

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2025

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 001-37979

VERRA MOBILITY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

81-3563824

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

1150 North Alma School Road
Mesa, Arizona

(Address of Principal Executive Offices)

85201

(Zip Code)

(480) 443-7000

(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of May 5, 2025, there were 159,428,683 shares of the Company's Class A Common Stock, par value \$0.0001 per share, issued and outstanding.

VERRA MOBILITY CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2025
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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “**Report**”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “**Securities Act**”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). All statements contained in this Report other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, products, services, technology offerings, market conditions, growth and trends, expansion plans and opportunities, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” “potentially,” “preliminary,” “likely” and similar expressions, and the negative of these expressions, are intended to identify forward-looking statements.

The future events and trends discussed in this Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Factors that could cause actual results to differ include the risks and uncertainties described in Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2024 (our “**Annual Report**”), Part II, Item 1A. of this Quarterly Report, and in other filings with the Securities and Exchange Commission (the “**SEC**”) which highlight, among other risks:

- the impact of negative industry and macroeconomic conditions, including the impact of government actions and regulations, such as tariffs and trade protection measures, on our customers or us may materially and adversely impact our business, financial condition and results of operations;
- customer concentration in our Commercial Services and Government Solutions segments, including risks impacting these segments such as travel demand and legislation, and risks relating to our contract with NYCDOT (defined below), which comprises a material portion of our revenue. We extended our current contract with NYCDOT through December 31, 2025 to allow NYCDOT to continue to operate its automated enforcement program. On March 31, 2025, NYCDOT announced that it identified the Company as the vendor to manage New York City’s automated enforcement camera safety programs for an expected five-year period after the Company’s current contract expires in December 2025. The New York City automated enforcement program remains an active procurement. We are currently engaged in contract negotiations with NYCDOT and if the contract terms and pricing are materially different from our current contract, or if the parties ultimately fail to consummate a new agreement, it could have a material adverse effect on our business, financial condition and results of operations;
- our reliance on specialized third-party providers;
- risks and uncertainties related to our government contracts, including legislative changes, termination rights, delays in payments, audits and investigations;
- decreases in the prevalence or political acceptance of, or an increase in governmental restrictions regarding, automated and other similar methods of photo enforcement, parking solutions or the use of tolling;
- our ability to successfully implement our acquisition strategy or integrate acquisitions;
- our ability to compete in a highly competitive and rapidly evolving market, including our ability to keep up with technological developments and changing customer preferences;
- our ability to maintain effective internal controls over financial reporting;
- failure in or breaches of our networks or systems, including as a result of cyber-attacks or other incidents;
- risks and uncertainties related to our international operations;
- our failure to acquire necessary intellectual property or adequately protect our intellectual property;
- risks and uncertainties related to litigation and other disputes and regulatory investigations; and
- our ability to manage our substantial level of indebtedness.

You should not rely on forward-looking statements as predictions of future events. We operate in a very competitive and rapidly changing environment and new risks emerge from time to time. The forward-looking statements in this Report represent our views as of the date hereof. Except as may be required by law, we undertake no obligation to update any of these forward-looking statements for any reason or to conform these statements to actual results or revised expectations.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, are available free of charge on our website, verramobility.com, under the heading “Investors” immediately after they are filed with, or furnished to, the SEC. We use our investor relations website, ir.verramobility.com, as a means of disclosing information, which may be of interest or material to our investors and for complying with disclosure obligations under Regulation FD. Accordingly, investors should monitor our investor relations website, in addition to following our press releases, SEC filings, public conference calls, webcasts, and social media. Information contained on or accessible through, including any reports available on, our website is not a part of, and is not incorporated by reference into, this Report or any other report or document we file with the SEC. Any reference to our website in this Report is intended to be an inactive textual reference only.

Unless the context indicates otherwise, the terms “Verra Mobility,” the “Company,” “we,” “us,” and “our” as used in this Report refer to Verra Mobility Corporation, a Delaware corporation, and its subsidiaries taken as a whole.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except per share data)	March 31, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 108,453	\$ 77,560
Restricted cash	6,078	3,594
Accounts receivable (net of allowance for credit losses of \$18.7 million and \$17.0 million at March 31, 2025 and December 31, 2024, respectively)	212,109	206,503
Unbilled receivables	46,776	48,193
Inventory	15,950	15,502
Prepaid expenses and other current assets	36,685	42,647
Total current assets	426,051	393,999
Installation and service parts, net	32,993	36,631
Property and equipment, net	154,108	141,601
Operating lease assets	30,013	29,895
Intangible assets, net	216,013	232,297
Goodwill	737,572	735,615
Other non-current assets	46,350	44,451
Total assets	\$ 1,643,100	\$ 1,614,489
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 89,835	\$ 91,224
Deferred revenue	26,290	29,374
Accrued liabilities	73,538	73,980
Tax receivable agreement liability, current portion	5,163	5,163
Total current liabilities	194,826	199,741
Long-term debt, net	1,032,844	1,034,211
Operating lease liabilities, net of current portion	25,820	25,757
Tax receivable agreement liability, net of current portion	42,977	42,977
Asset retirement obligations	15,838	15,493
Deferred tax liabilities, net	14,486	14,699
Other long-term liabilities	16,734	16,486
Total liabilities	1,343,525	1,349,364
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 1,000 shares authorized with no shares issued and outstanding at March 31, 2025 and December 31, 2024	—	—
Common stock, \$0.0001 par value, 260,000 shares authorized with 159,422 and 159,594 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively	16	16
Additional paid-in capital	549,603	551,955
Accumulated deficit	(234,612)	(269,287)
Accumulated other comprehensive loss	(15,432)	(17,559)
Total stockholders' equity	299,575	265,125
Total liabilities and stockholders' equity	\$ 1,643,100	\$ 1,614,489

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

(In thousands, except per share data)	Three Months Ended March 31,	
	2025	2024
Service revenue	\$ 211,902	\$ 202,721
Product sales	11,352	7,009
Total revenue	223,254	209,730
Cost of service revenue, excluding depreciation and amortization	4,783	4,305
Cost of product sales	8,032	5,286
Operating expenses	73,739	70,640
Selling, general and administrative expenses	51,501	48,171
Depreciation, amortization and (gain) loss on disposal of assets, net	27,814	26,975
Total costs and expenses	165,869	155,377
Income from operations	57,385	54,353
Interest expense, net	16,636	19,635
Gain on interest rate swap	—	(396)
Loss on extinguishment of debt	25	595
Other income, net	(4,109)	(4,453)
Total other expenses	12,552	15,381
Income before income taxes	44,833	38,972
Income tax provision	12,494	9,823
Net income	\$ 32,339	\$ 29,149
Other comprehensive income (loss):		
Change in foreign currency translation adjustment	2,127	(3,260)
Total comprehensive income	\$ 34,466	\$ 25,889
Net income per share:		
Basic	\$ 0.20	\$ 0.18
Diluted	\$ 0.20	\$ 0.17
Weighted average shares outstanding:		
Basic	159,544	166,241
Diluted	162,066	168,726

See accompanying Notes to the Condensed Consolidated Financial Statements.

VERRA MOBILITY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

For the Three Months Ended March 31, 2025

(In thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2024	159,594	\$ 16	\$ 551,955	\$ (269,287)	\$ (17,559)	\$ 265,125
Net income	—	—	—	32,339	—	32,339
Share repurchases and retirement	(686)	—	(2,372)	2,336	—	(36)
Vesting of restricted stock units ("RSUs") and performance share units ("PSUs")	501	—	—	—	—	—
Exercise of stock options	13	—	170	—	—	170
Payment of employee tax withholding related to RSUs and PSUs vesting	—	—	(6,606)	—	—	(6,606)
Stock-based compensation	—	—	6,456	—	—	6,456
Other comprehensive income, net of tax	—	—	—	—	2,127	2,127
Balance as of March 31, 2025	<u>159,422</u>	<u>\$ 16</u>	<u>\$ 549,603</u>	<u>\$ (234,612)</u>	<u>\$ (15,432)</u>	<u>\$ 299,575</u>

For the Three Months Ended March 31, 2024

(In thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2023	166,555	\$ 17	\$ 557,513	\$ (125,887)	\$ (10,176)	\$ 421,467
Net income	—	—	—	29,149	—	29,149
Share repurchases and retirement	(534)	—	(1,789)	1,789	—	—
Vesting of RSUs and PSUs	445	—	—	—	—	—
Exercise of stock options	50	—	689	—	—	689
Payment of employee tax withholding related to RSUs and PSUs vesting	—	—	(4,608)	—	—	(4,608)
Stock-based compensation	—	—	5,558	—	—	5,558
Other comprehensive loss, net of tax	—	—	—	—	(3,260)	(3,260)
Balance as of March 31, 2024	<u>166,516</u>	<u>\$ 17</u>	<u>\$ 557,363</u>	<u>\$ (94,949)</u>	<u>\$ (13,436)</u>	<u>\$ 448,995</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

