,551)
Total long-term debt	1,211,980	1,243,754
Less: current portion of long-term debt	(21,935)	(36,952)
Total long-term debt, net of current portion	<u>\$ 1,190,045</u>	<u>\$ 1,206,802</u>

The following table presents the aggregate principal and interest payments in future years on long-term debt as of December 31, 2022:

(\$ in thousands)	Principal	Interest ⁽¹⁾
2023	\$ 21,935	\$ 87,755
2024	9,019	87,056
2025	9,019	86,172
2026	9,019	85,474
2027	9,019	84,775
Thereafter	1,178,095	33,015
Total	\$ 1,236,106	\$ 464,247

(1) The variable interest rate in effect as of December 31, 2022 was used to calculate interest payments for the 2021 Term Loan.

2021 Term Loan and Senior Notes

In March 2021, VM Consolidated, Inc., the Company’s wholly owned subsidiary (“**VM Consolidated**”), 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 \$650.0 million, maturing on March 26, 2028, and an accordion feature providing for an additional \$250.0 million of term loans, subject to satisfaction of certain requirements. In connection with the 2021 Term Loan, the Company had an offering discount cost of \$3.3 million and \$0.7 million of deferred financing costs, both of which were capitalized and are amortized over the remaining life of the 2021 Term Loan.

In addition, in March 2021, VM Consolidated issued an aggregate principal amount of \$350 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.

The net proceeds from both the 2021 Term Loan and the Senior Notes were used in March 2021 to repay in full all outstanding debt which was represented by the First Lien Term Loan Credit Agreement (as amended, the “**2018 Term Loan**”) with a balance of \$865.6 million.

On December 7, 2021, VM Consolidated entered into an agreement to exercise the accordion feature under the 2021 Term Loan, borrowing \$250.0 million in incremental term loans (“**Incremental Term Loan**”). The proceeds from the Incremental Term Loan were used, along with cash on hand, to fund the acquisition of T2 Systems, including repayment in full all outstanding debt for T2 Systems. In connection with the Incremental Term Loan, the Company had an offering discount cost of \$1.3 million and \$3.8 million of deferred financing costs, both of which were capitalized and are amortized over the remaining life of the 2021 Term Loan. The Incremental Term Loan accrued interest from the date of borrowing until December 31, 2021, at which time, it was combined with the 2021 Term Loan to be a single tranche of term loan borrowings. The total principal outstanding under the 2021 Term Loan, which includes the Incremental Term Loan, was \$886.1 million at December 31, 2022.

The 2021 Term Loan is repayable at 1.0% per annum of the amount initially borrowed, paid in quarterly installments. It bears interest based, at the Company’s option, on either (1) LIBOR plus an applicable margin of 3.25% per annum, or (2) an alternate base rate plus an applicable margin of 2.25% per annum. As of December 31, 2022, 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, beginning with the year ending December 31, 2022), 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%

The Company will make a \$12.9 million mandatory prepayment of excess cash flows during the first quarter of fiscal year 2023, which was classified as current portion of long-term debt in the consolidated balance sheet at December 31, 2022. We did not have a mandatory prepayment of excess cash flow for the fiscal year ended December 31, 2021.

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

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

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

The Company evaluated the March 2021 refinancing transactions on a lender-by-lender basis and accounted for the portion of the transaction that did not meet the accounting criteria for debt extinguishment as a debt modification. Accordingly, the Company recognized a loss on extinguishment of debt of \$5.3 million on the 2018 Term Loan during the year ended December 31, 2021, consisting of a \$4.0 million write-off of pre-existing deferred financing costs and discounts and \$1.3 million of lender and third-party costs associated with the issuance of the 2021 Term Loan.

PPP Loan

During fiscal year 2020, Redflex received a \$2.9 million loan from the U.S. Small Business Administration (“**SBA**”) as part of the Paycheck Protection Program (“**PPP Loan**”) to offset certain employment and other allowable costs incurred as a result of the COVID-19 pandemic. In early 2021, Redflex applied for forgiveness of this loan, and on September 23, 2022, the Company was notified by the SBA that the loan, together with accrued interest, had been fully forgiven under the provisions of the PPP Loan program. Accordingly, the Company recognized a \$3.0 million gain on extinguishment of debt in the consolidated statement of operations for the year ended December 31, 2022.

The Revolver

The Company has a Revolving Credit Agreement (the “**Revolver**”) with a commitment of up to \$75.0 million available for loans and letters of credit. The Revolver matures on December 20, 2026. Borrowing eligibility under the Revolver is subject to a monthly borrowing base calculation based on (i) certain percentages of eligible accounts receivable and inventory, less (ii) certain reserve items, including outstanding letters of credit and other reserves. The Revolver bears interest on either (1) LIBOR plus an applicable margin, or (2) an alternate base rate, plus an applicable margin. The margin percentage applied to (1) LIBOR 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. At December 31, 2021, the Company had \$25.0 million in outstanding borrowings on the Revolver, which was repaid in full in January 2022. At December 31, 2022, the availability to borrow was \$74.8 million, net of \$0.2 million of outstanding letters of credit.

Interest on the unused portion of the Revolver is payable quarterly at 0.375% and the Company is also required to pay participation and fronting fees at 1.38% on \$0.2 million of outstanding letters of credit as of December 31, 2022.

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 December 31, 2022, the Company was compliant with all debt covenants.

Interest Expense

The Company recorded interest expense, including amortization of deferred financing costs and discounts, of \$69.4 million, \$44.9 million and \$40.9 million for the fiscal years ended December 31, 2022, 2021 and 2020 respectively.

The weighted average effective interest rates on the Company's outstanding borrowings were 7.0% and 4.1% at December 31, 2022 and December 31, 2021, respectively.

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

10. Leases

The Company's operating leases primarily consist of office, equipment and vehicle leases expiring at various dates through April 2035. The Company has lease agreements with lease and non-lease components and has elected to account for such components as a single lease component. The Company recognizes and measures contracts containing a lease and determines lease classification at commencement. Right of use operating assets and lease liabilities are measured based on the estimated present value of lease payments over the lease term. In determining the present value of lease payments, the Company uses its estimated incremental borrowing rate when the rate implicit in the lease cannot be readily determined. The estimated incremental borrowing rate is based upon information available at lease commencement including publicly available data for debt instruments. The lease term includes periods covered by options to extend when it is reasonably certain the Company will exercise such options as well as periods subsequent to an option to terminate the lease if it is reasonably certain the Company will not exercise the termination option. Certain of the lease agreements have rent abatement and escalating rental payment provisions. Operating lease costs are recognized on a straight-line basis over the lease term. Variable lease costs are recognized as incurred. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company does not have material short-term leases and does not engage in subleasing activities.

As of December 31, 2022, operating leases had a remaining weighted average lease term of 8.6 years and operating lease liabilities were measured using a weighted average discount rate of 5.0%. The total operating lease costs for the fiscal years ended December 31, 2022, 2021 and 2020 were \$8.8 million, \$7.5 million and \$5.3 million, respectively. Variable lease costs for fiscal years ended December 31, 2022, 2021 and 2020 were approximately \$1.5 million, \$1.4 million and \$1.1 million, respectively. Finance leases for the Company are not material.

