



Verra Mobility (NASDAQ: VRRM)

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Market Data as of 11-28-2022

VRRM is an industry leader in transportation software and services

Business Overview

- Verra Mobility (NASDAQ: VRRM) is a transportation management software company specializing in traffic camera infrastructure for government bodies, toll management systems for large fleet carriers and end-to-end parking software

Summary Thesis

- Compelling investment opportunity driven by strong growth tailwinds, contracted revenues, high barriers to entry, and the potential removal of the SPAC overhang, combined with reasonable valuation (10x EBITDA)

Why Is This a Good Business?

- The company holds a monopolistic position in the subsegments in which it operates with large legislative barriers to entry and high switching costs for the customer
- Several avenues of domestic and international growth paired with pricing power and M&A
- Capital-light, high margin business with predictable cash flows over the long-term

What Is The Market Missing?

- SPAC overhang and warrant conversion creates temporary downward pressure on the stock, which we believe presents an opportunity to buy VRRM at a discount to fair value
- Market is underestimating the growth potential of European market expansion

*We recommend YUSIF **BUY VRRM** with a price target of **\$21**, an implied upside of **~34%***

Business Overview

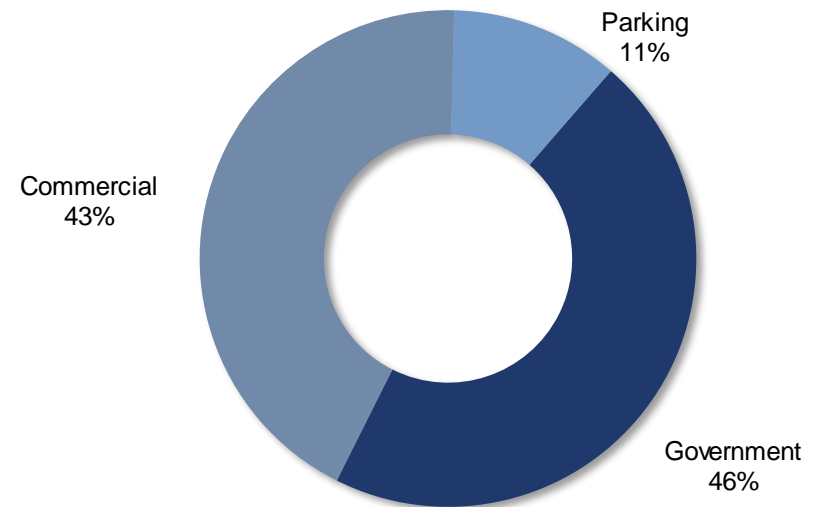
Business Overview

VRRM is a global leader in smart transportation

Business Model

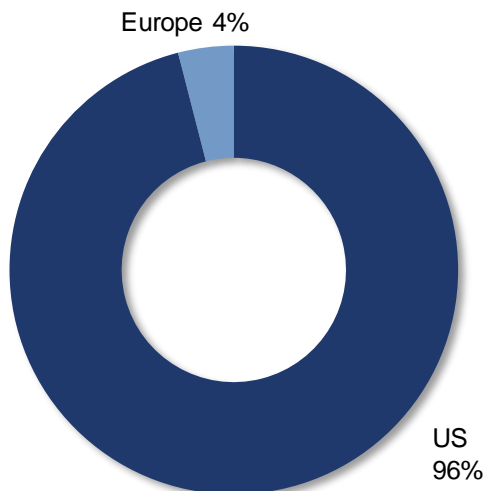
- VRRM is an American leader in smart transportation, providing smart mobility technology solutions and services predominately across North America
 - The company has an expanding global presence across 15 countries in North America, Europe, Australia and Asia
 - VRRM is integrated with more than 50 individual tolling authorities throughout the United States which gives rental car companies and fleet management drivers the convenience of using all-electronic tolls
 - VRRM has several contracts with rental car and fleet management companies across the United States while expanding their presence in Europe
 - The company operates within three main business segments Commercial Services, Government Solutions and Parking Solutions

Revenue Segmentation

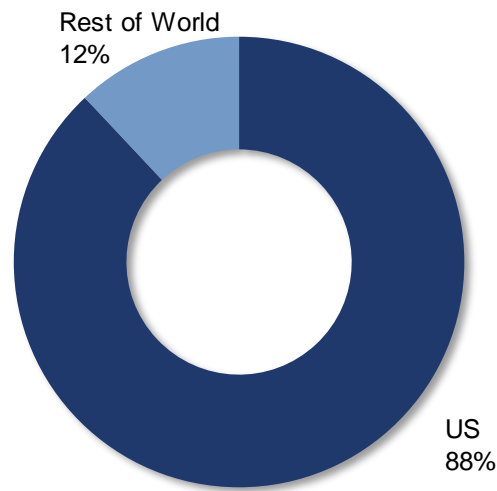


Global Revenue Segmentation

Commercial Services



Government Solutions



Company History

- VRRM is the result of a rebranding that took place in June 2018 (previously be known as American Traffic Solutions)
- In October 2018, VRRMs private equity owner, Platinum Equity took part of the company public via a merger with a SPAC, Gores Holdings II
- As the SPAC market is commonly associated with deals of mixed quality, VRRM implemented a “SPAC Relocation Program” after their SPAC dilution came into affect on November 2nd