(\$ in thousands)	Three Months Ended March 31,	
	2025	2024
Cash Flows from Operating Activities:		
Net income	\$ 32,339	\$ 29,149
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,490	26,886
Amortization of deferred financing costs and discounts	932	1,361
Change in fair value of interest rate swap	—	(102)
Loss on extinguishment of debt	25	595
Credit loss expense	8,115	5,247
Deferred income taxes	(1,480)	696
Stock-based compensation	6,456	5,558
Other	1,227	319
Changes in operating assets and liabilities:		
Accounts receivable	(13,541)	10,223
Unbilled receivables	1,508	(6,501)
Inventory	237	479
Prepaid expenses and other assets	4,777	5,565
Deferred revenue	(3,161)	(3,831)
Accounts payable and other current liabilities	(2,085)	(40,783)
Other liabilities	126	(529)
Net cash provided by operating activities	62,965	34,332
Cash Flows from Investing Activities:		
Cash receipts for interest rate swap	—	294
Purchases of installation and service parts and property and equipment	(21,243)	(14,279)
Cash proceeds from the sale of assets	24	48
Net cash used in investing activities	(21,219)	(13,937)
Cash Flows from Financing Activities:		
Repayment of long-term debt	(2,255)	(2,255)
Payment of debt issuance costs	(43)	(107)
Proceeds from the exercise of stock options	170	689
Payment of employee tax withholding related to RSUs and PSUs vesting	(6,606)	(4,608)
Net cash used in financing activities	(8,734)	(6,281)
Effect of exchange rate changes on cash and cash equivalents	365	(608)
Net increase in cash, cash equivalents and restricted cash	33,377	13,506
Cash, cash equivalents and restricted cash - beginning of period	81,154	139,722
Cash, cash equivalents and restricted cash - end of period	\$ 114,531	\$ 153,228

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2025	2024
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents	\$ 108,453	\$ 149,520
Restricted cash	6,078	3,708
Total cash, cash equivalents and restricted cash	\$ 114,531	\$ 153,228
Supplemental cash flow information:		
Interest paid	\$ 11,522	\$ 14,973
Income taxes paid, net of refunds	3,779	3,690
Supplemental non-cash information:		
Purchases of installation and service parts and property and equipment in accounts payable and accrued liabilities at period-end	7,844	3,915

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

1. Description of Business

We are a leading provider of smart mobility technology solutions, principally operating throughout the United States, Australia, Europe and Canada. Our goal is to 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. The Company is organized into three operating segments: Commercial Services, Government Solutions and Parking Solutions (see Note 14, *Segment Reporting*).

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

The Government Solutions segment offers photo enforcement solutions and services to its customers which include complete, end-to-end speed, red-light, school bus stop arm and bus lane enforcement solutions. These programs are designed to reduce traffic violations and resulting collisions, injuries and fatalities. The Company implements and administers traffic safety programs for municipalities, counties, school districts and law enforcement agencies of all sizes. The international operations for this segment primarily involve the sale of traffic enforcement products and recurring maintenance services related to the equipment and software.

The Parking Solutions segment offers an integrated suite of parking software, transaction processing and hardware solutions to its customers, which include universities, municipalities, healthcare facilities and commercial parking operators. This segment develops specialized hardware and parking management software that provides a platform for the issuance of parking permits, enforcement, gateless vehicle counting, event parking and citation services. It also produces and markets its proprietary software as a service to its customers throughout the United States and Canada.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company prepared in accordance with generally accepted accounting principles in the United States of America (“*GAAP*”). All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company’s management, the unaudited condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. There have been no material changes in the Company’s significant accounting policies from those disclosed in the Annual Report on Form 10-K for the year ended December 31, 2024.

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

Concentration of Credit Risk

Significant customers are those which represent more than 10% of the Company's total revenue or accounts receivable, net.

Revenue from a single Government Solutions customer exceeded 10% of total revenue. The City of New York Department of Transportation ("NYCDOT") represented 15.4% and 16.6% of total revenue for the three months ended March 31, 2025 and 2024, respectively. NYCDOT represented 16.7% and 17.2% of total accounts receivable, net as of March 31, 2025 and December 31, 2024, 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.

Significant customer revenues were generated through three of the Company's Commercial Services customers, with each exceeding 10% of total revenue. Commercial Services Customer A represented 15.7% and 13.1% of total revenue for the three months ended March 31, 2025 and 2024, respectively. Commercial Services Customer B represented 11.9% and 11.5% of total revenue for the three months ended March 31, 2025 and 2024, respectively. Commercial Services Customer C represented 10.3% and 11.8% of total revenue for the three months ended March 31, 2025 and 2024, respectively. Commercial Services Customer A was 10.3% of total accounts receivable, net as of March 31, 2025. No Commercial Services customer exceeded 10% of total accounts receivable, net as of December 31, 2024.

There were no significant customer concentrations that exceeded 10% of total revenue or accounts receivable, net for the Parking Solutions segment as of or for any period presented.

Allowance for Credit Losses

The Company reviews historical credit losses and customer payment trends on receivables and develops loss estimates as of the balance sheet date, which includes adjustments for current and future expectations. It identifies pools of receivables based on the type of business, industry in which the customer operates and historical credit loss patterns. The Company uses collection assumptions (typically at the customer level) to estimate expected credit losses. 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 periodically evaluates the adequacy of its allowance for expected credit losses and adjusts appropriately.

The following presents the activity in the allowance for credit losses by reportable segment for the three months ended March 31, 2025 and 2024, respectively:

(\$ in thousands)	Commercial Services⁽¹⁾	Government Solutions	Parking Solutions	Total
Balance at January 1, 2025	\$ 16,038	\$ 332	\$ 648	\$ 17,018
Credit loss expense	6,815	75	1,225	8,115
Write-offs, net of recoveries	(6,179)	(25)	(219)	(6,423)
Balance at March 31, 2025	<u>\$ 16,674</u>	<u>\$ 382</u>	<u>\$ 1,654</u>	<u>\$ 18,710</u>

(\$ in thousands)	Commercial Services⁽¹⁾	Government Solutions	Parking Solutions	Total
Balance at January 1, 2024	\$ 15,661	\$ 2,426	\$ 426	\$ 18,513
Credit loss expense (income)	5,222	106	(81)	5,247
Write-offs, net of recoveries	(3,174)	(2)	(9)	(3,185)
Balance at March 31, 2024	<u>\$ 17,709</u>	<u>\$ 2,530</u>	<u>\$ 336</u>	<u>\$ 20,575</u>

- (1) This primarily consists of receivables from drivers of rental cars for which the Company bills on behalf of its customers. Receivables not collected from drivers within a defined number of days are transferred to customers subject to applicable bad debt sharing agreements. The allowance for credit losses for driver-billed receivables was 82% and 91% of the total Commercial Services allowance for credit losses as of March 31, 2025 and 2024, respectively.

Remaining Performance Obligations

Deferred revenue represents amounts that have been invoiced in advance and are expected to be recognized as revenue in future periods, and it primarily relates to Government Solutions and Parking Solutions customers. As of March 31, 2025 and December 31, 2024, the Company had approximately \$12.1 million and \$11.8 million of deferred revenue in the Government Solutions segment, respectively. During the three months ended March 31, 2025 and 2024, the Company recognized \$4.3 million and \$3.0 million, respectively, of revenue excluding exchange rate impact, related to amounts that were included in deferred revenue as of December 31, 2024 and 2023. As of March 31, 2025 and December 31, 2024 the Company had approximately \$18.1 million and \$21.7 million of deferred revenue in the Parking Solutions segment, respectively. During the three months ended March 31, 2025 and 2024, the Company recognized \$10.0 million and \$8.6 million, respectively, of revenue related to amounts that were included in deferred revenue as of December 31, 2024 and 2023.

Remaining performance obligations represent the amount of contracted future revenue not yet recognized as the amounts relate to undelivered performance obligations, including both deferred revenue and non-cancelable contracted amounts that will be invoiced and recognized as revenue in future periods. The Company elected the practical expedients to omit disclosure for the amount of the transaction price allocated to remaining performance obligations with original expected contract length of one year or less and the amount that relates to variable consideration allocated to a wholly unsatisfied performance obligation to transfer a distinct good or service within a series of distinct goods or services that form a single performance obligation. As of March 31, 2025, total transaction price allocated to performance obligations in the Government Solutions segment that were unsatisfied or partially unsatisfied was \$184.6 million, of which \$71.7 million is expected to be recognized as revenue in the next twelve months and the rest over the remaining performance obligation period.