The following is a summary of the operating lease liabilities as of December 31:

(\$ in thousands)	2022	2021
Operating lease liabilities, net of current portion	\$ 33,362	\$ 34,984
Current portion	6,202	5,760
Total operating lease liabilities	\$ 39,564	\$ 40,744

The following provides future maturities of operating lease liabilities as of December 31, 2022:

(\$ in thousands)		
2023	\$	8,107
2024		7,736
2025		5,329
2026		4,440
2027		3,341
Thereafter		21,033
Total minimum payments		49,986
Less: amount representing interest		(10,422)
Total	\$	<u>39,564</u>

11. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average shares outstanding during the period, without consideration of common stock equivalents. Diluted net income (loss) 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 (loss) per share are as follows:

(In thousands, except per share data)	For the Year Ended December 31,		
	2022	2021	2020
Numerator:			
Net income (loss)	\$ 92,475	\$ 41,449	\$ (4,578)
Denominator:			
Weighted average shares - basic	152,848	159,983	161,632
Common stock equivalents	6,178	3,795	—
Weighted average shares - diluted	159,026	163,778	161,632
Net income (loss) per share - basic	\$ 0.61	\$ 0.26	\$ (0.03)
Net income (loss) per share - diluted	\$ 0.50	\$ 0.25	\$ (0.03)
Antidilutive shares excluded from diluted net income (loss) per share:			
Contingently issuable shares ⁽¹⁾	5,000	5,000	5,000
Public warrants	—	—	13,333
Private placement warrants	—	6,667	6,667
Non-qualified stock options	1,149	1,018	614
Performance share units	157	130	106
Restricted stock units	742	432	2,203
Total antidilutive shares excluded	<u>7,048</u>	<u>13,247</u>	<u>27,923</u>

(1) Contingently issuable shares relate to the earn-out agreement as discussed in Note 16, *Other Significant Transactions*.

12. Income Taxes

A provision of the Tax Cuts and Jobs Act of 2017 became effective on January 1, 2022. This provision requires companies to capitalize and amortize research and development (“*R&D*”) expenses over 5 years (and 15 years for non-U.S. R&D expenses) as opposed to deducting those expenses in the year they are incurred. The enacted provision did not have a material impact on the Company’s consolidated financial statements.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022, which is effective January 1, 2023 and contains provisions implementing a 15% minimum corporate income tax on book income of certain large corporations, a 1% excise tax on net stock repurchases and several tax incentives to promote clean energy. While the Company is continuing to evaluate the impact of these provisions, at this time, they are not expected to have a material impact on the Company’s consolidated financial statements.

Income before income taxes consisted of the following:

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
U.S.	\$ 140,858	\$ 77,101	\$ 6,429
Foreign	(13,750)	(9,200)	(5,576)
Total income before incomes taxes	<u>\$ 127,108</u>	<u>\$ 67,901</u>	<u>\$ 853</u>

The income tax provision consisted of the following:

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
Current			
Federal	\$ 34,071	\$ 25,361	\$ 4,169
State	14,779	10,523	5,399
Foreign	1,777	160	652
Total current	<u>50,627</u>	<u>36,044</u>	<u>10,220</u>
Deferred			
Federal	(8,069)	(7,434)	(1,308)
State	(4,863)	(1,627)	(2,615)
Foreign	(3,062)	(531)	(866)
Total deferred	<u>(15,994)</u>	<u>(9,592)</u>	<u>(4,789)</u>
Income tax provision	<u>\$ 34,633</u>	<u>\$ 26,452</u>	<u>\$ 5,431</u>

A reconciliation to the income tax provision from the amounts computed by applying the statutory U.S. federal income tax rate is as follows:

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
Income tax provision at statutory rate	\$ 26,693	\$ 14,259	\$ 179
State income taxes, net of federal income tax effect	8,588	6,748	1,188
Tax rate changes/ valuation of deferred tax items	—	586	1,353
162(m) limitation	1,766	1,325	1,179
Non-deductible expenses	30	174	1,786
Stock-based compensation	(545)	(752)	(38)
Unrecognized tax benefits	1,215	174	(929)
Tax impact for change in fair value of warrants	(3,024)	1,596	237
Change in valuation allowance	1,429	1,435	924
Non-deductible transaction costs	—	1,078	19
Research and development credits	(517)	(125)	(121)
Other	(1,002)	(46)	(346)
Total income tax provision	<u>\$ 34,633</u>	<u>\$ 26,452</u>	<u>\$ 5,431</u>

Significant components of the Company's deferred income tax assets and liabilities consist of the following at December 31:

(\$ in thousands)	2022	2021
Deferred tax assets:		
Accrued expenses and other	\$ 6,255	\$ 7,334
Allowance for credit losses	9,108	4,927
Net operating loss carryforward	16,476	18,193
Interest expense limitation carryforward	5,108	5,935
Federal and state income tax credits	4,965	5,295
ASC 842 operating lease liabilities	10,986	9,578
R&D Section 174 capitalization	3,248	—
Stock compensation	1,995	—
Transaction costs	458	446
Other	2,026	1,042
Gross deferred tax assets	60,625	52,750
Valuation allowance	(5,263)	(3,785)
Deferred tax assets, net of valuation allowance	55,362	48,965
Deferred tax liabilities:		
Intangible assets and transaction costs	(42,206)	(62,116)
Property and equipment	(15,265)	(13,562)
Financing costs	(2,392)	(3,077)
Prepaid assets	(2,269)	(1,235)
ASC 842 operating lease assets	(10,403)	(9,104)
481(a) adjustment, net	—	(857)
Gross deferred tax liabilities	(72,535)	(89,951)
Total deferred tax liabilities, net	\$ (17,173)	\$ (40,986)

As of December 31, 2022 and 2021, the Company presented \$4.0 million and \$6.5 million, respectively, of deferred tax assets, net, to reflect U.S. entity deferred taxes within other non-current assets in the Company's consolidated balance sheets.

As of December 31, 2022, the Company has provided income taxes on the earnings of foreign subsidiaries, except to the extent such earnings are considered indefinitely reinvested. The amount of the unrecognized deferred tax liability related to these temporary differences is approximately \$0.8 million.

In accordance with ASC 740, *Income Taxes*, deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets can be affected by, among other things, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, limitations on the use of acquired tax attributes due to an ownership change under IRC section 382, the length of statutory carryforward periods, the Company's experience with utilizing operating losses and tax credit carryforwards by jurisdiction, and tax planning alternatives and strategies that may be available.

The Company performed an analysis of the reversal of the deferred tax assets and considered the overall business environment, historical earnings, the outlook for future years and the impact of limitations on the use of acquired tax attributes due to an ownership change under IRC section 382. The Company determined that it is more likely than not that the benefit from certain foreign net operating loss carryforwards will not be realized as of the years ended December 31, 2022 and 2021, and as such provided a valuation allowance of \$5.3 million and \$3.8 million, respectively. The valuation allowance could be adjusted in future periods if estimates of future taxable income during the carryforward period are increased or if objective negative evidence in the form of cumulative losses is no longer present.

The net operating loss carryforwards represent \$124.4 million and \$158.7 million of federal, state and foreign net operating losses at December 31, 2022 and 2021, respectively. The federal net operating loss carryforward at December 31, 2022 consists of \$24.0 million of losses that were generated after 2017 with no expiration date. The Company also has certain tax credits of \$5.6 million and \$6.4 million at December 31, 2022 and 2021, respectively, which if unused will begin to expire in 2025.

The following table summarizes the activity related to the Company’s unrecognized tax benefits as of December 31:

(\$ in thousands)	2022	2021
Balance at the beginning of the year	\$ 2,878	\$ 953
Increases/(decreases) related to current year tax positions	8,076	447
Increases/(decreases) related to prior year tax positions	(132)	1,478
Expiration due to statute of limitations	(147)	—
Balance at the end of the year	<u>\$ 10,675</u>	<u>\$ 2,878</u>

Included in the balance of unrecognized tax benefits as of December 31, 2022 were \$2.6 million of tax benefits that, if recognized, would impact the effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. The Company recognized \$0.5 million for fiscal year 2022 and less than \$0.1 million for fiscal year 2021 in interest and penalties. The Company had accrued interest and penalties of \$0.5 million and less than \$0.1 million at December 31, 2022 and 2021, respectively. The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based on technical merits, it is more likely than not that the tax position will be sustained under examination.