Business Overview

Commercial / government services products



Business Overview

VRRM composed of widely diversified revenue streams

	Commercial Services	Government Solutions	Parking Solutions
Business Segments	Offers software services for car rental and fleet management companies to let them track when rental cars go through tollbooths or incurs a traffic violation <input type="checkbox"/> Covers 95% of toll roads in the US	Works with government entities and schools to install, operate and maintain road safety cameras <input type="checkbox"/> Installed over 1,300 systems globally	Provides end-to-end parking management solutions to universities, municipalities, parking operators and healthcare facilities in North America <input type="checkbox"/> Segment serves over 2,000 customers
How Do They Add Value	<input type="checkbox"/> Acts as middleman between rental car / fleet management companies and tolling authorities <input type="checkbox"/> These companies would otherwise have to track down and individually bill customers that used toll roads	<input type="checkbox"/> Installs, operates and maintains over 10,000 cameras <input type="checkbox"/> Provides software to operate a traffic safety and violations program	<input type="checkbox"/> Provides an integrated suite of parking software and hardware solutions <input type="checkbox"/> Ex. curbside management, mobile payments and transportation demand management
How Do They Make Money	<input type="checkbox"/> VRRM makes a spread per toll by paying the local tolling authority at the discounted electronic rate and charging the car rental company at the 10-15% higher cash toll rate <input type="checkbox"/> Charge a ~\$5.95 daily fee for a customer to opt into their program <input type="checkbox"/> 64% TTM adjusted EBITDA margin	<input type="checkbox"/> VRRM makes money by contracting on a fixed fee per camera basis <input type="checkbox"/> Earns a share of the violation's revenue <input type="checkbox"/> 35% TTM adjusted EBITDA margin	<input type="checkbox"/> VRRM makes money by contracting on a fixed fee per camera basis <input type="checkbox"/> Earns a share of parking violation revenue <input type="checkbox"/> 20% Cumulative adjusted EBITDA margin, post closing
Core Products and Solutions	Toll Services 	Speed Safety 	SaaS 
	Violation Processing 	Red-Light Safety 	Services 
		Transit Bus Lane Enforcement 	
Title & Registration 	School Bus Stop-Arm Safety 	Hardware 	

Source(s): Company Filings, S&P Capital IQ

Business Overview

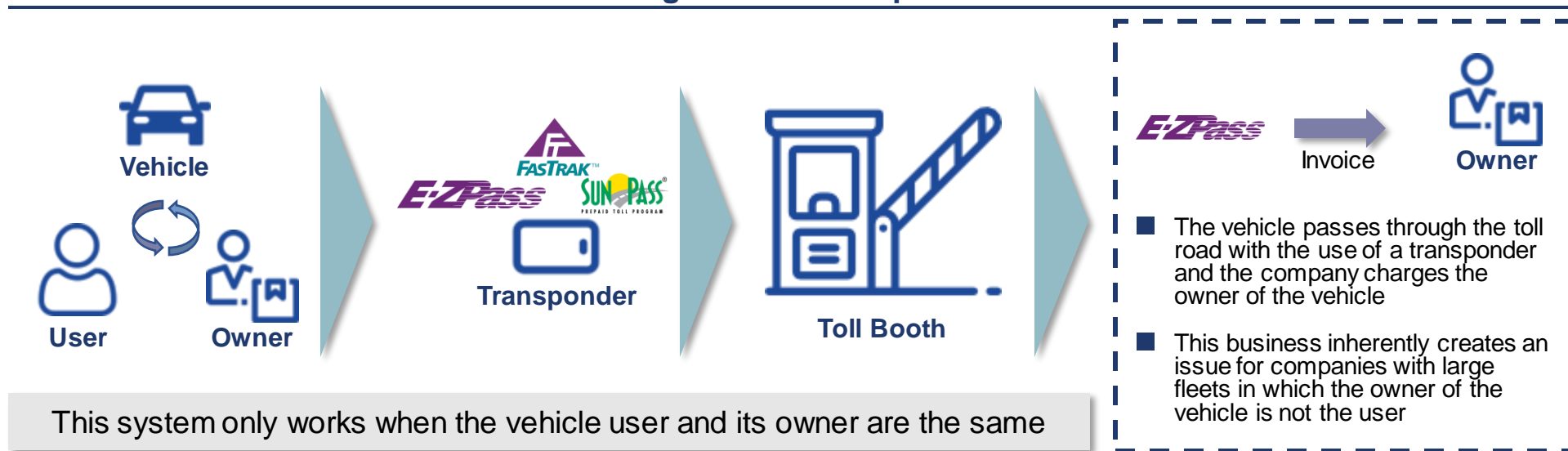
Parking solutions products



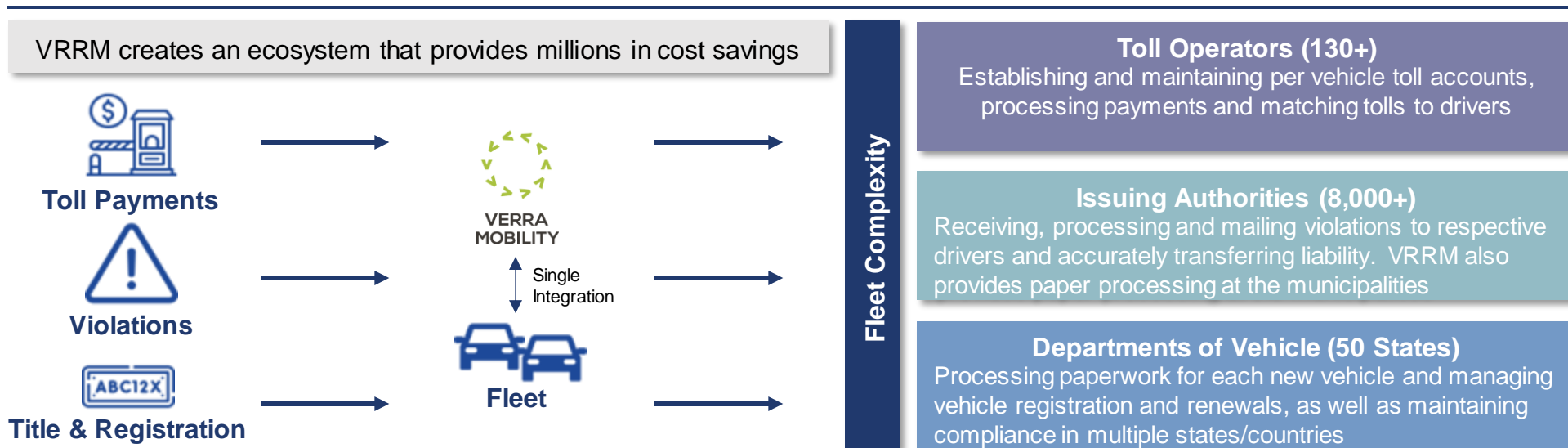
Business Overview

Attractive value proposition for rental car & fleet management companies

Tolling Software Competitors



How VRRM Differentiates



Historical M&A

Strong strategic acquisition history

Highway Toll Administration Acquisition

A leader in electronic toll collection services and technology in North America. Expands VRRM size and scale in North American toll market.



Acquisition Price
Undisclosed

March 2018

April 2018

Pagatelia Acquisition

European leader in electronic tolling. Enables VRRM to accelerate its expansion of tolling solutions across Europe.