Interest Rate Swap

In December 2022, the Company entered into a cancellable interest rate swap agreement to hedge its exposure to interest rate fluctuations associated with the LIBOR (now transitioned to Term Secured Overnight Financing Rate, “*SOFR*”) portion of the variable interest rate on its 2021 Term Loan (as defined below). Under the interest rate swap agreement, the Company paid a fixed rate of 5.17% and the counterparty paid a variable interest rate. The Company entered into an International Swaps and Derivatives Association, Inc. Master Agreement with the counterparty which provided for the net settlement of all, or a specified group, of derivative transactions through a single payment. The notional amount on the interest rate swap was \$675.0 million. The Company had the option to effectively terminate the interest rate swap agreement starting in December 2023, and monthly thereafter until December 2025. The Company treated the interest rate swap as an economic hedge for accounting purposes and any changes in the fair value of the derivative instrument (including accrued interest) and related cash receipts or payments were recorded in the condensed consolidated statements of operations within the gain on interest rate swap line item. The Company exercised its option to cancel the interest rate swap agreement during the third quarter of fiscal year 2024. The following details the components of the gain on interest rate swap:

<u>(\$ in thousands)</u>	<u>Three Months Ended March 31,</u>	
	<u>2024</u>	
Change in fair value	\$	(102)
Cash receipts		(294)
Total gain on interest rate swap	\$	(396)

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

Recent Accounting Pronouncements

Accounting Standards Not Yet Adopted

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires companies to disclose specific categories in the rate reconciliation, provide additional disclosure for reconciling items that exceed proscribed thresholds, and enhance disclosure regarding income taxes paid and sources of income (loss) from continuing operations including the tax expense (or benefit) disaggregated by federal, state and foreign taxes. The guidance is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of this standard on its financial statements and disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement- Reporting Comprehensive Income- Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The ASU requires public companies to disclose, in the notes to financial statements, specified information about certain costs and expenses at each interim and annual reporting period at a disaggregated level. The guidance is effective for fiscal years beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its financial statements and disclosures.

3. Prepaid Expenses and Other Current Assets

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

(\$ in thousands)	March 31, 2025	December 31, 2024
Prepaid services	\$ 17,740	\$ 17,359
Prepaid tolls	8,413	8,751
Costs to fulfill a customer contract	3,942	3,710
Deposits	2,957	3,057
Other	3,633	9,770
Total prepaid expenses and other current assets	<u>\$ 36,685</u>	<u>\$ 42,647</u>

4. Goodwill and Intangible Assets

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

(\$ in thousands)	Commercial Services	Government Solutions	Parking Solutions	Total
Balance at December 31, 2024	\$ 420,167	\$ 213,382	\$ 102,066	\$ 735,615
Foreign currency translation adjustment	1,855	102	—	1,957
Balance at March 31, 2025	<u>\$ 422,022</u>	<u>\$ 213,484</u>	<u>\$ 102,066</u>	<u>\$ 737,572</u>

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

(\$ in thousands)	March 31, 2025			December 31, 2024		
	Weighted Average Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Weighted Average Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization
Trademarks	4.9 years	\$ 4,704	\$ 2,137	5.2 years	\$ 4,667	\$ 1,972
Patent	3.6 years	500	142	3.8 years	500	117
Customer relationships	3.3 years	558,764	363,713	3.5 years	557,958	348,138
Developed technology	3.6 years	38,971	20,934	3.9 years	38,659	19,260
Gross carrying value of intangible assets		602,939	<u>\$ 386,926</u>		601,784	<u>\$ 369,487</u>
Less: accumulated amortization		(386,926)			(369,487)	
Intangible assets, net		<u>\$ 216,013</u>			<u>\$ 232,297</u>	

Amortization expense was \$16.7 million for both the three months ended March 31, 2025 and 2024.

Estimated amortization expense in future years is expected to be:

(\$ in thousands)	
Remainder of 2025	\$ 47,590
2026	57,412
2027	28,310
2028	22,354
2029	21,427
Thereafter	38,920
Total	\$ 216,013

5. Accrued Liabilities

Accrued liabilities consist of the following at:

(\$ in thousands)	March 31, 2025	December 31, 2024
Accrued salaries and wages	\$ 17,711	\$ 34,310
Accrued interest payable	9,020	4,211
Income taxes payable	8,360	662
Current deferred tax liabilities	7,650	7,650
Current portion of operating lease liabilities	6,920	6,925
Restricted cash due to customers	5,411	2,858
Advanced deposits	3,741	2,993
Self-insurance liability	1,717	1,271
Other	13,008	13,100
Total accrued liabilities	\$ 73,538	\$ 73,980

6. Long-term Debt, Net

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

(\$ in thousands)	March 31, 2025	December 31, 2024
2021 Term Loan, due 2028	\$ 693,314	\$ 695,568
Senior Notes, due 2029	350,000	350,000
Less: original issue discounts	(2,138)	(2,322)
Less: unamortized deferred financing costs	(8,332)	(9,035)
Total long-term debt, net	\$ 1,032,844	\$ 1,034,211

2021 Term Loan

In March 2021, VM Consolidated, Inc. ("**VM Consolidated**"), the Company's wholly owned subsidiary, entered into an Amendment and Restatement Agreement No.1 to the First Lien Term Loan Credit Agreement (the "**2021 Term Loan**") with a syndicate of lenders. The 2021 Term Loan has an aggregate borrowing of \$900.0 million, maturing on March 24, 2028. In connection with the 2021 Term Loan borrowings, the Company had \$4.6 million of offering discount costs and \$4.5 million in deferred financing costs, both of which were capitalized and are being amortized over the remaining life of the 2021 Term Loan.

In February 2024, VM Consolidated entered into a third amendment to the 2021 Term Loan (the “*Third Amendment*”) and in October 2024, a fourth amendment to the 2021 Term Loan (the “*Fourth Amendment*”) to refinance the 2021 Term Loan (the “*Refinancing Transactions*”). Pursuant to the Third and Fourth Amendments, the interest rate was reduced by an aggregate 1.00% to SOFR plus 2.25% from SOFR plus 3.25%, with the SOFR floor unchanged at 0.00%. The credit spread adjustment, ranging from 0.11448% to 0.71513%, was eliminated. In addition, the 2021 Term Loan was amended to remove a provision for principal repayments which were previously required to be paid in quarterly installments. The Company evaluated the Refinancing Transactions on a lender-by-lender basis and accounted accordingly for debt extinguishment and debt modification costs (for the portion of the transactions that did not meet the accounting criteria for debt extinguishment).

During each of the three months ended March 31, 2025 and 2024, the Company made early repayments of \$2.3 million on the 2021 Term Loan, and as a result the total principal outstanding was \$693.3 million as of March 31, 2025.

The Company recorded less than \$0.1 million of loss on extinguishment of debt during the three months ended March 31, 2025 related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayment. It recognized a loss on extinguishment of debt of \$0.6 million for the three months ended March 31, 2024, related to the write-off of pre-existing deferred financing costs and discounts in connection with the refinancing of the 2021 Term Loan in February 2024.

The 2021 Term Loan bears interest based at the Company’s option, on either (i) SOFR plus an applicable margin of 2.25% per annum, or (ii) an alternate base rate plus an applicable margin of 1.25% per annum. As of March 31, 2025, the interest rate on the 2021 Term Loan was 6.6%.

In addition, the 2021 Term Loan requires mandatory prepayments equal to the product of the excess cash flows of the Company (as defined in the 2021 Term Loan agreement) and the applicable prepayment percentages (calculated as of the last day of the fiscal year), as set forth in the following table:

Consolidated First Lien Net Leverage Ratio (As Defined by the 2021 Term Loan Agreement)	Applicable Prepayment Percentage
> 3.70:1.00	50%
≤ 3.70:1.00 and > 3.20:1.00	25%
≤ 3.20:1.00	0%

Senior Notes

In March 2021, VM Consolidated issued an aggregate principal amount of \$350.0 million in Senior Unsecured Notes (the “*Senior Notes*”), due on April 15, 2029. In connection with the issuance of the Senior Notes, the Company incurred \$5.7 million in lender and third-party costs, which were capitalized as deferred financing costs and are being amortized over the remaining life of the Senior Notes.

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

Year	Percentage
2025	101.375%
2026 and thereafter	100.000%

The Revolver

The Company has a Revolving Credit Agreement (the “*Revolver*”) with a commitment of up to \$75.0 million available for loans and letters of credit. The Revolver matures on December 18, 2026. Borrowing eligibility under the Revolver is subject to a monthly borrowing base calculation based on (i) certain percentages of eligible accounts receivable and inventory, less (ii) certain reserve items, including outstanding letters of credit and other reserves. The Revolver bears interest on either (1) SOFR plus an applicable margin, or (2) an alternate base rate, plus an applicable margin. The margin percentage applied to (1) SOFR is either 1.25%, 1.50%, or 1.75%, or (2) the base rate is either 0.25%, 0.50%, or 0.75%, depending on the Company’s average availability to borrow under the commitment. There is a credit spread adjustment of 0.10% for a one-month duration, 0.15% for a three-month duration, and 0.25% for a six-month duration, in addition to SOFR and the applicable margin percentages. There were no outstanding borrowings on the Revolver as of March 31, 2025 or December 31, 2024. The availability to borrow was \$74.4 million, net of \$0.6 million of outstanding letters of credit at March 31, 2025.

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 \$0.6 million of outstanding letters of credit as of March 31, 2025.

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 March 31, 2025, the Company was compliant with all debt covenants in its debt agreements.