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

13. Stockholders’ Equity

The Company’s Amended and Restated Certificate of Incorporation authorizes the issuance of 261,000,000 shares of capital stock, consisting of (i) 260,000,000 shares of Class A Common Stock, and (ii) 1,000,000 shares of preferred stock, each at par value of \$0.0001 per share. The outstanding shares of the Company’s common stock are duly authorized, validly issued, fully paid and non-assessable.

Share Repurchases and Retirement - 2022

On May 7, 2022, the Company’s Board of Directors authorized a share repurchase program for up to an aggregate amount of \$125.0 million of its outstanding shares of Class A Common Stock over the next twelve months from time to time in open market, accelerated share repurchase (“**ASR**”) or privately negotiated transactions, each as permitted under applicable rules and regulations, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1 of the Securities Exchange Act of 1934 (the “**Exchange Act**”).

On May 12, 2022, the Company paid \$50.0 million for an ASR and received an initial delivery of 2,739,726 shares of its Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement occurred on August 3, 2022, at which time, the Company received 445,086 additional shares calculated using a volume-weighted average price over the term of the ASR agreement. In addition, during the second and third quarters of 2022, the Company paid \$6.9 million and repurchased 445,791 shares of its Class A Common

Stock through open market transactions. The Company's Board of Directors authorized a second ASR during the third quarter of 2022 for the remaining availability under the share repurchase program. On August 19, 2022, the Company paid \$68.1 million for a second ASR, and received an initial delivery of 3,300,000 shares of its Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement occurred on November 4, 2022, at which time, the Company received 943,361 additional shares calculated using a volume-weighted average price over the term of the ASR agreement. The Company accounted for each ASR transaction as a common stock repurchase and a forward contract indexed to its own common stock. The Company determined that the equity classification criteria was met for the forward contracts, therefore, it did not account for them as derivative instruments. The Company incurred \$0.1 million of direct costs in connection with share repurchase transactions during fiscal year 2022, which it included in the cost of the shares acquired.

The Company paid a total of \$125.0 million for shares repurchases and \$0.1 million for direct costs during fiscal year 2022 and accounted for the transactions by deducting the par value from the common stock account, reducing \$15.9 million from additional paid-in capital calculated using an average share price, and by increasing accumulated deficit for the remaining cost of \$109.1 million.

In November 2022, the Board of Directors authorized a new 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 has not yet repurchased shares under this repurchase program.

Share Repurchase and Retirement - 2021

On August 9, 2021, the Company announced that its Board of Directors authorized a share repurchase program for up to an aggregate amount of \$100 million of its outstanding shares of Class A Common Stock. On August 20, 2021, the Company repurchased and retired 6,849,315 shares of its Class A Common Stock from the Platinum Stockholder at a price per share of \$14.60. The Company paid \$100 million to fund the share repurchase using existing cash on hand. The Company accounted for the share repurchase and retirement under the cost method by deducting its par value from the common stock account, reducing \$72.0 million from the additional paid-in-capital account using the share price when the stock was originally issued, and the remaining excess cost of \$28.0 million by increasing the accumulated deficit account.

14. Equity Incentive Plan

In October 2018, the Company established the Verra Mobility 2018 Equity Incentive Plan (the "**2018 Plan**") which provides for a variety of stock-based awards including restricted stock units ("**RSUs**"), performance share units ("**PSUs**") and non-qualified stock options to employees and non-employee directors. The maximum number of shares of the Company's common stock that may be subject to awards under the 2018 Plan was 10,864,000 as of December 31, 2022, subject to adjustment in accordance with the terms of the 2018 Plan. At December 31, 2022, the Company had an aggregate of 3,388,102 shares of common stock available for future grants under the 2018 Plan.

RSUs and PSUs

The Company's RSUs consist of a right to receive shares on one or more vesting dates in the future. RSUs granted to employees vest ratably over four years from their individual award dates, subject to continued employment on the applicable vesting dates. RSUs granted to non-employee directors vest on the earlier of (a) the first anniversary of the vesting start date, or (b) the date immediately prior to the next annual stockholders meeting held by the Company occurring after the date of grant.

The Company grants PSUs to senior executives which consist of a right to receive shares at the end of a three-year period. PSUs are issued upon continued service along with the relative satisfaction of a market condition that measures the Company's total stockholder return relative to a comparably calculated return for a peer group during the performance period. The level at which the performance condition is attained upon the completion of the

performance period determines the actual number of shares of the Class A Common Stock into which the PSUs will be converted. The conversion percentage ranges from 0% up to 150% of the target level.

The following table summarizes the activity of the Company's RSUs and PSUs:

	RSUs		PSUs	
	Shares (in thousands)	Weighted Average Grant Date Fair Value	Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance at December 31, 2019	3,004	\$ 10.28	—	\$ —
Granted	576	\$ 12.12	116	\$ 13.88
Vested	(986)	\$ 10.35	—	\$ —
Forfeited	(391)	\$ 10.74	(10)	\$ 13.88
Balance at December 31, 2020	2,203	\$ 10.64	106	\$ 13.88
Granted	736	\$ 14.12	154	\$ 16.28
Vested	(1,018)	\$ 10.41	—	\$ —
Forfeited	(229)	\$ 13.40	(31)	\$ 16.97
Balance at December 31, 2021	1,692	\$ 11.92	229	\$ 15.07
Granted	1,093	\$ 14.09	179	\$ 15.58
Vested	(1,030)	\$ 11.10	—	\$ —
Forfeited	(260)	\$ 13.39	(94)	\$ 15.17
Balance at December 31, 2022	<u>1,495</u>	\$ 13.82	<u>314</u>	\$ 15.33

The fair value of RSUs vested during fiscal years 2022, 2021 and 2020 was \$11.4 million, \$10.6 million and \$10.2 million, respectively. There were no PSUs that vested to date. As of December 31, 2022, the Company had \$15.4 million and \$2.5 million of unrecognized stock-based compensation expense related to unvested RSUs and PSUs, respectively, which is expected to be recognized over a weighted average period of 2.8 years.

Stock Options

Stock options granted vest ratably over four years from their individual award dates, subject to continued employment on the applicable vesting dates, with a contractual term of ten years. The following table summarizes the activity of the Company's stock options:

	Stock Options Outstanding			
	Shares (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (\$ in thousands)
Balance at December 31, 2019	—	—		
Granted	720	\$ 12.56		
Exercised	—	—		
Forfeited	(106)	\$ 12.56		
Balance at December 31, 2020	614	\$ 12.56		
Granted	731	\$ 13.95		
Exercised	(12)	\$ 12.62		\$ 36
Forfeited	(170)	\$ 14.29		
Balance at December 31, 2021	1,163	\$ 13.18	8.7 years	\$ 2,636
Granted	846	\$ 13.97		
Exercised	(103)	\$ 12.98		\$ 348
Forfeited	(329)	\$ 13.59		
Balance at December 31, 2022	<u>1,577</u>	\$ 13.53	8.5 years	\$ 619
Exercisable at December 31, 2022	324	\$ 12.96	7.5 years	\$ 293
Unvested and expected to vest at December 31, 2022	1,253	\$ 13.68	8.7 years	\$ 326

The weighted average fair value of options granted in fiscal years 2020, 2021 and 2022 was \$4.36, \$6.47 and \$6.66 per share, respectively. There were no stock options that vested in fiscal year 2020. There were 141,218 and 324,173 of stock options that vested in fiscal years 2021 and 2022 with a total fair value of \$0.6 million and \$1.6 million, respectively. The Company received approximately \$0.2 million and \$1.3 million related to stock options exercised during fiscal years 2021 and 2022, respectively. As of December 31, 2022, the Company had \$6.0 million of unrecognized stock-based compensation expense related to unvested stock options which is expected to be recognized over a weighted average period of 2.7 years.