Acquisition Price
Undisclosed

October 2019

June 2021

T2 Systems Acquisition

The #1 provider of parking solutions to large universities in North America. Expands VRRM's capabilities into the North American parking management market.



Acquisition Price
\$347 Million

December 2021

Euro Parking Collection PLC Acquisition

Specializes in the identification, notification and collection of unpaid traffic fees. Provided VRRM the ability to expand its operations across the European market.



Acquisition Price
Undisclosed

Redflex Acquisition

A global innovator of traffic and safety solutions. Significantly increases VRRM's scale and global reach.



Acquisition Price
\$113 Million

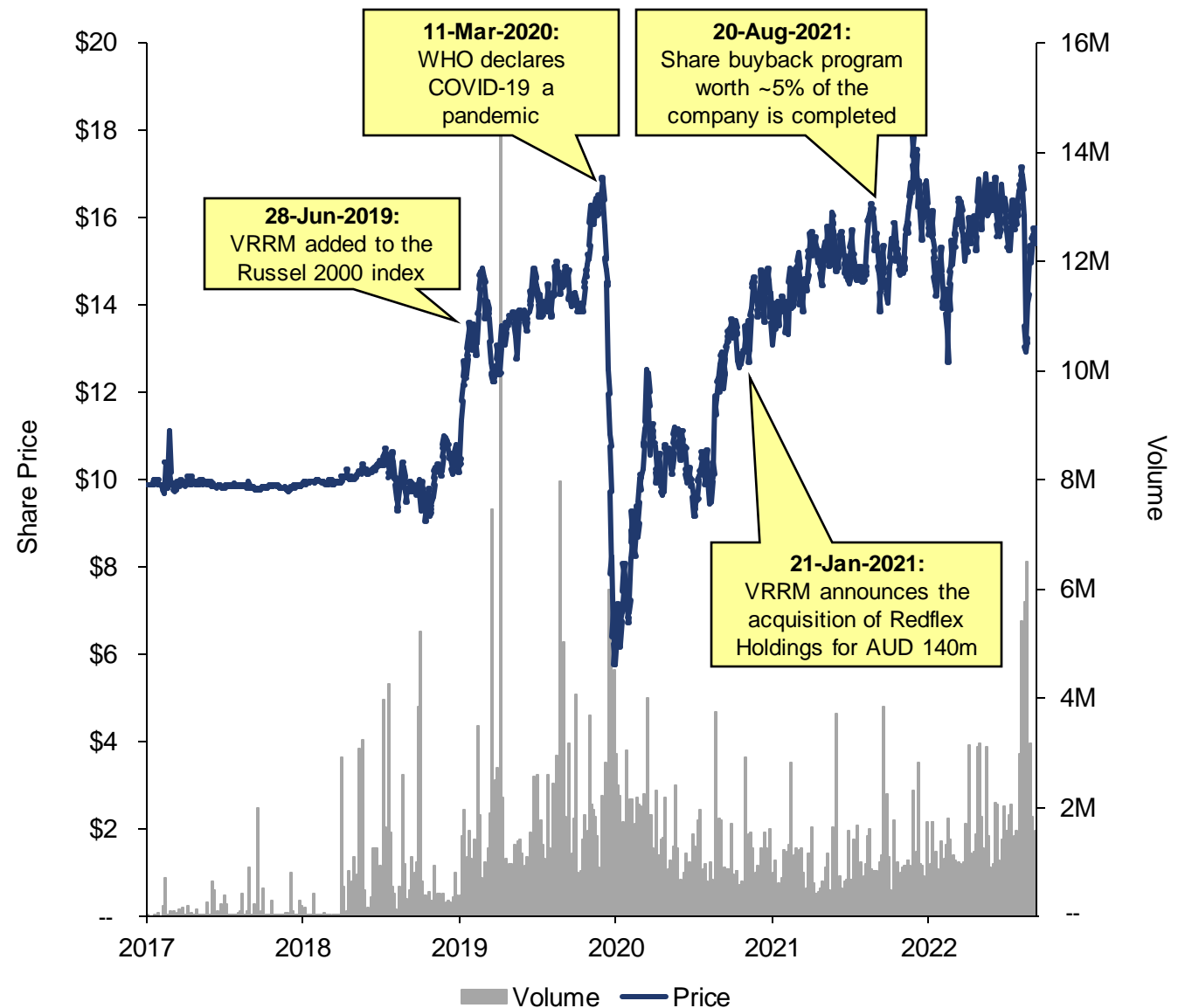
5-Year Share Price Performance

Unwarranted recent drawback offers attractive investment opportunity

Share Price Commentary

- VRRM has offered solid stock price performance over the past 5 years
- COVID-19 caused a large price drop though it has since recovered
- VRRM's has consistently allocated capital to the repurchasing of shares
- VRRM's management stated that they are planning to continue the share buyback program into the foreseeable future
- More recently, the share price has dropped as a result of warrant conversion, however, is showing signs of recovery

Annotated Five Year Share Price Performance



Market Capitalization	\$2.35B
Share Price	\$15.66
52 Week Range	\$18.13 - \$12.70
5Y Performance	44.3%
YTD Performance	-10.4%
ROIC	8.1%

Industry Overview

Tolling Industry Background

Tolling industry has a high growth opportunity for electronic payments

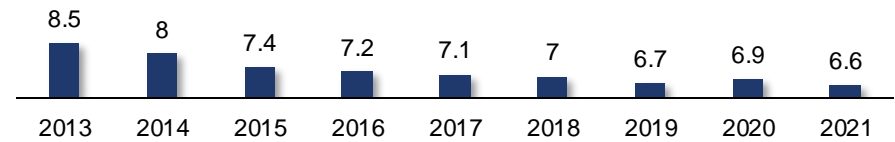
Services Provided

- Toll roads require fees to be paid in order for the owners of that road (the government or company) to recoup the costs of road construction and maintenance, and further invest in infrastructure
- Toll fees vary by road and city and can be charged via license plate identification invoice, on-site cash or card, or transponder
- Toll highway miles account for 10.4% (5,432mi) of all highway miles across the U.S. with most being located on the east coast
 - In Canada, there are five major toll roads covering 260 miles
 - In Australia, there are seven major tolls covering 150 miles
 - In Europe there are over 15,000 miles of toll roads, with the highest concentration in Russia, France and Spain
- The U.S. tolling industry is valued at \$2.2 billion as of 2021 with an estimated CAGR growth of 4.6% in 6 years to 2028