Interest Expense, Net

The Company recorded interest expense, including amortization of deferred financing costs and discounts, of \$16.6 million and \$19.6 million for the three months ended March 31, 2025 and 2024, respectively.

The weighted average effective interest rate on the Company's outstanding borrowings was 6.2% as of March 31, 2025 and as of December 31, 2024.

7. Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurement*, includes a single definition of fair value to be used for financial reporting purposes, provides a framework for applying this definition and for measuring fair value under GAAP, and establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are summarized as follows:

Level 1 – Fair value is based on observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2 – Fair value is determined using quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are directly or indirectly observable.

Level 3 – Fair value is determined using one or more significant inputs that are unobservable in active markets at the measurement date, such as a pricing model, discounted cash flow, or similar technique.

The carrying amounts reported in the Company's condensed consolidated balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate fair value due to the immediate to short-term maturity of these financial instruments. The estimated fair value of the Company's long-term debt, net was calculated based upon available market information. The carrying value and the estimated fair value of long-term debt, net are as follows:

(\$ in thousands)	Level in Fair Value Hierarchy	March 31, 2025		December 31, 2024	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
2021 Term Loan	2	\$ 685,667	\$ 695,914	\$ 687,203	\$ 699,916
Senior Notes	2	347,177	334,688	347,008	341,250

The Company has an equity investment measured at cost with a carrying value of \$1.9 million as of both March 31, 2025 and December 31, 2024, and is only adjusted to fair value if there are identified events that would indicate a need for an upward or downward adjustment or changes in circumstances that may indicate impairment. The estimation of fair value requires the use of significant unobservable inputs, such as voting rights and obligations in the securities held, and is therefore classified within level 3 of the fair value hierarchy. There were no identified events that required a fair value adjustment during the three months ended March 31, 2025 and 2024.

The recurring fair value measurement of the interest rate swap was valued based on observable inputs for similar assets and liabilities including swaption values and other observable inputs for interest rates and yield curves and was classified within level 2 of the fair value hierarchy. The following presents the changes in the fair value of the interest rate swap in the gross balances within the below line items for the three months ended March 31, 2024:

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

The Company separately classified the current and non-current components based on the value of settlements due within 12 months (current) and greater than 12 months (non-current). The Company exercised its option to cancel the interest rate swap during the third quarter of fiscal year 2024.

8. Net Income Per Share

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

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

(In thousands, except per share data)	Three Months Ended March 31,	
	2025	2024
Numerator:		
Net income	\$ 32,339	\$ 29,149
Denominator:		
Weighted average shares - basic	159,544	166,241
Common stock equivalents	2,522	2,485
Weighted average shares - diluted	162,066	168,726
Net income per share - basic	\$ 0.20	\$ 0.18
Net income per share - diluted	\$ 0.20	\$ 0.17
Antidilutive shares excluded from diluted net income per share:		
Performance share units	325	297
Restricted stock units	5	1
Non-qualified stock options	—	24
Total antidilutive shares excluded	330	322

9. Income Taxes

The Company's interim income tax provision is determined using an estimated annual effective tax rate, adjusted for discrete items arising in that period. The estimated annual effective tax rate requires judgment and is dependent upon several factors. The Company provides for income taxes under the liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of differences between the tax basis of assets or liabilities and their carrying amounts in the financial statements.

The Company provides a valuation allowance for deferred tax assets if it is more likely than not that these items will expire before the Company is able to realize their benefit. The Company calculates the valuation allowance in accordance with the authoritative guidance relating to income taxes, which requires an assessment of both positive and negative evidence regarding the realizability of these deferred tax assets, when measuring the need for a valuation allowance. Significant judgment is required in determining any valuation allowance against deferred tax assets.

The Company's effective income tax rate was 27.9% and 25.2% for the three months ended March 31, 2025 and 2024, respectively.

10. Stockholders' Equity

Share Repurchases and Retirement

In November 2022, the Company's Board of Directors authorized a share repurchase program for up to an aggregate amount of \$100.0 million of the Company's outstanding shares of Class A common stock, par value \$0.0001 (the "***Class A Common Stock***"), over an 18-month period.

The Company paid \$8.1 million to repurchase 449,432 shares of its Class A Common Stock through open market transactions during fiscal year 2023. On September 5, 2023, the Company used the remaining availability under the share repurchase program for an accelerated share repurchase ("***ASR***") and paid approximately \$91.9 million to receive an initial delivery of 4,131,551 shares of its Class A Common Stock in accordance with an ASR agreement with a third-party financial institution. The final settlement occurred on January 12, 2024, at which time, the Company received an additional 534,499 shares of Class A Common Stock calculated using a volume-weighted average price over the term of the ASR agreement. In connection with the settlement, the Company reduced the par value from common stock and \$1.8 million from additional paid-in capital calculated using an average share price, with an offset of \$1.8 million to accumulated deficit on the condensed consolidated statements of stockholders' equity.

In October 2023, the Company's Board of Directors authorized a new share repurchase program for up to an aggregate amount of \$100.0 million of its outstanding shares of Class A Common Stock over an 18-month period. After the Company repurchased an aggregate 3.5 million shares for approximately \$87.3 million in fiscal year 2024, the Company's Board of Directors authorized the repurchase of up to an additional \$100 million of its outstanding shares under the existing October 2023 program, providing the Company with approximately \$112.7 million available for repurchases.

On December 11, 2024, the Company entered into an ASR agreement with a third-party financial institution and paid \$112.7 million to receive an initial delivery of 3,821,958 shares of its Class A Common Stock. The final settlement occurred on March 3, 2025, at which time, the Company received an additional 685,934 shares of Class A Common Stock calculated using a volume-weighted average price over the term of the ASR agreement. In connection with the settlement, the Company reduced the par value from common stock and \$2.4 million from additional paid-in capital calculated using an average share price, with an offset of \$2.4 million to accumulated deficit on the condensed consolidated statements of stockholders' equity. In addition, the Company recorded less than \$0.1 million within accrued liabilities related to the excise taxes payable on net share repurchases on the condensed consolidated balance sheets as of March 31, 2025. All repurchased shares were subsequently retired. As of March 31, 2025, less than \$0.1 million remained available under the share repurchase authorization.

11. Stock-Based Compensation

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

(\$ in thousands)	Three Months Ended March 31,	
	2025	2024
Operating expenses	\$ 1,098	\$ 1,066
Selling, general and administrative expenses	5,358	4,492
Total stock-based compensation expense	\$ 6,456	\$ 5,558

12. Tax Receivable Agreement

In October 2018, the Company entered into a Tax Receivable Agreement (“*TRA*”) with PE Greenlight Holdings, LLC. On August 3, 2022, PE Greenlight Holdings, LLC sold and transferred to Lakeside Smart Holdco L.P (“*Lakeside*”), all of its rights, remaining interests and obligations as of that date under the TRA. The TRA provides for the payment to Lakeside of 50.0% of the net cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes (or is deemed to realize in certain circumstances) under the agreement. The Company generally retains the benefit of the remaining 50.0% of these cash savings. The Company estimated the potential maximum benefit to be paid will be approximately \$70.0 million, and recorded an initial liability and corresponding charge to equity at the inception of the TRA.

At March 31, 2025, the TRA liability was \$48.1 million of which approximately \$5.1 million was the current portion and \$43.0 million was the non-current portion, both of which are included in the respective tax receivable agreement liability line items on the condensed consolidated balance sheets.

13. Commitments and Contingencies

The Company had \$2.3 million of bank guarantees at March 31, 2025 required to support bids and contracts with certain international customers.

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 accrued estimated amounts related to legal proceedings as of March 31, 2025 and December 31, 2024 within accrued liabilities on the condensed consolidated balance sheets. The ultimate cost of litigation or settlement of one or more of the following cases could be materially different than the amount of the current estimates and accruals and could have a material adverse impact on the Company's consolidated financial position, results of operations, or cash flows.

Brantley v. City of Gretna is a class action lawsuit filed in the 24th Judicial District Court of Jefferson Parish, Louisiana against the City of Gretna (the “*City*”) and its safety camera vendor, Redflex Traffic Systems, Inc. in April 2016. The Company acquired Redflex Traffic Systems, Inc. as part of its June 2021 purchase of Redflex Holdings Limited. The plaintiff class, which was certified on March 30, 2021, alleges that the City’s safety camera program was implemented and operated in violation of local ordinances and the state constitution, including that the City’s hearing process violated the plaintiffs’ due process rights for lack of a “neutral” arbiter of liability for traffic infractions. Plaintiffs seek recovery of traffic infraction fines paid. The City and Redflex Traffic Systems, Inc. appealed the trial court’s ruling granting class certification, which was denied and their petition for discretionary review of the certification ruling by the Louisiana Supreme Court was declined. The parties entered into a settlement agreement and preliminary approval was granted by the court in April 2025. A final settlement amount has not yet been determined and requires final approval from the court.