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

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
Operating expenses	\$ 1,130	\$ 815	\$ 837
Selling, general and administrative expenses	15,533	12,969	11,752
Total stock-based compensation expense	\$ 16,663	\$ 13,784	\$ 12,589

Tax benefits attributable to stock-based compensation represented approximately \$4.6 million, \$4.6 million and \$2.9 million, before limitations under section 162(m) of the Internal Revenue Code, during the years ended December 31, 2022, 2021 and 2020, respectively.

15. Employee Benefit Plan

The Company has a 401(k) plan that covers U.S. employees who meet certain eligibility requirements. Covered employees may elect to have a portion of their compensation withheld up to the statutory limit. The 401(k) plan includes a company match that vests immediately. The Company made employer contributions of \$2.5 million, \$1.9 million and \$1.7 million during the fiscal years ended December 31, 2022, 2021 and 2020, respectively.

The Company also makes superannuation contributions for eligible non-U.S. based employees in accordance with the employer contribution rate set by the applicable country. The expense related to these contributions was \$1.7 million and \$1.1 million during the fiscal years ended December 31, 2022 and 2021, respectively.

16. Other Significant Transactions

Tax Receivable Agreement

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

At December 31, 2022, the Tax Receivable Agreement liability was approximately \$55.9 million of which \$5.0 million was the current portion and \$50.9 million was the non-current portion, both of which are included in the respective tax receivable agreement liability line items on the consolidated balance sheets. The Company made a \$5.1 million payment during the fourth quarter of 2022 related to the 2021 tax year.

The Company recorded tax benefits of \$0.7 million and \$1.0 million in fiscal years 2022 and 2021, respectively, as a result of lower estimated state tax rates due to changes in apportionment.

Earn-Out Agreement

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

The Earn-Out Shares are issued by the Company to the Platinum Stockholder as follows:

Common Stock Price Thresholds	One-time Issuance of Shares
> \$13.00 ^(a)	2,500,000
> \$15.50 ^(a)	2,500,000
> \$18.00	2,500,000
> \$20.50	2,500,000

(a) The first and second tranches of Earn-Out Shares have been issued, as discussed below.

If any of the Common Stock Price thresholds above (each, a “***Triggering Event***”) are not achieved within the five-year period following the closing of the Business Combination, the Company will not be required to issue the Earn-Out Shares in respect of such Common Stock Price threshold. In no event shall the Platinum Stockholder be entitled to receive more than an aggregate of 10,000,000 Earn-Out Shares.

If, during the earn-out period, there is a change of control (as defined in the Merger Agreement) that will result in the holders of the Company's Class A Common Stock receiving a per share price equal to or in excess of the applicable Common Stock Price required in connection with any Triggering Event, then immediately prior to the consummation of such change of control: (a) any such Triggering Event that has not previously occurred shall be deemed to have occurred; and (b) the Company shall issue the applicable Earn-Out Shares to the cash consideration stockholders (as defined in the Merger Agreement) (in accordance with their respective pro rata cash share), and the recipients of the issued Earn-Out Shares shall be eligible to participate in such change of control.

The Company estimated the original fair value of the contingently issuable shares to be \$73.15 million, of which \$36.6 million remains contingently issuable as of December 31, 2022. The estimated value is not subject to future revisions during the five-year period discussed above. The Company used a Monte Carlo simulation option-pricing model to arrive at its original estimate. Each tranche was valued separately giving specific consideration to the tranche's price target. The simulation considered volatility and risk-free rates utilizing a peer group based on a five-year term. This was initially recorded as a distribution to shareholders and was presented as common stock contingent consideration. Upon the occurrence of a Triggering Event, any issuable shares are transferred from common stock contingent consideration to common stock and additional paid-in capital accounts. Any contingently issuable shares not issued as a result of a Triggering Event not being attained by the end of the earn-out period will be canceled.

On April 26, 2019 and on January 27, 2020, the Triggering Events for the issuance of the first and second tranches of Earn-Out Shares occurred, as the volume weighted average closing sale price per share of the Company's Class A Common Stock as of that date had been greater than \$13.00 and \$15.50, respectively, for 10 out of 20 consecutive trading days. These Triggering Events resulted in the issuance of an aggregate 5,000,000 shares of the Company's Class A Common Stock to the Platinum Stockholder and an increase in the Company's common stock and additional paid-in capital accounts of \$36.6 million, with a corresponding decrease to the common stock contingent consideration account. At December 31, 2022, the potential future Earn-Out Shares issuable are between zero and 5.0 million.

Related Party Investment

Redflex Irish Investments Pty Ltd, a wholly owned indirect subsidiary of the Company, owns a 16% non-voting equity interest in Road Safety Operations Holdings Unlimited, which has a subsidiary, Road Safety Operations Holdings T/A Go Safe Ireland (“***Go Safe***”), which provides speed and traffic enforcement services and related equipment to its customers in Ireland. The carrying value of this equity investment was approximately \$2.1 million and \$3.7 million as of December 31, 2022 and 2021, respectively, and is presented within other non-current assets on

the consolidated balance sheets. The Company is engaged as a vendor to supply equipment and services to Go Safe and related revenues earned were approximately \$1.0 million and \$0.5 million, and dividend income was \$0.2 million and \$0.3 million for the years ended December 31, 2022 and 2021, respectively.

17. Commitments and Contingencies

The Company has \$2.0 million of bank guarantees at December 31, 2022 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 December 31, 2022 were \$26.0 million. The majority of these outstanding commitments are expected to be incurred in 2023 and approximately \$3.9 million is expected to be incurred between 2024 and 2025.

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

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

Legal Proceedings

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

Brantley v. City of Gretna is a class action lawsuit filed in the 24th Judicial District Court of Jefferson Parish, Louisiana against the City of Gretna (“*City*”) and its safety camera vendor, Redflex Traffic Systems, Inc. in April 2016. The plaintiff class, which was certified on March 30, 2021, alleges that the City’s safety camera program was implemented and operated in violation of local ordinances and the state constitution, including that the City’s hearing process violated the plaintiffs’ due process rights for lack of a “neutral” arbiter of liability for traffic infractions. Plaintiffs seek recovery of traffic infraction fines paid. The City and Redflex Traffic Systems, Inc. appealed the trial court’s ruling granting class certification, which was denied and their petition for discretionary review of the certification ruling by the Louisiana Supreme Court was declined. The matter will return to the trial court for merits discovery. Based on the information available to the Company at present, it cannot reasonably estimate a range of loss for this action and, accordingly, it has not accrued any liability associated with this action.

18. Segment Reporting

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

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

The Company allocates certain corporate expenses to the three segments using several different factors depending on the item being allocated. These factors range from specific identification to headcount-based to allocate proportionately between the three segments. The corporate and other columns below include items that are designated by the CODM as corporate initiatives and are not included in segment profit.

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

The Company does not disaggregate assets by segment other than equipment installed at customer sites and automobiles, which had carrying values of \$58.3 million and \$7.4 million, respectively, at December 31, 2022 and carrying values of \$61.8 million and \$2.7 million, respectively, at December 31, 2021 all of which relate mainly to the Government Solutions segment. Refer to Note 6, *Goodwill and Intangible Assets* for goodwill balances by segment.