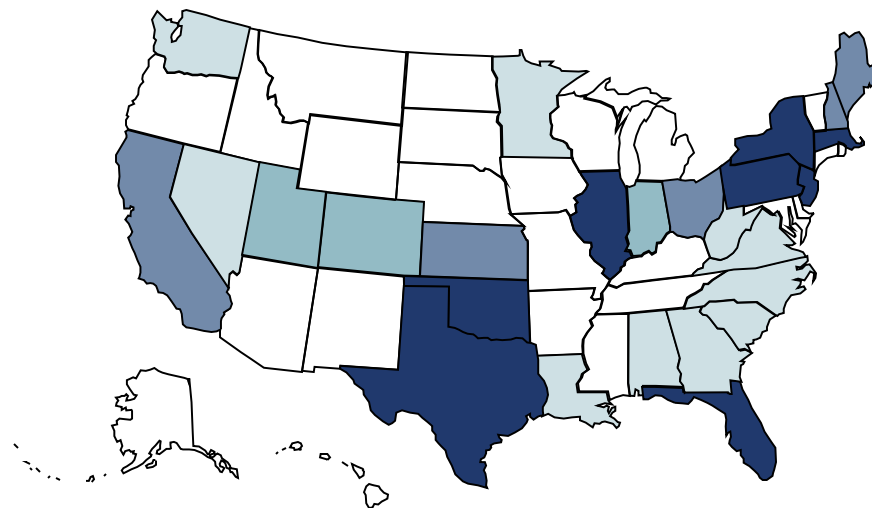
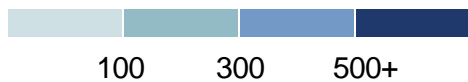
Case Study: New York City

- NYC is one of the most congested cities in the world with >80 hours of lost time per year and a 35% congestion level
 - This creates the need for higher road infrastructure and the implementation of faster moving roads such as toll roads
- NYC has over 10 toll roads across the city
 - Only ~25% of NYC toll roads are exclusively electronic
 - Cash and card transactions create bottlenecks at booths

NYC Average Vehicle Speed (in MPH) – Traffic Indicator



Miles of Toll Roads by State

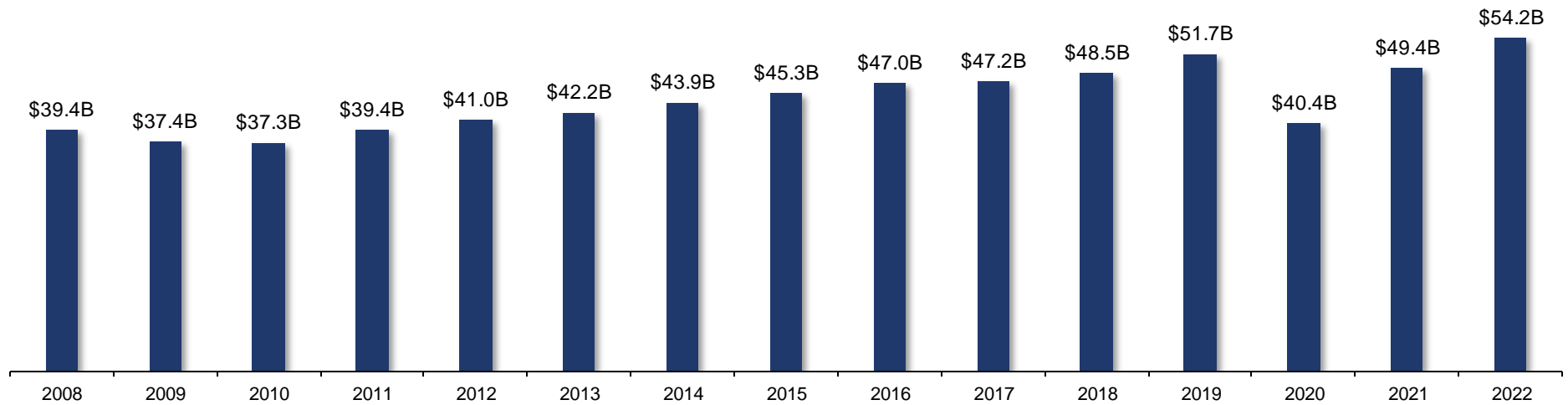


- 1 Florida
- 2 Oklahoma
- 3 Pennsylvania
- 4 New York
- 5 Texas

Car Rental Industry Overview

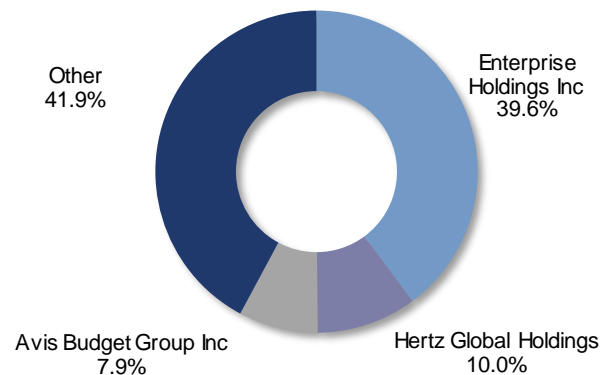
VRRM holds contracts with all 3 major companies

Car Rental Industry Growth



Market Share

- The industry's largest companies are expected to retain competitive advantage as the industry benefits from economies of scale and high capital costs for market entry