PlusPass Inc. (“PlusPass”) v. Verra Mobility Corporation, et al. is a lawsuit filed in the United States District Court, Central District of California, against Verra Mobility, The Gores Group LLC, Platinum Equity LLC and ATS Processing Services, Inc., in November 2020. In February 2024, Verra Mobility and PlusPass entered into a confidential business arrangement pursuant to which Verra Mobility (i) acquired certain assets from PlusPass and (ii) fully and finally resolved all litigation and disputes between the parties, including the payment of the settlement amount during the first quarter of 2024.

14. Segment Reporting

The Company has three operating and reportable segments, Commercial Services, Government Solutions and Parking Solutions. Commercial Services offers toll and violation management solutions and title and registration services to RACs, Direct Fleets, FMCs and violation-issuing authorities. Government Solutions implements and administers traffic safety programs and products for municipalities and government agencies of all sizes. Parking Solutions provides an integrated suite of parking software and hardware solutions to its customers.

The operating and reportable segments were determined based on how the Company's Chief Operating Decision Maker ("CODM") regularly reviews the operating results of the various components of the Company for which discrete financial information is available, including based on the nature of the products and services and the type of customer. The Company defines the CODM as its Chief Executive Officer. The Company's CODM primarily uses actual revenues and segment profit (defined below) as compared to previously budgeted amounts to evaluate the operating performance, allocate resources and deploy capital to the 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 adopted ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* in the fourth quarter of fiscal year 2024, and as a result, updated the presentation of financial information by reportable segment. In addition, the CODM does not use discrete asset information to evaluate operating performance at the segment level, as such, the Company has not reported assets disaggregated by reportable segment.

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

(\$ in thousands)	For the Three Months Ended March 31, 2025			
	Commercial Services	Government Solutions	Parking Solutions	Total
Service revenue	\$ 101,389	\$ 93,982	\$ 16,531	\$ 211,902
Product sales	—	7,840	3,512	11,352
Total revenue	101,389	101,822	20,043	223,254
Cost of service revenue, excluding depreciation and amortization	600	688	3,495	4,783
Cost of product sales	—	5,263	2,769	8,032
Operating expenses	22,078	46,961	3,602	72,641
Selling, general and administrative expenses	19,582	19,303	7,258	46,143
Loss on disposal of assets, net	—	324	—	324
Other income, net	(3,968)	(137)	(4)	(4,109)
Segment profit	\$ 63,097	\$ 29,420	\$ 2,923	\$ 95,440
Interest expense, net				16,636
Loss on extinguishment of debt				25
Other reconciling items ⁽¹⁾				33,946
Income before income taxes				\$ 44,833

(1) This consists of depreciation and amortization expense and stock-based compensation to reconcile to total income before income taxes.

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

(1) This primarily consists of depreciation and amortization expense, stock-based compensation and other costs to reconcile to total income before income taxes.

The Company provides information on credit loss expense (income) by reportable segment, refer to Note 2, *Significant Accounting Policies*, for additional details.

The Company primarily operates within the United States, Australia, Canada, United Kingdom and in various other countries in Europe and Asia. The following table details the revenues from international operations for the respective periods:

(\$ in thousands)	Three Months Ended March 31,	
	2025	2024
Australia	\$ 16,448	\$ 12,477
Canada	8,158	8,064
United Kingdom	5,831	5,159
All other	1,010	667
Total international revenues	\$ 31,447	\$ 26,367

Item 2. 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 our Annual Report, and our financial statements and the related notes included in Part I, Item 1 “Financial Statements” of this Report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Please refer to the section in this Report entitled “Cautionary Note Regarding Forward-Looking Statements.”

Overview

We are a leading provider of smart mobility technology solutions, principally operating throughout the United States, Australia, Europe and Canada. We make transportation safer, smarter and more connected through our integrated, data-driven solutions, including toll and violations management, title and registration services, automated safety and traffic enforcement and commercial parking management. We bring together vehicles, hardware, software, data and people to solve transportation challenges for customers around the world, including commercial fleet owners such as rental car companies (“**RACs**”), direct commercial fleet owner-operators (“**Direct Fleets**”) and fleet management companies (“**FMCs**”), as well as governments, universities, parking operators, healthcare facilities, transportation hubs and violation-issuing authorities. Our vision is to continue to develop and use technology and data intelligence to make transportation safer, smarter and more connected globally.

Our 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 commercial fleet customers, including 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. Our international operations primarily involve the sale of traffic enforcement products and recurring maintenance services related to the equipment and software.
- Our Parking Solutions segment provides an integrated suite of parking software, transaction processing and hardware solutions to universities, municipalities, commercial parking operators and health care facilities 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.

Executive Summary

We operate under long-term contracts and a reoccurring service revenue model. We continue to execute our strategy to grow revenue organically year over year and focus on initiatives that support our long-term strategy. During the periods presented, we:

- Increased total revenue by \$13.5 million, or 6.4%, from \$209.7 million in the three months ended March 31, 2024 to \$223.3 million in the same period in 2025. The increase was mainly due to service revenue resulting from increased travel volume in the Commercial Services segment and the growth from bus lane enforcement programs, back-office software-as-a-service (“**SaaS**”) programs and higher product sales in the Government Solutions segment.
- Generated cash flows from operating activities of \$63.0 million and \$34.3 million for the three months ended March 31, 2025 and 2024, respectively. Our cash on hand was \$108.5 million as of March 31, 2025.
- Lowered interest expense by \$3.0 million for the three months ended March 31, 2025 compared to the same period in 2024 due to debt refinancing in fiscal year 2024, further discussed below.

Recent Events

NYCDOT Contract

On March 31, 2025, NYCDOT announced that it identified the Company as the vendor to manage New York City's automated enforcement camera safety programs for an expected five-year period after our current contract expires in December 2025. The New York City automated enforcement program remains an active procurement. We are currently engaged in contract negotiations with NYCDOT and if the contract terms and pricing are materially different from our current contract, or if the parties ultimately fail to consummate a new agreement, it could have a material adverse effect on our business, financial condition and results of operations.

Share Repurchases and Retirement

In October 2023, our Board of Directors authorized a share repurchase program for up to an aggregate amount of \$100.0 million of our outstanding shares of Class A Common Stock over an 18-month period. After we repurchased an aggregate 3.5 million shares for approximately \$87.3 million in fiscal year 2024, our Board of Directors authorized the repurchase of up to an additional \$100 million of our outstanding shares under the existing October 2023 program, providing us with approximately \$112.7 million available for repurchases. On December 11, 2024, we entered into an ASR agreement with a third-party financial institution and paid \$112.7 million to receive an initial delivery of 3,821,958 shares of our Class A Common Stock. The final settlement occurred on March 3, 2025, at which time, we received an additional 685,934 shares calculated using a volume-weighted average price over the term of the ASR agreement. All repurchased shares were subsequently retired.

Key Factors Affecting Our Results of Operations

We believe that our performance and future success depend on a number of factors that present opportunities for us but also pose risks and challenges, including those discussed below and in our Annual Report on Form 10-K titled "Risk Factors" and in Part II, Item 1A of this Quarterly Report.

Macroeconomic Conditions

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

Travel Demand

Our Commercial Services segment is largely impacted by its customer demand which in turn is impacted by a variety of factors including seasonality, demand for business and leisure travel, reductions in the level of air travel, higher airfare costs, increases in energy prices, general international, national and local economic conditions and cycles, and consumer confidence, as well as other factors affecting travel levels, such as military conflicts, terrorist incidents, natural disasters and epidemic diseases.

We monitor the Transportation and Security Administration passenger volume ("**TSA Passenger Volume**") as one of several measures for Commercial Services revenue growth. TSA Passenger Volume measures the number of passengers screened by the TSA at United States airports, which correlates to the number of vehicles rented by travelers and toll road usage. TSA Passenger Volume in the first quarter of 2025 was 1% greater than TSA Passenger Volume for the same period in 2024.

Electronic Tolling Penetration

Our Commercial Services segment, which offers automated toll and violations management solutions to fleet customers, is impacted by the number of toll roads in the United States and the geographic concentration of such roads. We monitor the expansion and penetration of toll roadways across the United States and the percentage of toll roads that rely on cashless or all-electronic infrastructure.

Enabling Legislation

Our Government Solutions segment is positively impacted, in significant part, by enabling legislation that permits photo enforcement programs at the state and local level in the United States. Accordingly, we depend on national, state and local governments authorizing the use of automated photo enforcement and not otherwise materially restricting its use.

Primary Components of Our Operating Results

Revenues

Service Revenue. Our Commercial Services segment generates service revenue primarily through the operation and management of tolling programs and processing violations for RACs, FMCs and other large fleet customers. These solutions are full-service offerings by which we enroll the license plates of our customers' vehicles and transponders with tolling authority accounts, pay tolls and violations on the customers' behalf and, through proprietary technology, integrate with customer data to match the toll or violation to the driver and then bill the driver (or our customer, as applicable) for use of the service. The cost of certain tolls, violations and our customers' share of administration fees are netted against revenue. We also generate service revenue in our Commercial Services segment through processing titles and registrations.