The following tables set forth financial information by segment for the fiscal years ended December 31, 2022, 2021 and 2020:

(\$ in thousands)	For the Year Ended December 31, 2022				
	Commercial Services	Government Solutions	Parking Solutions	Corporate and Other	Total
Service revenue	\$ 325,971	\$ 307,639	\$ 61,608	\$ —	\$ 695,218
Product sales	—	29,028	17,352	—	46,380
Total revenue	325,971	336,667	78,960	—	741,598
Cost of service revenue	2,869	2,016	11,445	—	16,330
Cost of product sales	—	17,436	13,496	—	30,932
Operating expenses	72,328	139,961	12,905	—	225,194
Selling, general and administrative expenses	56,105	61,235	27,104	—	144,444
Loss on disposal of assets, net	522	931	37	—	1,490
Other income, net	(14,387)	(679)	(266)	—	(15,332)
Segment profit	<u>\$ 208,534</u>	<u>\$ 115,767</u>	<u>\$ 14,239</u>	<u>\$ —</u>	<u>\$ 338,540</u>
Segment profit	\$ 208,534	\$ 115,767	\$ 14,239	\$ —	\$ 338,540
Depreciation and amortization	—	—	—	138,684	138,684
Transaction and other related expenses	—	—	—	3,381	3,381
Transformation expenses	—	—	—	1,113	1,113
Change in fair value of private placement warrants	—	—	—	(14,400)	(14,400)
Tax receivable agreement liability adjustment	—	—	—	(720)	(720)
Gain on interest rate swap	—	—	—	(996)	(996)
Stock-based compensation	—	—	—	16,663	16,663
Impairment on a privately-held equity investment	—	1,340	—	—	1,340
Gain on extinguishment of debt	—	—	—	(3,005)	(3,005)
Interest expense, net	—	—	—	69,372	69,372
Income before income taxes	<u>\$ 208,534</u>	<u>\$ 114,427</u>	<u>\$ 14,239</u>	<u>\$(210,092)</u>	<u>\$ 127,108</u>

(\$ in thousands)	For the Year Ended December 31, 2021				
	Commercial Services	Government Solutions	Parking Solutions	Corporate and Other	Total
Service revenue	\$ 260,899	\$ 227,992	\$ 3,955	\$ —	\$492,846
Product sales	—	55,163	2,581	—	57,744
Total revenue	260,899	283,155	6,536	—	550,590
Cost of service revenue	3,183	1,500	654	—	5,337
Cost of product sales	—	28,381	1,428	—	29,809
Operating expenses	65,718	96,284	553	—	162,555
Selling, general and administrative expenses	42,386	51,052	1,361	—	94,799
Loss on disposal of assets, net	—	48	—	—	48
Other income, net	(10,837)	(2,040)	(18)	—	(12,895)
Segment profit	<u>\$ 160,449</u>	<u>\$ 107,930</u>	<u>\$ 2,558</u>	<u>\$ —</u>	<u>\$270,937</u>
Segment profit	\$ 160,449	\$ 107,930	\$ 2,558	\$ —	\$270,937
Depreciation and amortization	—	—	—	116,753	116,753
Transaction and other related expenses	—	—	—	13,952	13,952
Transformation expenses	—	—	—	1,687	1,687
Change in fair value of private placement warrants	—	—	—	7,600	7,600
Tax receivable agreement liability adjustment	—	—	—	(1,016)	(1,016)
Stock-based compensation	—	—	—	13,784	13,784
Loss on extinguishment of debt	—	—	—	5,334	5,334
Interest expense, net	—	—	—	44,942	44,942
Income before income taxes	<u>\$ 160,449</u>	<u>\$ 107,930</u>	<u>\$ 2,558</u>	<u>\$(203,036)</u>	<u>\$ 67,901</u>

(\$ in thousands)	For the Year Ended December 31, 2020			
	Commercial Services	Government Solutions	Corporate and Other	Total
Service revenue	\$ 180,856	\$ 155,418	\$ —	\$ 336,274
Product sales	—	57,319	—	57,319
Total revenue	180,856	212,737	—	393,593
Cost of service revenue	2,562	1,405	—	3,967
Cost of product sales	—	29,573	—	29,573
Operating expenses	52,505	62,387	—	114,892
Selling, general and administrative expenses	40,462	34,465	—	74,927
Loss on disposal of assets, net	16	258	—	274
Other income, net	(11,774)	(111)	—	(11,885)
Segment profit	\$ 97,085	\$ 84,760	\$ —	\$ 181,845
Segment profit	\$ 97,085	\$ 84,760	\$ —	\$ 181,845
Depreciation and amortization	—	—	116,570	116,570
Transaction and other related expenses	—	—	1,895	1,895
Transformation expenses	—	—	1,090	1,090
Change in fair value of private placement warrants	—	—	1,133	1,133
Tax receivable agreement liability adjustment	—	—	6,850	6,850
Stock-based compensation	—	—	12,589	12,589
Interest expense, net	—	—	40,865	40,865
Income before income taxes	<u>\$ 97,085</u>	<u>\$ 84,760</u>	<u>\$ (180,992)</u>	<u>\$ 853</u>

The Company primarily operates within the United States, Australia, Canada, United Kingdom and in various other countries in Europe and Asia. Revenues earned from goods transferred to customers at a point in time were approximately \$46.4 million, \$57.7 million and \$57.3 million for the years ended December 31, 2022, 2021 and 2020, respectively. Property and equipment, net located in foreign countries was \$17.3 million as of December 31, 2022, of which Canada represented \$8.9 million and Australia represented \$6.0 million. Property and equipment, net located in foreign countries was \$14.8 million as of December 31, 2021, of which Canada represented \$6.7 million and Australia represented \$6.1 million.

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

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
Australia	\$ 34,356	\$ 13,948	\$ —
Canada	32,413	6,874	—
United Kingdom	24,017	16,346	12,007
All other	3,532	2,809	1,295
Total international revenues	<u>\$ 94,318</u>	<u>\$ 39,977</u>	<u>\$ 13,302</u>

19. Guarantor/Non-Guarantor Financial Information (Unaudited)

VM Consolidated is the lead borrower of the 2021 Term Loan and Senior Notes. VM Consolidated is owned by the Company through a series of holding companies that ultimately end with the Company. VM Consolidated is wholly owned by Greenlight Acquisition Corporation, which is wholly owned by Greenlight Intermediate Holding Corporation, which is wholly owned by Greenlight Holding Corporation, which is wholly owned by Verra Mobility Holdings, LLC, which is wholly owned by Verra Mobility Corporation. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions, including transactions with the Company's wholly owned guarantor subsidiaries and non-guarantor subsidiaries.

The following financial information presents the consolidated balance sheets as of December 31, 2022 and the related consolidated statements of operations and comprehensive income (loss) and the consolidated statements of cash flows for the year ended December 31, 2022 for the Company, the combined guarantor subsidiaries and the combined non-guarantor subsidiaries.