VRRM holds contracts with all 3 major companies

Ride-Sharing Trend

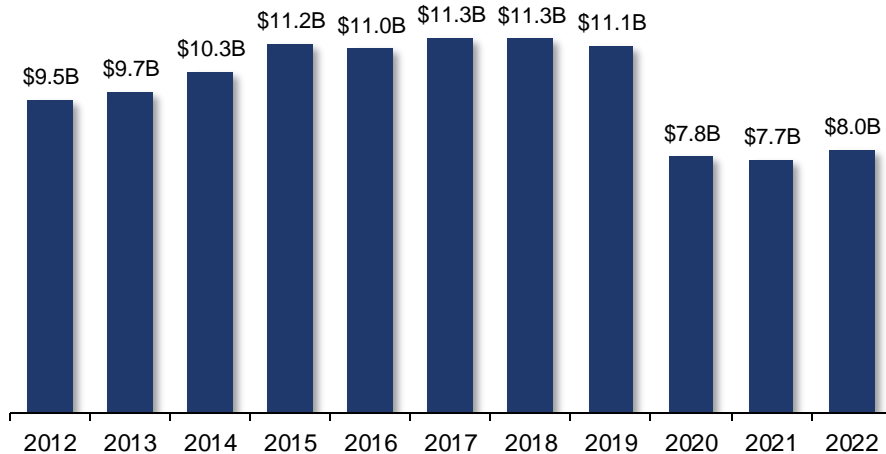
- Car sharing targets customers in inner cities and college campuses, enabling those who typically require car use for short-term use to gain access to a vehicle
 - Members are able to book a car online and pick it up from a designated parking spot, unlocking the vehicle via a uniquely assigned electronic key card
- While the industry was disrupted by entrepreneurial start-ups, industry leaders in the rental car industry have expanded into the market. Avis Budget Group has placed itself as market leader in ride-sharing services through its Zipcar ownership
 - This new business model requires a larger focus on violations and toll management software as drivers of given vehicles become harder to identify and bill

Parking Management Software Industry Overview

Low cost, high margin industry with large TAM

Parking Industry Growth

- Sustained drop off post-covid due to higher rate of work from home and hybrid learning in schools and universities



SaaS Parking Solutions

- Software solutions for parking management streamline costs and allows institutions to control a large revenue generating segment of their business
 - Most competitors specialize in parking management solutions in which they utilize labour and IP assets to control the end-to-end of parking solutions
 - IP software like that of VRRM shows that violations and payments can be fully automated and analyzed by management via computer software to identify trends
- Software solutions are easier to scale and customize depending on the client's needs since it benefits from low expansion costs (attributable to most software companies) in which marginal revenues provide higher operating margins

Services Provided

- Companies provide temporary parking options to consumer and commercial clients
 - Companies leverage software, hardware and labour to deliver solutions to complex parking infrastructures for businesses such as universities and hospitals

Revenue Control

Helping customers manage gated, gateless and license-plate recognition-based parking lots

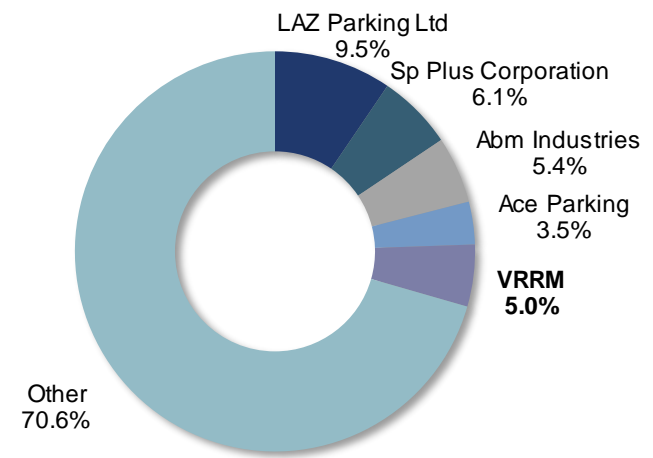
Pay Stations

Installing and operating the back office of pay stations with electronic payment capabilities

Enforcement

Helping customers control who parks in facilities and when and where drivers can park

Competitive Landscape



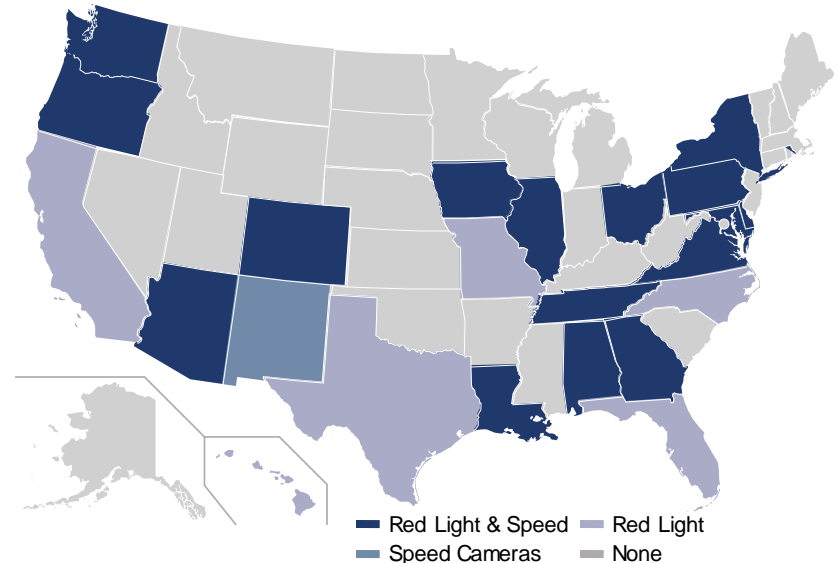
Automated Safety Industry Overview

Highly regulated industry with growing demand

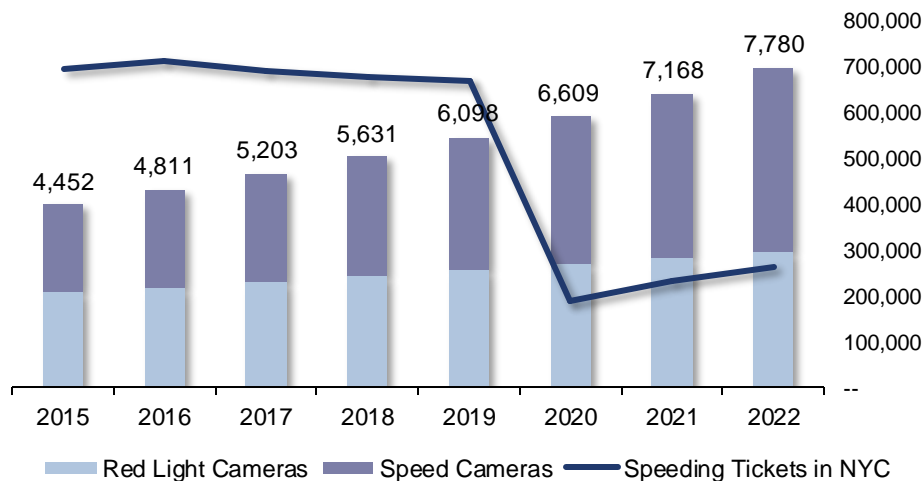
Effectiveness of Speed Cameras

- Speed cameras reduce speed by 15%, reduce the number of speeding vehicles by 65%, and have reduced fatal accidents by 11%-44%
 - Fatal red light running crash rates have been 30% higher in cities that cancelled red light camera programs historically
- Municipalities with red light camera programs reap sizable profits from violation and fee revenues that can be re-invested for other traffic safety initiatives
 - Current laws indicate that red-light violation revenue must be spent on other traffic safety initiatives such as investing in a larger camera network that reduces labour costs
 - Safety camera software providers and distributors, like VRRM, can expect constant contracts from the government