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

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

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

Costs and Expenses

Cost of Service Revenue, Excluding Depreciation and Amortization. Cost of service revenue, excluding depreciation and amortization consists of recurring service costs, collection and other third-party costs in our segments.

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

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

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

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

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

Gain on Interest Rate Swap. Gain on interest rate swap related to the changes associated with the derivative instrument re-measured to fair value at the end of the reporting period and the related periodic cash receipts or payments.

Loss on Extinguishment of Debt. Loss on extinguishment of debt consists of the write-off of pre-existing original issue discounts and deferred financing costs associated with debt extinguishment.

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

Results of Operations

Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

The following table sets forth our statements of operations data and expresses each item as a percentage of total revenue for the periods presented as well as the changes between periods. The tables and information provided in this section were derived from exact numbers and may have immaterial rounding differences.

(\$ in thousands)	Three Months Ended March 31,				Increase (Decrease)	
	2025	2024	Percentage of Revenue		2025 vs 2024	
			2025	2024	\$	%
Service revenue	\$ 211,902	\$ 202,721	94.9%	96.7%	\$ 9,181	4.5%
Product sales	11,352	7,009	5.1%	3.3%	4,343	62.0%
Total revenue	223,254	209,730	100.0%	100.0%	13,524	6.4%
Cost of service revenue, excluding depreciation and amortization	4,783	4,305	2.1%	2.0%	478	11.1%
Cost of product sales	8,032	5,286	3.6%	2.5%	2,746	51.9%
Operating expenses	73,739	70,640	33.0%	33.7%	3,099	4.4%
Selling, general and administrative expenses	51,501	48,171	23.1%	23.0%	3,330	6.9%
Depreciation, amortization and (gain) loss on disposal of assets, net	27,814	26,975	12.5%	12.9%	839	3.1%
Total costs and expenses	165,869	155,377	74.3%	74.1%	10,492	6.8%
Income from operations	57,385	54,353	25.7%	25.9%	3,032	5.6%
Interest expense, net	16,636	19,635	7.5%	9.3%	(2,999)	(15.3)%
Gain on interest rate swap	—	(396)	—	(0.2)%	396	(100.0)%
Loss on extinguishment of debt	25	595	0.0%	0.3%	(570)	(95.8)%
Other income, net	(4,109)	(4,453)	(1.9)%	(2.1)%	344	(7.7)%
Total other expenses	12,552	15,381	5.6%	7.3%	(2,829)	(18.4)%
Income before income taxes	44,833	38,972	20.1%	18.6%	5,861	15.0%
Income tax provision	12,494	9,823	5.6%	4.7%	2,671	27.2%
Net income	\$ 32,339	\$ 29,149	14.5%	13.9%	\$ 3,190	10.9%

Service Revenue. Service revenue increased by \$9.2 million, or 4.5%, to \$211.9 million for the three months ended March 31, 2025 from \$202.7 million for the three months ended March 31, 2024, representing 94.9% and 96.7% of total revenue, respectively. The following table depicts service revenue by segment:

(\$ in thousands)	Three Months Ended March 31,				Increase (Decrease)	
	2025	2024	Percentage of Revenue		2025 vs 2024	
			2025	2024	\$	%
Service revenue						
Commercial Services	\$ 101,389	\$ 95,889	45.4%	45.7%	\$ 5,500	5.7%
Government Solutions	93,982	90,275	42.1%	43.0%	3,707	4.1%
Parking Solutions	16,531	16,557	7.4%	8.0%	(26)	(0.2)%
Total service revenue	\$ 211,902	\$ 202,721	94.9%	96.7%	\$ 9,181	4.5%

Commercial Services service revenue increased by \$5.5 million, or 5.7%, from \$95.9 million for the three months ended March 31, 2024 to \$101.4 million for the three months ended March 31, 2025. The increase was primarily due to increased travel volume, product adoption and increased tolling activity compared to the prior year. These factors contributed to a \$4.3 million growth in RAC tolling revenue and an increase in enrolled vehicles as well as higher tolling activity for our FMC customers contributed to a \$2.1 million growth in FMC revenue during the three months ended March 31, 2025, compared to the same period in 2024. These increases were partially offset by lower revenue from processing violations compared to the same period in 2024.

Government Solutions service revenue increased by \$3.7 million, or 4.1%, from \$90.3 million for the three months ended March 31, 2024, to \$94.0 million for the three months ended March 31, 2025. The increase was primarily driven by \$3.2 million from the expansion of bus lane enforcement programs and back-office SaaS programs and the remaining increase from school bus stop arm enforcement programs.

Parking Solutions service revenue decreased slightly to \$16.5 million for the three months ended March 31, 2025, from \$16.6 million for the three months ended March 31, 2024. The increased revenue from SaaS product offerings was offset by a decrease in professional services related to parking management solutions.

Product Sales. Product sales were approximately \$11.3 million and \$7.0 million for the three months ended March 31, 2025 and 2024, respectively. Product sales increased by \$4.3 million, which was due to a \$3.9 million increase in product sales to international customers in the Government Solutions segment and the remaining increase in product sales from the Parking Solutions segment. Customer buying patterns vary greatly from period to period related to product sales.

Cost of Service Revenue, Excluding Depreciation and Amortization. Cost of service revenue, excluding depreciation and amortization increased from \$4.3 million for the three months ended March 31, 2024 to \$4.8 million for the three months ended March 31, 2025, mainly due to increased recurring service and third-party costs for our segments.

Cost of Product Sales. Cost of product sales increased by \$2.7 million from \$5.3 million in the three months ended March 31, 2024 to \$8.0 million in the three months ended March 31, 2025, which was in line with the increase in product sales discussed above.

Operating Expenses. Operating expenses increased by \$3.1 million, or 4.4%, from \$70.6 million for the three months ended March 31, 2024 to \$73.7 million for the three months ended March 31, 2025. The increase in 2025 compared to the prior period was primarily in the Government Solutions business for approximately \$3.4 million due to increases in subcontractor costs, wages and operational equipment costs, partially offset by a decrease in operating expenses in the Parking Solutions business. Operating expenses as a percentage of total revenue decreased from 33.7% to 33.0% for the three months ended March 31, 2024 and 2025, respectively. The following table presents operating expenses by segment:

(\$ in thousands)	Three Months Ended March 31,					
			Percentage of Revenue		Increase (Decrease)	
	2025	2024	2025	2024	\$	%
Operating expenses						
Commercial Services	\$ 22,078	\$ 21,479	9.9%	10.2%	\$ 599	2.8%
Government Solutions	46,961	43,602	21.0%	20.8%	3,359	7.7%
Parking Solutions	3,602	4,493	1.6%	2.2%	(891)	(19.8)%
Operating expenses by segment	72,641	69,574	32.5%	33.2%	3,067	4.4%
Other expenses	1,098	1,066	0.5%	0.5%	32	3.0%
Total operating expenses	\$ 73,739	\$ 70,640	33.0%	33.7%	\$ 3,099	4.4%

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$51.5 million for the three months ended March 31, 2025 compared to \$48.2 million for the same period in 2024. This is primarily due to a \$2.9 million increase in credit loss expense, \$2.3 million in increased consulting fees, partially offset by a decrease in transaction expenses compared to the same period in the prior year. Selling, general and administrative expenses as a percentage of total revenue increased slightly from 23.0% to 23.1% for the three months ended March 31, 2024 and 2025, respectively. The following table presents selling, general and administrative expenses by segment:

(\$ in thousands)	Three Months Ended March 31,					
			Percentage of Revenue		Increase (Decrease)	
	2025	2024	2025	2024	\$	%
Selling, general and administrative expenses						
Commercial Services	\$ 19,582	\$ 17,497	8.8%	8.3%	\$ 2,085	11.9%
Government Solutions	19,303	18,228	8.6%	8.7%	1,075	5.9%
Parking Solutions	7,258	6,426	3.3%	3.1%	832	12.9%
Selling, general and administrative expenses by segment	46,143	42,151	20.7%	20.1%	3,992	9.5%
Other expenses	5,358	6,020	2.4%	2.9%	(662)	(11.0)%
Total selling, general and administrative expenses	\$ 51,501	\$ 48,171	23.1%	23.0%	\$ 3,330	6.9%

Depreciation, Amortization and (Gain) Loss on Disposal of Assets, Net. Depreciation, amortization and (gain) loss on disposal of assets, net, increased by \$0.8 million to \$27.8 million for the three months ended March 31, 2025 from \$27.0 million for the same period in 2024. This was primarily due to an increase in depreciation expense for the Parking Solutions business in the 2025 period.

Interest Expense, Net. Interest expense, net decreased by \$3.0 million from \$19.6 million for the three months ended March 31, 2024 to \$16.6 million for the same period in 2025. This was primarily attributable to voluntary principal prepayments made during 2024 and 2025 reducing the balance of the 2021 Term Loan and a 50 basis-point reduction in the interest rate from refinancing our debt in October 2024 coupled with decreasing SOFR rates. See “Liquidity and Capital Resources” below.