Verra Mobility Corporation and Subsidiaries
Consolidated Balance Sheets
at December 31, 2022

<u>(\$ in thousands)</u>	<u>Verra Mobility Corporation (Ultimate Parent)</u>	<u>Guarantor Subsidiaries</u>	<u>Non- guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 64,979	\$ 40,225	\$ —	\$ 105,204
Restricted cash	—	3,863	48	—	3,911
Accounts receivable (net of allowance for credit losses of \$15.9 million)	—	151,882	11,904	—	163,786
Unbilled receivables	—	25,342	5,440	—	30,782
Investment in subsidiary	61,811	145,370	—	(207,181)	—
Inventory	—	1,976	17,331	—	19,307
Prepaid expenses and other current assets	—	32,869	6,735	—	39,604
Total current assets	61,811	426,281	81,683	(207,181)	362,594
Installation and service parts, net	—	22,923	—	—	22,923
Property and equipment, net	—	92,434	17,341	—	109,775
Operating lease assets	—	30,939	6,654	—	37,593
Intangible assets, net	—	276,477	100,943	—	377,420
Goodwill	—	689,697	143,783	—	833,480
Due from affiliates	169,259	—	—	(169,259)	—
Other non-current assets	—	9,657	2,827	—	12,484
Total assets	<u>\$ 231,070</u>	<u>\$ 1,548,408</u>	<u>\$ 353,231</u>	<u>\$ (376,440)</u>	<u>\$ 1,756,269</u>
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	\$ —	\$ 58,574	\$ 21,295	\$ —	\$ 79,869
Deferred revenue	—	20,353	10,811	—	31,164
Accrued liabilities	—	37,740	11,107	—	48,847
Tax receivable agreement liability, current portion	—	4,994	—	—	4,994
Current portion of long-term debt	—	21,935	—	—	21,935
Total current liabilities	—	143,596	43,213	—	186,809
Long-term debt, net of current portion	—	1,190,045	—	—	1,190,045
Operating lease liabilities, net of current portion	—	28,856	4,506	—	33,362
Tax receivable agreement liability, net of current portion	—	50,900	—	—	50,900
Private placement warrant liabilities	—	24,066	—	—	24,066
Asset retirement obligations	—	12,942	51	—	12,993
Due to affiliates	—	30,386	138,873	(169,259)	—
Deferred tax liabilities, net	—	—	21,149	—	21,149
Other long-term liabilities	—	5,806	69	—	5,875
Total liabilities	—	1,486,597	207,861	(169,259)	1,525,199
Total stockholders' equity	231,070	61,811	145,370	(207,181)	231,070
Total liabilities and stockholders' equity	<u>\$ 231,070</u>	<u>\$ 1,548,408</u>	<u>\$ 353,231</u>	<u>\$ (376,440)</u>	<u>\$ 1,756,269</u>

Verra Mobility Corporation and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss)
Year Ended December 31, 2022

(\$ in thousands)	Verra Mobility Corporation (Ultimate Parent)	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated
Service revenue	\$ —	\$ 620,605	\$ 74,613	\$ —	\$ 695,218
Product sales	—	26,675	19,705	—	46,380
Sales to affiliates	—	(1,788)	1,788	—	—
Total revenue	—	645,492	96,106	—	741,598
Cost of service revenue	—	11,047	5,283	—	16,330
Cost of product sales	—	15,507	15,425	—	30,932
Cost of sales to affiliates	—	(10)	10	—	—
Operating expenses	—	186,778	39,546	—	226,324
Selling, general and administrative expenses	—	139,565	23,568	—	163,133
Depreciation, amortization and (gain) loss on disposal of assets, net	—	119,617	20,557	—	140,174
Total costs and expenses	—	472,504	104,389	—	576,893
Income (loss) from operations	—	172,988	(8,283)	—	164,705
Income from equity investment	(92,475)	4,039	—	88,436	—
Interest expense, net	—	70,652	(1,280)	—	69,372
Change in fair value of private placement warrants	—	(14,400)	—	—	(14,400)
Tax receivable agreement liability adjustment	—	(720)	—	—	(720)
Gain on interest rate swap	—	(996)	—	—	(996)
Gain on extinguishment of debt	—	(3,005)	—	—	(3,005)
Other income, net	—	(10,794)	(1,860)	—	(12,654)
Total other (income) expenses	(92,475)	44,776	(3,140)	88,436	37,597
Income (loss) before income taxes	92,475	128,212	(5,143)	(88,436)	127,108
Income tax provision (benefit)	—	35,737	(1,104)	—	34,633
Net income (loss)	<u>\$ 92,475</u>	<u>\$ 92,475</u>	<u>\$ (4,039)</u>	<u>\$ (88,436)</u>	<u>\$ 92,475</u>
Other comprehensive loss:					
Change in foreign currency translation adjustment	—	—	(7,771)	—	(7,771)
Total comprehensive income (loss)	<u>\$ 92,475</u>	<u>\$ 92,475</u>	<u>\$ (11,810)</u>	<u>\$ (88,436)</u>	<u>\$ 84,704</u>

Verra Mobility Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Year Ended December 31, 2022

(\$ in thousands)	Verra Mobility Corporation (Ultimate Parent)	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows from Operating Activities:					
Net income (loss)	\$ 92,475	\$ 92,475	\$ (4,039)	\$ (88,436)	\$ 92,475
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	—	118,127	20,557	—	138,684
Amortization of deferred financing costs and discounts	—	5,472	—	—	5,472
Change in fair value of private placement warrants	—	(14,400)	—	—	(14,400)
Tax receivable agreement liability adjustment	—	(720)	—	—	(720)
Gain on interest rate swap	—	(996)	—	—	(996)
Gain on extinguishment of debt	—	(3,005)	—	—	(3,005)
Credit loss expense	—	13,744	737	—	14,481
Deferred income taxes	—	(15,473)	(1,882)	—	(17,355)
Stock-based compensation	—	16,663	—	—	16,663
Impairment on a privately-held equity investment	—	1,340	—	—	1,340
Other	—	1,654	—	—	1,654
Income from equity investment	(92,475)	4,039	—	88,436	—
Changes in operating assets and liabilities:					
Accounts receivable	—	(15,445)	(2,240)	—	(17,685)
Unbilled receivables	—	(1,123)	(813)	—	(1,936)
Inventory	—	(3,510)	(6,800)	—	(10,310)
Prepaid expenses and other assets	—	529	3,777	—	4,306
Deferred revenue	—	3,433	1,158	—	4,591
Accounts payable and other current liabilities	—	2,408	4,105	—	6,513
Due to affiliates	—	7	(7)	—	—
Other liabilities	—	(581)	(854)	—	(1,435)
Net cash provided by operating activities	—	204,638	13,699	—	218,337
Cash Flows from Investing Activities:					
Payment of contingent consideration	—	(647)	—	—	(647)
Purchases of installation and service parts and property and equipment	—	(39,447)	(8,739)	—	(48,186)
Cash proceeds from the sale of assets	—	241	—	—	241
Net cash used in investing activities	—	(39,853)	(8,739)	—	(48,592)
Cash Flows from Financing Activities:					
Repayment on revolver	—	(25,000)	—	—	(25,000)
Repayment of long-term debt	—	(9,019)	—	—	(9,019)
Payment of debt issuance costs	—	(447)	—	—	(447)
Share repurchases and retirement	—	(125,071)	—	—	(125,071)
Proceeds from exercise of stock options	—	1,334	—	—	1,334
Payment of employee tax withholding related to RSUs vesting	—	(6,524)	—	—	(6,524)
Payment of contingent consideration	—	(205)	—	—	(205)
Net cash used in financing activities	—	(164,932)	—	—	(164,932)
Effect of exchange rate changes on cash and cash equivalents	—	—	(130)	—	(130)
Net (decrease) increase in cash, cash equivalents and restricted cash	—	(147)	4,830	—	4,683
Cash, cash equivalents and restricted cash - beginning of period	—	68,989	35,443	—	104,432
Cash, cash equivalents and restricted cash - end of period	\$ —	\$ 68,842	\$ 40,273	\$ —	\$ 109,115

Verra Mobility Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
Year Ended December 31, 2022

	Verra Mobility Corporation (Ultimate Parent)	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated
Supplemental cash flow information:					
Interest paid	\$ —	\$ 63,663	\$ —	\$ —	\$ 63,663
Income taxes paid, net of refunds	—	46,326	1,297	—	47,623
Supplemental non-cash investing and financing activities:					
Additions related to asset retirement obligations, property and equipment, and other	—	946	—	—	946
Purchases of installation and service parts and property and equipment in accounts payable and accrued liabilities at year-end	—	10,421	—	—	10,421

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 (e) and 15d-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that our management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2022, our disclosure controls and procedures are designed to ensure that information required to be disclosed in our periodic reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in “Internal Control – Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of our assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2022. The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by our independent registered public accounting firm, Ernst & Young LLP, as stated in its report included in Item 8 of this Annual Report on Form 10-K.