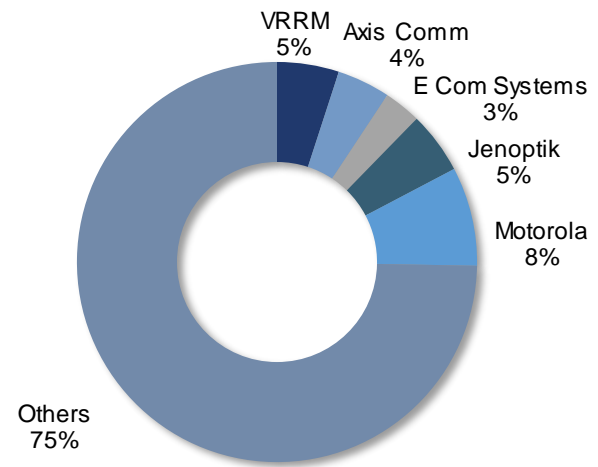
Traffic Camera Laws by State



Installed Cameras in the U.S.



Competition – Traffic Camera Technology



Investment Theses

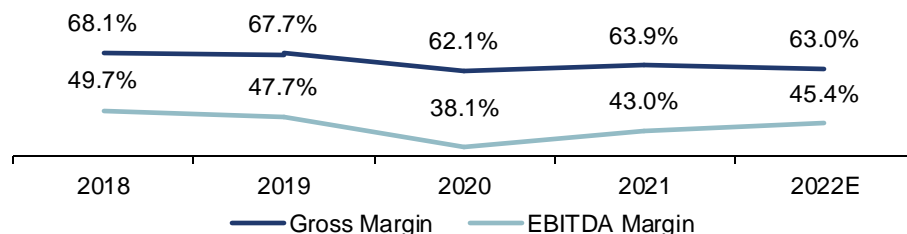
Business holds large moat with strong economics and pricing power

Legislative Barriers to Entry

- VRRM cameras have a 98% up-time, they look at ~11B vehicles a year and issue ~14M violations
 - Violations are sparse and it is necessary to have exceedingly high camera up-time (operational camera time)
 - VRRM has over \$60 million in accounts receivable from the New York City Department of Transport
- High switching costs for government entities (12 states that the company operates in) provide the company with competitive advantage when expanding into other markets such as parking given its pre-existing relationships with authorities
- Cameras require annual upkeep, and the company derives most revenues from maintenance which provide ever-increasing ARRs

Favorable Business Economics

- VRRM drives its revenues by earning a spread based on road traffic volumes plus any widening of that spread driven by the growth of cashless tolls and paperless traffic offences
- Neither of these variables requires VRRM to invest any more money to earn that incremental revenue – every dollar they earn from incremental expansion drops down at essentially a 100% contribution to margin to VRRM

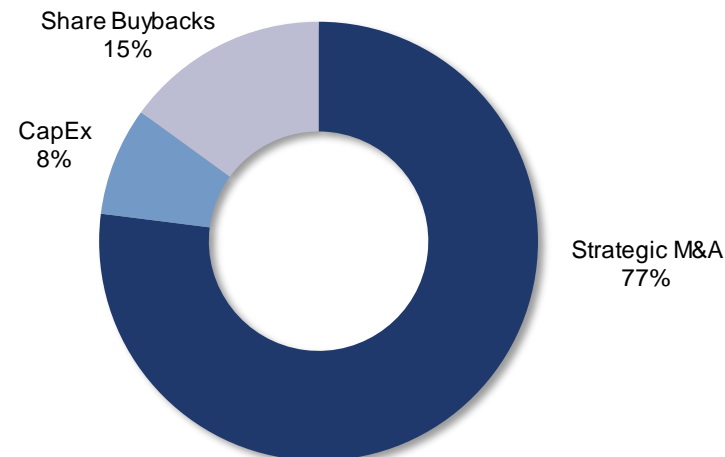


Monopoly in Tolling Solutions

- While VRRM operates in a fragmented tolling software industry, it maintains monopolistic advantage in the subsegment of the industry that targets rental vehicle companies, large fleet management companies and ride-sharing providers
 - VRRM has long-lasting contracts with the 3 largest rental vehicle companies and the 5 largest fleet managers (the earliest one being due for renewal in late 2024)
- Switching costs are extremely high as RACs & FMCs have seen their toll management costs reduced by 21% and personnel toll costs by 85%
 - VRRM's PlatePass software is interoperable in 95% of all U.S. toll roads and integrated with over 50 state laws
- Most revenues come from tolls, but ecosystem locks customers

History of Effective Capital Allocation

- Deployed \$1.5 billion in capital from 2017-2021



SPAC overhang and underappreciation of European expansion

General Variant View

- We believe sell-side and online retail commentary of VRRM is giving little credit for European expansion opportunities
 - We believe the Europe expansion can represent upside to our model and given VRRM's success in domestic markets, there is a reasonable chance they can replicate this
- One-time SPAC dilution led to a significant stock price decline of -20%+ within a few days
 - A positive event for the stock as the SPAC overhang clears up and there is no more dilutive corporate events besides the corporate earn-out
- Based on management long-term projections, VRRM is trading at ~7x FCF, which presents an attractive 14% FCF yield

European Expansion and Growth Opportunity

- Currently, VRRM is executing on contracts with large rental car companies in Europe, expanding their tolling and camera business
 - Should provide incremental revenue and cash flow growth and given VRRM's success in domestic markets, the probability of VRRM executing on its European ambitions should be high
 - VRRM gained certification as a European Electronic Toll Service provider in Spain, the certification applies to all European Union member states; includes current and future toll development plans
 - VRRM can use M&A to enter international markets like they did with Redflex

2026 Management Guidance on EPS and FCF

Mgmt Guidance	2021	2026F	2026F
Assumptions			
M&A	N/A	25%	75%
Buyback	N/A	75%	25%
Free Cash Flow	168	270	310
Diluted Share Count	164	158	152
Adj. EPS	0.74	1.87	1.88
FCF / Share	1.03	2.10	2.05
Current Share Price	\$ 14.3	\$ 14.3	\$ 14.3
Implied P/E	19.4x	7.7x	7.6x
Implied P/FCF	13.9x	6.8x	7.0x

One-Time SPAC Warrant Conversion

- The nature of the SPAC structure entails dilutive securities which increases the shares outstanding, decreasing the equity value per share
- VRRM currently has a warrant conversion provision (strike price \$17 - \$18) which has been struck and requires the addition of ~20M shares to the existing share count
- On November 2nd, VRRM notified shareholders of the warrant conversion, which led to an issuance of shares (diluting existing shareholders) and resulting in a 20% decline in the stock price
- This warrant conversion is a one-time issue which we believe has created unnecessary volatility and noise in the stock

Investment Thesis: What Is The Market Missing?