Gain on Interest Rate Swap. We recorded a \$0.4 million gain during the three months ended March 31, 2024, of which \$0.1 million is associated with the derivative instrument re-measured to fair value at the end of the reporting period and \$0.3 million related to the monthly cash proceeds on the interest rate swap. We exercised our option to cancel the interest rate swap agreement effective the end of the third quarter of 2024.

Loss on Extinguishment of Debt. We recorded less than \$0.1 million of loss on extinguishment of debt during the three months ended March 31, 2025 related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayment on the 2021 Term Loan. We recorded a \$0.6 million loss on extinguishment of debt during the three months ended March 31, 2024 related to the write-off of pre-existing deferred financing costs and discounts in connection with the refinancing of the 2021 Term Loan in February 2024.

Other Income, Net. Other income, net was \$4.1 million for the three months ended March 31, 2025 compared to approximately \$4.5 million for the three months ended March 31, 2024. The decrease was from non-operating costs including foreign currency transaction losses mainly in the Commercial Services business.

Income Tax Provision. Income tax provision was \$12.5 million representing an effective tax rate of 27.9% for the three months ended March 31, 2025 compared to a tax provision of \$9.8 million, with an effective tax rate of 25.2% for the same period in 2024.

Net Income. We had net income of \$32.3 million for the three months ended March 31, 2025, as compared to a net income of \$29.1 million for the three months ended March 31, 2024. The \$3.2 million increase in net income was primarily due to the decrease in interest expense and the other statement of operations activity discussed above.

Liquidity and Capital Resources

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

We believe that our existing cash and cash equivalents, cash flows provided by operating activities and our ability to borrow under our Revolver will be sufficient to meet operating cash requirements, service debt obligations and fund potential share repurchases for at least the next 12 months and thereafter for the foreseeable future. Our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control. In addition, our future capital expenditures and other cash requirements could be higher than currently expected due to various factors, including any expansion of our business or strategic acquisitions.

We have incurred significant long-term debt as a result of acquisitions completed in prior years. Should we pursue strategic acquisitions, we may need to raise additional capital, which may be in the form of additional long-term debt, borrowings on our Revolver, or equity financings, all of which may not be available to us on favorable terms or at all.

We have the ability to borrow under our Revolver to meet obligations as they come due. As of March 31, 2025, we had \$74.4 million available for borrowing, net of letters of credit, under our Revolver. Our cash on hand was \$108.5 million as of March 31, 2025.

In fiscal year 2024, we refinanced the 2021 Term Loan (as defined below) which reduced the interest rate by an aggregate 1.00% and eliminated the applicable credit spread adjustment. We made an early repayment of approximately \$2.3 million on our 2021 Term Loan during the three months ended March 31, 2025, and as a result, the total principal outstanding on the 2021 Term Loan was \$693.3 million as of March 31, 2025.

At March 31, 2025, the Tax Receivable Agreement liability was approximately \$48.1 million. We expect to make payments of approximately \$5.2 million per year for the next 10 years.

Share Repurchases and Retirement

In October 2023, our Board of Directors authorized a share repurchase program for up to an aggregate amount of \$100.0 million of our outstanding shares of Class A Common Stock over an 18-month period. After we repurchased an aggregate 3.5 million shares for approximately \$87.3 million in fiscal year 2024, our Board of Directors authorized the repurchase of up to an additional \$100 million of our outstanding shares in December 2024 under the existing October 2023 program, providing us with approximately \$112.7 million available for repurchases.

On December 11, 2024, we entered into an accelerated share repurchase agreement (the “*ASR Agreement*”) with a third-party financial institution and paid \$112.7 million to receive an initial delivery of 3,821,958 shares of our Class A Common Stock. The final settlement occurred on March 3, 2025, at which time, we received an additional 685,934 shares of Class A Common Stock calculated using a volume-weighted average price over the term of the ASR Agreement. All repurchased shares were subsequently retired. As of March 31, 2025, less than \$0.1 million remained available under the share repurchase authorization.

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

(\$ in thousands)	Three Months Ended March 31,	
	2025	2024
Net cash provided by operating activities	\$ 62,965	\$ 34,332
Net cash used in investing activities	(21,219)	(13,937)
Net cash used in financing activities	(8,734)	(6,281)

Cash Flows from Operating Activities

Cash provided by operating activities increased by approximately \$28.7 million from \$34.3 million for the three months ended March 31, 2024 to \$63.0 million for the three months ended March 31, 2025. Net income year over year increased by \$3.2 million, from \$29.1 million in 2024 to \$32.3 million in 2025. The aggregate adjustments to reconcile net income to net cash provided by operating activities increased \$2.2 million mainly due to increased credit loss expense, stock-based compensation and depreciation expense, which were partially offset by a change in deferred income taxes. The aggregate changes in operating assets and liabilities increased by \$23.2 million in 2025 compared to the prior year primarily due to a reduction in the net use of working capital, of which, the majority is attributable to a large payment that reduced accounts payable and other current liabilities in the first quarter of 2024.

Cash Flows from Investing Activities

Cash used in investing activities was \$21.2 million and \$13.9 million for the three months ended March 31, 2025 and 2024, respectively. The increase in cash used was primarily driven by a \$7.0 million increase for purchases of installation and service parts and property and equipment mainly for the Government Solutions business compared to the same period in the prior year.

Cash Flows from Financing Activities

Cash used in financing activities was \$8.7 million and \$6.3 million for the three months ended March 31, 2025 and 2024, respectively. The increased use in cash from financing activities was mainly due to \$2.0 million of higher payments for employee tax withholding related to RSUs and PSUs vesting in 2025 compared to the prior year.

Long-term Debt, Net

2021 Term Loan

In March 2021, VM Consolidated, Inc. (“***VM Consolidated***”), our wholly owned subsidiary, entered into an Amendment and Restatement Agreement No.1 to the First Lien Term Loan Credit Agreement (the “***2021 Term Loan***”) with a syndicate of lenders. The 2021 Term Loan has an aggregate borrowing of \$900.0 million, maturing on March 24, 2028. In connection with the 2021 Term Loan borrowings, we had \$4.6 million of offering discount costs and \$4.5 million in deferred financing costs, both of which were capitalized and are being amortized over the remaining life of the 2021 Term Loan.

In February 2024, VM Consolidated entered into a third amendment to the 2021 Term Loan (the “***Third Amendment***”) and in October 2024, a fourth amendment to the 2021 Term Loan (the “***Fourth Amendment***”) to refinance the 2021 Term Loan (the “***Refinancing Transactions***”). Pursuant to the Third and Fourth Amendments, the interest rate was reduced by an aggregate 1.00% to Term Secured Overnight Financing Rate (“***SOFR***”) plus 2.25% from SOFR plus 3.25% with the SOFR floor unchanged at 0.00%. The credit spread adjustment, ranging from 0.11448% to 0.71513%, was eliminated. In addition, the 2021 Term Loan was amended to remove a provision for principal repayments which were previously required to be paid in quarterly installments.

During each of the three months ended March 31, 2025 and 2024, we made early repayments of \$2.3 million on the 2021 Term Loan, and as a result the total principal outstanding was \$693.3 million as of March 31, 2025.

We recorded less than \$0.1 million of loss on extinguishment of debt during the three months ended March 31, 2025 related to the write-off of pre-existing deferred financing costs and discounts in connection with the early repayment. We recognized a loss on extinguishment of debt of \$0.6 million for the three months ended March 31, 2024, related to the write-off of pre-existing deferred financing costs and discounts in connection with the refinancing of the 2021 Term Loan in February 2024.

The 2021 Term Loan bears interest based at our option, on either (i) SOFR plus an applicable margin of 2.25% per annum, or (ii) an alternate base rate plus an applicable margin of 1.25% per annum. As of March 31, 2025, the interest rate on the 2021 Term Loan was 6.6%.

In addition, the 2021 Term Loan requires mandatory prepayments equal to the product of the excess cash flows of the Company (as defined in the 2021 Term Loan agreement) and the applicable prepayment percentages (calculated as of the last day of the fiscal year), as set forth in the following table:

Consolidated First Lien Net Leverage Ratio (As Defined by the 2021 Term Loan Agreement)	Applicable Prepayment Percentage
> 3.70:1.00	50%
≤ 3.70:1.00 and > 3.20:1.00	25%
≤ 3.20:1.00	0%

Senior Notes

In March 2021, VM Consolidated issued an aggregate principal amount of \$350.0 million in Senior Unsecured Notes (the “*Senior Notes*”), due on April 15, 2029. In connection with the issuance of the Senior Notes, we incurred \$5.7 million in lender and third-party costs, which were capitalized as deferred financing costs and are being amortized over the remaining life of the Senior Notes.