Inherent Limitations on the Effectiveness of Controls

Because of inherent limitations in all control systems, no internal control over financial reporting can prevent or detect all misstatements, and projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financing Reporting

We fully incorporated Redflex Holdings LLC and T2 Systems into our internal control framework during the year ended December 31, 2022. Other than the remediation and transition described below, there were no changes to our internal control over financial reporting that occurred during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As described in our Annual Report on Form 10-K for the year ended December 31, 2021, we identified material weaknesses in our internal control over financial reporting related to monitoring and control activities over the acquisition of Redflex Holdings Limited, and certain revenue and reporting controls related to a third-party service organization. Following the discovery of the material weaknesses described above, we undertook remediation measures to address such material weaknesses. Based on the implementation work and the results of testing performed, our management concluded that the material weaknesses were remediated as of December 31, 2022.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2023 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2022.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report:

1. Consolidated Financial Statements

The financial statements filed as part of this Annual Report are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report.

2. Financial Statement Schedules

- Appendix A, Schedule II – Consolidated Valuation and Qualifying Accounts

Schedules not listed above are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or notes to the consolidated financial statements under Part II, Item 8 of this Annual Report.

3. Exhibits.

The exhibits listed below are filed as part of this Annual Report. References under the caption “Incorporated by Reference” to exhibits or other filings indicate that the exhibit or other filing has been filed, that the indexed exhibit and the exhibit referred to are the same and that the exhibit referred to is incorporated by reference.

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
2.1	Merger Agreement, dated as of June 21, 2018, by and among Gores Holdings II, Inc., AM Merger Sub I, Inc., AM Merger Sub II, LLC, Greenlight Holding II Corporation and PE Greenlight Holdings, LLC, in its capacity as the Stockholder Representative.	8-K	001-37979	2.1	June 21, 2018	
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of August 23, 2018, by and among Gores Holdings II, Inc., AM Merger Sub I, Inc., AM Merger Sub II, LLC, Greenlight Holding II Corporation and PE Greenlight Holdings, LLC, in its capacity as the Stockholder Representative.	8-K	001-37979	2.2	Aug. 24, 2018	
3.1	Second Amended and Restated Certificate of Incorporation of Verra Mobility Corporation.	8-K	001-37979	3.1	Oct. 22, 2018	
3.2	Amended and Restated Bylaws of Verra Mobility Corporation.	8-K	001-37979	3.2	Oct. 22, 2018	
4.1	Specimen Class A Common Stock Certificate.	S-1	333-21503	4.2	Dec. 9, 2016	
4.2	Specimen Warrant Certificate.	S-1	333-21503	4.3	Dec. 9, 2016	
4.3	Warrant Agreement, dated January 12, 2017, between the Registrant and Continental Stock Transfer & Trust Company, as warrant agent.	8-K	001-37979	4.1	Jan. 19, 2017	
4.4	First Amendment to Warrant Agreement, dated January 15, 2020, by and among the Registrant, Continental Stock Transfer & Trust Company and American Stock Transfer & Trust Company.	10-K	001-37979	4.4	Mar. 2, 2020	
4.5	Description of Verra Mobility Corporation's Securities Registered Pursuant to Section 12 of the Exchange Act.	10-K	001-37979	4.5	Mar. 2, 2020	
4.6	Indenture, dated as of March 26, 2021, by and among VM Consolidated, Inc., the Guarantors party thereto and Wilmington Trust, National Association as Trustee.	8-K	001-37979	4.1	Mar. 29, 2021	
4.7	Form of 5.5% Senior Note Due 2029 (included in Exhibit 4.6).	8-K	001-37979	4.2	Mar. 29, 2021	

10.1	Form of Indemnity Agreement.	S-1	333-21503	10.7	Dec. 9, 2016
10.2	Amended and Restated Registration Rights Agreement dated October 17, 2018, by and among Verra Mobility Corporation, Gores Sponsor II LLC, Randall Bort, William Patton, Jeffrey Rea and the stockholders of Greenlight Holding II Corporation.	8-K	001-37979	10.2	Oct. 22, 2018
10.3	Investor Rights Agreement dated October 17, 2018, by and among Verra Mobility Corporation and PE Greenlight Holdings, LLC.	8-K	001-37979	10.3	Oct. 22, 2018
10.4	Tax Receivable Agreement dated October 17, 2018, by and among Verra Mobility Corporation, the persons identified as “Stockholders” on Schedule I thereto, and PE Greenlight Holdings, LLC, solely in its capacity as the stockholders’ representative thereunder.	8-K	001-37979	10.4	Oct. 22, 2018
10.5	Revolving Credit Agreement dated as of March 1, 2018, among Greenlight Acquisition Corporation, ATS Consolidated Inc., each of the other borrowers party thereto, the lenders party thereto and Bank of America, N.A. as Administrative Agent and Collateral Agent.	8-K	001-37979	10.5	Oct. 22, 2018
10.6	Amendment No. 1 to Revolving Credit Agreement, dated as of July 24, 2018, among Greenlight Acquisition Corporation, VM Consolidated, Inc. (formerly known as ATS Consolidated Inc.), each of the other borrowers party thereto, the lenders party thereto and Bank of America, N.A. as Administrative Agent and Collateral Agent.	8-K	001-37979	10.7	Oct. 22, 2018
10.7	Amendment No. 2 to Revolving Credit Agreement, dated as of October 29, 2021, by and among Greenlight Acquisition Corporation, VM Consolidated, Inc., each of the other borrowers party thereto, the lenders party thereto and Bank of America, N.A. as Administrative Agent and Collateral Agent.	10-K	001-37979	10.7	April 22, 2022
10.8	Amendment No. 3 to Revolving Credit Agreement, dated as of December 20, 2021, by and among Greenlight Acquisition Corporation, VM Consolidated, Inc., each of the other borrowers party thereto, the lenders party thereto and Bank of America, N.A. as	8-K	001-37979	10.1	Dec. 20, 2021