Case study: positive long-term results of de-SPAC warrant conversions

Successful De-SPAC Warrant Conversions Unfairly Punished in Short-Term

■ Willscot Mobile Mini Holdings Corp (NASDAQ: WSC)

- Warrants equivalent to 2,141,601 shares (~0.4% of shares outstanding) were exchanged beginning in November 2018
- WSC's share price declined ~49% in the period succeeding the exchange offer relating to its warrants, has recovered over 400% to date

■ Blue Owl Capital (NASDAQ: OWL)

- Warrants equivalent to 8,205,841 shares (~4.1% of shares outstanding) were exchanged beginning in August, 2022
- OWL's share price declined ~34% in the period succeeding the exchange offer relating to its warrants, has recovered ~30% to date

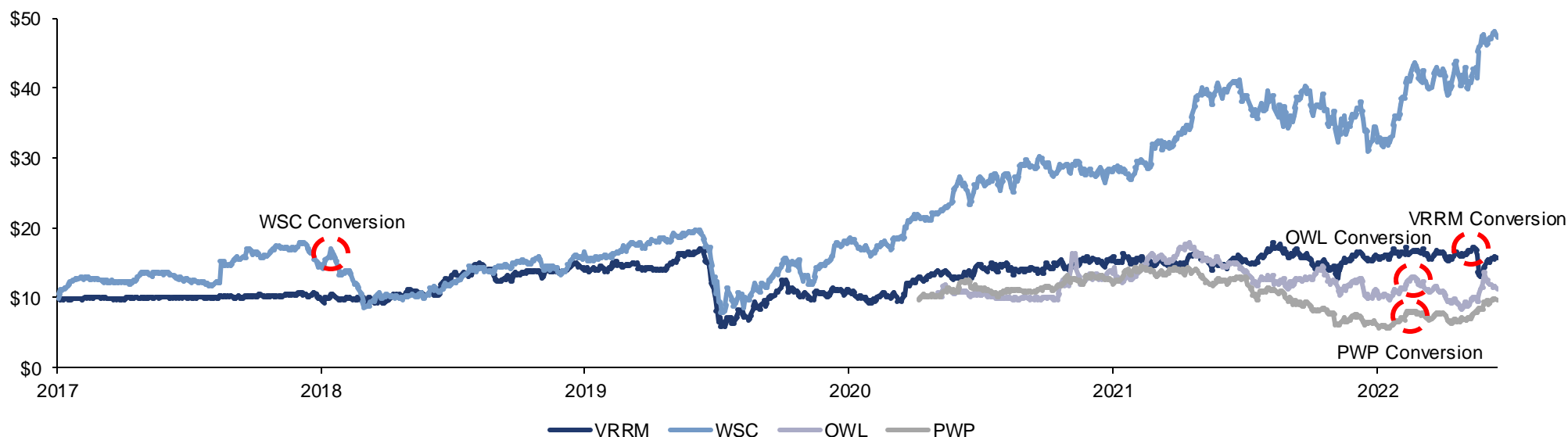
■ Perella Weinberg Partners (NASDAQ: PWP)

- Warrants equivalent to 1,493,688 shares (~3.6% of shares outstanding) were exchanged beginning in July 2022
- PWP's share price declined ~14% in the period succeeding the exchange offer relating to its warrants, has recovered ~36% to date

■ VRRM Thesis Application

- Warrants equivalent to 19,999,967 shares (~13.2% of shares outstanding) were exchanged beginning in November 2022
- Immediate ~25% decline in share price; shares have rallied ~19%, leaving additional room for share price recovery

Warrant Conversion Share Price Performance



The Bear Case (What Could Go Wrong?)

Risks include customer concentration, leverage, and European shortcomings

Customer Concentration

- Low customer diversification across both of the largest segments could lead to a material decline in sales if VRRM's contracts were not renewed with a key customer

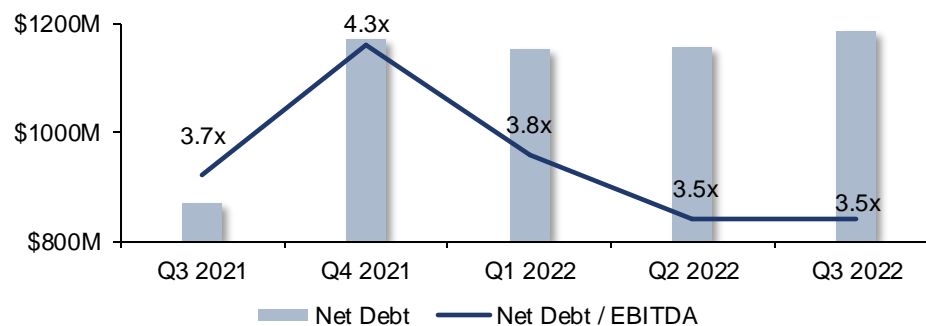
Customer	% of Revenue 2022	% of Revenue 2021
Government Solutions		
City of New York DoT	20.5%	25.5%
Commercial Services		
Hertz Corporation	12.6%	12.9%
Avid Budget Group, Inc.	13.9%	13.5%
Enterprise Holdings, Inc	10.3%	10.9%

Failure of European Expansion

- Europe has a very good public transportation system that already acts as a risk towards the automobile industry
- Most of Europe (specifically Western and Central Europe) already have newly fitted road systems in place
 - E-tolls for highways, high concentration of speeding cameras, and expansive road camera systems
- European road systems are highly regulated by the government and countries do not share similar road systems
 - Ex. Germany's road system is completely different to the road and traffic system of the Czech Republic (different enforcing authorities, varying operating systems across different segments, etc.)