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

Year	Percentage
2025	101.375%
2026 and thereafter	100.000%

The Revolver

We have a Revolving Credit Agreement (the “*Revolver*”) with a commitment of up to \$75.0 million available for loans and letters of credit. The Revolver matures on December 18, 2026. Borrowing eligibility under the Revolver is subject to a monthly borrowing base calculation based on (i) certain percentages of eligible accounts receivable and inventory, less (ii) certain reserve items, including outstanding letters of credit and other reserves. The Revolver bears interest on either (1) SOFR plus an applicable margin, or (2) an alternate base rate, plus an applicable margin. The margin percentage applied to (1) SOFR is either 1.25%, 1.50%, or 1.75%, or (2) the base rate is either 0.25%, 0.50%, or 0.75%, depending on our average availability to borrow under the commitment. There is a credit spread adjustment of 0.10% for a one-month duration, 0.15% for a three-month duration, and 0.25% for a six-month duration, in addition to SOFR and the applicable margin percentages. There were no outstanding borrowings on the Revolver as of March 31, 2025 or December 31, 2024. The availability to borrow was \$74.4 million, net of \$0.6 million of outstanding letters of credit at March 31, 2025.

Interest on the unused portion of the Revolver is payable quarterly at 0.375% and we are also required to pay participation and fronting fees at 1.38% on \$0.6 million of outstanding letters of credit as of March 31, 2025.

All borrowings and other extensions of credits under the 2021 Term Loan, Senior Notes and the Revolver are subject to the satisfaction of customary conditions and restrictive covenants including absence of defaults and accuracy in material respects of representations and warranties. Substantially all of our assets are pledged as collateral to secure our indebtedness under the 2021 Term Loan. At March 31, 2025, we were compliant with all debt covenants in our debt agreements.

Interest Expense, Net

We recorded interest expense, including amortization of deferred financing costs and discounts, of \$16.6 million and \$19.6 million for the three months ended March 31, 2025 and 2024, respectively.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet financing arrangements as of March 31, 2025.

Critical Accounting Policies, Estimates and Judgments

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Please refer to our Annual Report for our critical accounting policies, estimates and judgments. We believe that our estimates and assumptions are reasonable in the circumstances; however, actual results could differ materially from those estimates.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, refer to Note 2, *Significant Accounting Policies*, in Part I, Item 1, Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk due to the variable interest rate on the 2021 Term Loan described in Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*.

Interest rate risk represents our exposure to fluctuations in interest rates associated with the variable rate debt represented by the 2021 Term Loan, which has an outstanding balance of \$693.3 million at March 31, 2025. The 2021 Term Loan bears interest based, at our option, on either (i) SOFR plus an applicable margin of 2.25% per annum, or (ii) an alternate base rate plus an applicable margin of 1.25% per annum. As of March 31, 2025, the interest rate on the 2021 Term Loan was 6.6%.

Based on the March 31, 2025 balance outstanding, each 1% movement in interest rates will result in an approximately \$6.9 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 (now transitioned to SOFR) portion of the variable interest rate on our 2021 Term Loan. We exercised our option to cancel the interest rate swap effective the end of the third quarter of 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. Our Chief Executive Officer and Chief Financial Officer, with assistance from other members of management, have evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2025. Based upon such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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.

Brantley v. City of Gretna is a class action lawsuit filed in the 24th Judicial District Court of Jefferson Parish, Louisiana against the City of Gretna (the “City”) and its safety camera vendor, Redflex Traffic Systems, Inc. in April 2016. The Company acquired Redflex Traffic Systems, Inc. as part of its June 2021 purchase of Redflex Holdings Limited. The plaintiff class, which was certified on March 30, 2021, alleges that the City’s safety camera program was implemented and operated in violation of local ordinances and the state constitution, including that the City’s hearing process violated the plaintiffs’ due process rights for lack of a “neutral” arbiter of liability for traffic infractions. Plaintiffs seek recovery of traffic infraction fines paid. The City and Redflex Traffic Systems, Inc. appealed the trial court’s ruling granting class certification, which was denied and their petition for discretionary review of the certification ruling by the Louisiana Supreme Court was declined. The parties entered into a settlement agreement and preliminary approval was granted by the court in April 2025. A final settlement amount has not yet been determined and requires final approval from the court.

We have accrued estimated amounts related to legal proceedings as of March 31, 2025 and December 31, 2024 within accrued liabilities on the condensed consolidated balance sheets. The information contained in Note 13, *Commitments and Contingencies*, included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A.

Risks Factors

Part I, Item 1A. “Risk Factors” in our Annual Report includes a discussion of our risk factors. Other than the risk factor below, there have been no material changes from the risk factors described in our Annual Report. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future SEC filings.

Our Commercial Services and Government Solutions segments have several large customers, including NYCDOT, that account for a significant portion of our revenue, and a reduction in demand or loss of one or more of such customers could have a material adverse effect on our business.

Our business experiences varying levels of customer concentration. For example, in our Government Solutions segment, NYCDOT represented approximately 15.4% and 16.6% of our total revenues for the three months ended March 31, 2025 and 2024, respectively, and 16.7% and 17.2% of total accounts receivable, net as of March 31, 2025 and December 31, 2024, respectively. Our contract with NYCDOT expired on December 31, 2024, and we extended our current contract with NYCDOT through December 31, 2025 to allow NYCDOT to continue to operate its automated enforcement program until NYCDOT’s competitive procurement process is completed. On March 31, 2025, NYCDOT announced that it identified the Company as the vendor to manage New York City’s automated enforcement camera safety programs for an expected five-year period after the Company’s current contract expires in December 2025. The New York City automated enforcement program remains an active procurement. We are currently engaged in contract negotiations with NYCDOT and if the contract terms and pricing are materially different from our current contract, or if the parties ultimately fail to consummate a new agreement, it could have a material adverse effect on our business, financial condition and results of operations. We may continue to rely on a small number of customers in our Government Solutions segment 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.

We also experience customer concentration in our Commercial Services segment. Three of our Commercial Services customers collectively accounted for 37.9% and 36.4% of our total revenue for the three months ended March 31, 2025 and 2024, respectively. If any of these customers were to reduce their demand, the demand fluctuates, or one of more of these customers terminates their agreements with us, it would have a material adverse impact on our business and results of operations.

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

Purchases of Equity Securities

The following details the purchases of our Class A Common Stock during the three months ended March 31, 2025:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Dollar Value of Shares that May Yet to be Purchased Under the Plans or Programs ⁽¹⁾
January 1, 2025 - January 31, 2025	—	\$ —	—	\$ 21,379
February 1, 2025 - February 28, 2025	—	\$ —	—	\$ 21,379
March 1, 2025 - March 31, 2025	685,934	\$ 25.00	685,934	\$ 21,379
Total	685,934	\$ 25.00	685,934	\$ 21,379

(1) In October 2023, our Board of Directors authorized a share repurchase program for up to an aggregate amount of \$100.0 million of our outstanding shares of Class A Common Stock over an 18-month period. After we repurchased an aggregate 3.5 million shares for approximately \$87.3 million in fiscal year 2024, our Board of Directors authorized the repurchase of up to an additional \$100 million of our outstanding shares under the existing October 2023 program, providing us with approximately \$112.7 million available for repurchases. On December 11, 2024, we entered into an ASR agreement with a third-party financial institution and paid \$112.7 million to receive an initial delivery of 3,821,958 shares of our Class A Common Stock. The final settlement occurred on March 3, 2025, at which time, we received an additional 685,934 shares calculated using a volume-weighted average price over the term of the ASR agreement. As of March 31, 2025, less than \$0.1 million remained available under the share repurchase authorization.

Sales of Unregistered Securities

We did not have any sales of unregistered equity securities during the three months ended March 31, 2025.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Insider Trading Arrangements

During the three months ended March 31, 2025, none of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as each term is defined in Item 408 of Regulation S-K).

Item 6. Exhibits

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

EXHIBIT INDEX

Exhibit Number	Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
3.1	Second Amended and Restated Certificate of Incorporation of Verra Mobility Corporation.	8-K	001-37979	3.1	October 22, 2018	
3.2	Amended and Restated Bylaws of Verra Mobility Corporation.	8-K	001-37979	3.1	November 9, 2023	
10.1#	Amendment No. 2 to Verra Mobility Corporation Amended and Restated 2018 Equity Incentive Plan.	10-K	001-37979	10.16	February 27, 2025	
10.2#	Form of Notice of Grant of Performance Share Units and Award Agreement (U.S. Participants) under the Verra Mobility Corporation 2018 Equity Incentive Plan.	10-K	001-37979	10.36	February 27, 2025	
10.3#	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.	10-K	001-37979	10.37	February 27, 2025	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document (the instance does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).					X
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VERRA MOBILITY CORPORATION

Date: May 7, 2025

By: /s/ Craig Conti
Craig Conti
Chief Financial Officer
(Principal Financial Officer)

**Certification of Principal Executive Officer
Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David Roberts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Verra Mobility Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2025

By: /s/ David Roberts
David Roberts
President and Chief Executive Officer

**Certification of Principal Financial Officer
Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Craig Conti, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Verra Mobility Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2025

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

VERRA MOBILITY CORPORATION
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Verra Mobility Corporation (the “*Company*”) for the period ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), I, Craig Conti, Chief Financial Officer of the Company, hereby certify, pursuant to 17 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2025

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