	Administrative Agent and Collateral Agent.				
10.9	Amendment and Restatement Agreement No. 1 to First Lien Term Loan Credit Agreement, dated as of March 26, 2021, by and among Greenlight Acquisition Corporation, VM Consolidated, Inc., American Traffic Solutions, Inc., Lasercraft, Inc. the subsidiary guarantors party thereto, the lenders party thereto and Bank of America, N.A., as Administrative Agent and Collateral Agent.	8-K	001-37979	10.1	Mar. 29, 2021
10.10	Amendment No. 1 to Amendment and Restatement Agreement No. 1 to First Lien Term Loan Credit Agreement, dated as of March 26, 2021, by and among Greenlight Acquisition Corporation, VM Consolidated, Inc., American Traffic Solutions, Inc., Lasercraft, Inc. the subsidiary guarantors party thereto, the lenders party thereto and Bank of America, N.A., as Administrative Agent and Collateral Agent.	8-K	001-37979	10.1	Dec. 7, 2021
10.11#	Amended and Restated Executive Employment Agreement, dated as of March 25, 2021, by and between VM Consolidated, Inc. and David Roberts.	10-Q	001-37979	10.3	May 17, 2021
10.12#	Amended and Restated Executive Employment Agreement, dated as of March 25, 2021, by and between VM Consolidated, Inc. and Patricia Chiodo.	10-Q	001-37979	10.4	May 17, 2021
10.13#	Amended and Restated Executive Employment Agreement, dated as of March 25, 2021, by and between VM Consolidated, Inc. and Rebecca Collins.	10-Q	001-37979	10.5	May 17, 2021
10.14#	Executive Employment Agreement by and between VM Consolidated, Inc. and Steven Lalla, dated as of January 31, 2021.	10-K	001-37979	10.15	Mar. 1, 2021
10.15#	Executive Employment Agreement by and between VM Consolidated, Inc. and Craig Conti, dated as of January 29, 2022.	10-K	001-37979	10.15	April 22, 2022
10.16#	Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.17	Oct. 22, 2018
10.17#	Form of Notice of Grant of Restricted Stock Unit and Agreement under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.18	Oct. 22, 2018

10.18#	Form of Notice of Grant of Restricted Stock Unit and Agreement for Non-U.S. Participants under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.19	Oct. 22, 2018	
10.19#	Form of Greenlight Holding Corporation 2018 Participation Plan Termination Agreement.	8-K	001-37979	10.20	Oct. 22, 2018	
10.20#	Form of Notice of Grant of Restricted Stock Unit for Non-Employee Directors under the Verra Mobility Corporation 2018 Equity Incentive Plan.	10-K	001-37979	10.30	Mar. 18, 2019	
10.21#	Form of Notice of Grant of Stock Option and Agreement under the Verra Mobility Corporation 2018 Equity Incentive Plan.	10-K	001-37979	10.24	Mar. 2, 2020	
10.22#	Form of Notice of Grant of Performance Share Unit and Agreement under the Verra Mobility Corporation 2018 Equity Incentive Plan.	10-K	001-37979	10.26	Mar. 2, 2020	
10.23#	2020 Form of Notice of Grant of Restricted Stock Unit and Agreement for Non-U.S. Participants under the Verra Mobility Corporation 2018 Equity Incentive Plan.	10-Q	001-37979	10.1	Nov. 5, 2020	
10.24#	Form of Notice of Grant of Stock Option and Agreement for Non-U.S. Participants under the Verra Mobility Corporation 2018 Equity Incentive Plan.	10-Q	001-37979	10.2	Nov. 5, 2020	
10.25#	Amended and Restated Verra Mobility Corporation Short-Term Incentive Plan.	8-K	001-37979	10.1	April 28, 2022	
10.26#	Verra Mobility Corporation Non-Employee Director Compensation Policy.					X
10.27#	Separation and Release Agreement, between Patricia Chiodo and Verra Mobility Corporation, dated April 11, 2022.	10-Q	001-37979	10.1	May 9, 2022	
10.28#	Form of Notice of Grant of Performance Share Units and Award Agreement under the Verra mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.1	June 1, 2022	
10.29#	Separation and Release Agreement, between Rebecca Collins and Verra Mobility Corporation, dated August 29, 2022.	10-Q	001-37979	10.1	Nov. 2, 2022	
10.30#	Executive Employment Agreement by and between VM Consolidated, Inc. and Jonathan Baldwin, dated as of January 16, 2022.					X

10.31#	Amended and Restated Executive Employment Agreement by and between VM Consolidated, Inc. and Adam Blake, dated as of October 20, 2021.						X
10.32#	Executive Employment Agreement by and between VM Consolidated, Inc. and Jonathan Keyser, dated as of November 8, 2022.						X
10.33#	Form of Notice of Grant of Restricted Stock Units (U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.1	Feb. 17, 2023		
10.34#	Form of Notice of Grant of Restricted Stock Units (Non-U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.2	Feb. 17, 2023		
10.35#	Form of Notice of Grant of Stock Option (U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.3	Feb. 17, 2023		
10.36#	Form of Notice of Grant of Stock Option (Non-U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.4	Feb. 17, 2023		
10.37#	Form of Notice of Grant of Performance Share Units and Award Agreement (U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.5	Feb. 17, 2023		
10.38#	Form of Notice of Grant of Performance Share Units and Award Agreement (Non-U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	8-K	001-37979	10.6	Feb. 17, 2023		
10.39#	Verra Mobility Corporation Second Amended and Restated Short-Term Incentive Plan.	8-K	001-37979	10.7	Feb. 17, 2023		
21.1	List of Subsidiaries.						X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.						X
24.1	Power of Attorney (included on the signature pages herein).						X
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
99.1	Verra Mobility Insider Trading Policy.	X
101.INS	Inline XBRL Instance Document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase document.	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	X

Management contract or compensatory plan or arrangement.

* 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.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 1, 2023

By: /s/ David Roberts

David Roberts
President and Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints David Roberts and Craig Conti, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report, and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Signature	Capacity in Which Signed	Date
<u>/s/ David Roberts</u> David Roberts	President, Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2023
<u>/s/ Craig Conti</u> Craig Conti	Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2023
<u>/s/ Patrick Byrne</u> Patrick Byrne	Director	March 1, 2023
<u>/s/ Douglas Davis</u> Douglas Davis	Director	March 1, 2023
<u>/s/ Sarah Farrell</u> Sarah Farrell	Director	March 1, 2023
<u>/s/ Michael Huerta</u> Michael Huerta	Director	March 1, 2023
<u>/s/ John Rexford</u> John Rexford	Director	March 1, 2023
<u>/s/ Cynthia Russo</u> Cynthia Russo	Director	March 1, 2023

Appendix A
Verra Mobility Corporation
Schedule II

Consolidated Valuation and Qualifying Accounts for the Years Ended December 31, 2022, 2021 and 2020

(\$ in thousands)	Beginning Balance	Charged/Credited to Net Income (Loss)	Charged to Other Account	Charges Utilized/ Write-offs	Ending Balance
Allowance for Credit Losses					
Year Ended December 31, 2022	\$ 12,138	\$ 14,481	\$ —	\$ (10,712)	\$ 15,907
Year Ended December 31, 2021	11,471	9,588	—	(8,921)	12,138
Year Ended December 31, 2020 ⁽¹⁾	8,456	14,391	—	(11,376)	11,471
Tax Valuation Allowance					
Year Ended December 31, 2022	\$ 3,785	\$ 2,438	\$ 63	\$ (1,023)	\$ 5,263
Year Ended December 31, 2021	3,422	363	—	—	3,785
Year Ended December 31, 2020	2,564	858	—	—	3,422

- (1) This includes a \$0.8 million increase to the beginning balance of allowance for credit losses as a result of adopting the credit loss standard.

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VERRA MOBILITY CORPORATE INFORMATION

Corporate Headquarters

1150 N. Alma School Road

Mesa, AZ 85201

Telephone: (480) 443-7000

Website: www.verramobility.com

Email: IR@verramobility.com

Transfer Agent

American Stock Transfer & Trust Company

6201 15th Avenue

Brooklyn, NY 11219

Website: www.astfinancial.com

Email: help@astfinancial.com

Financial Information

For financial and corporate governance information about Verra Mobility, please visit ir.verramobility.com, where you can also find all of our filings with the Securities and Exchange Commission.



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