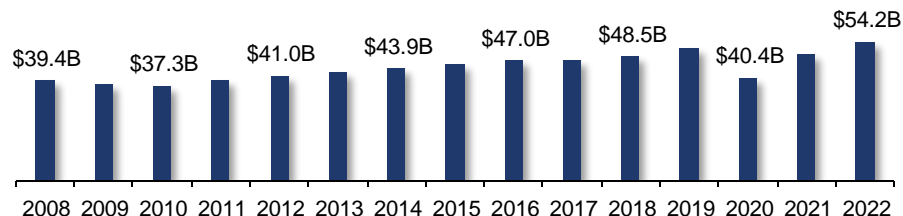
Risk of Leverage

- Despite substantial net debt, VRRM's debt does not mature until 2028 and is approximately 50/50 fixed / floating rate
- Due to the long-dated maturities of the debt as well as VRRM's cash flow generative nature, risk of over-leverage is mitigated



Exposure to Rental Car Cyclicalty

- Several of VRRM's customers in the rental car business face significant exposure to economic cyclicalty
 - As a large part of rental car usage is for recreational use, a decrease in discretionary spending could have a negative impact on VRRM's revenues
- Black swan events affecting road traffic (as seen with COVID-19) also leaves VRRM exposed in the same vein
- Rental Car Industry Growth:**



Valuation

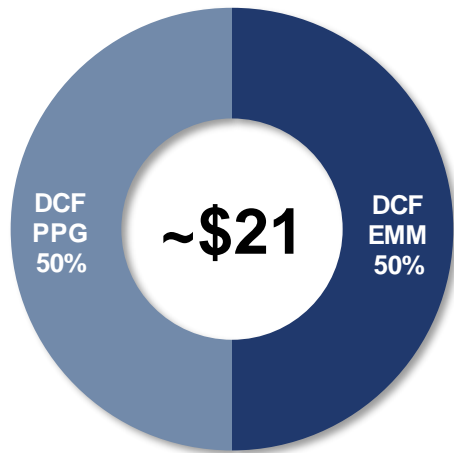
Valuation Summary

Intrinsic valuation signals remarkable upside

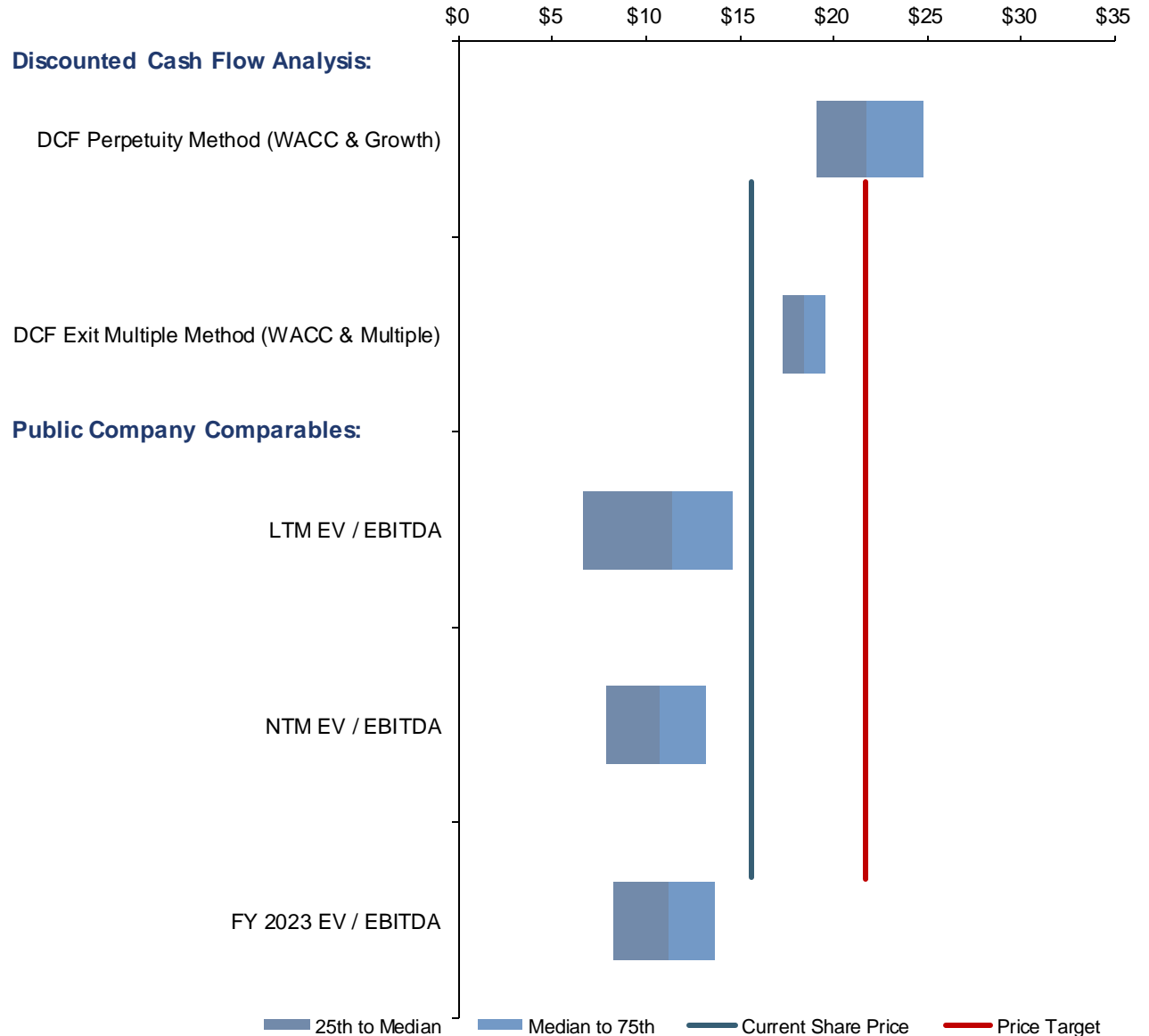
*We recommend YUSIF buy
VRRM with an implied
upside of ~34%*

Results and Weighting

- **Current Price:** \$15.66
- **Target Price:** ~\$21
- **Implied Upside:** ~34%



Football Field Valuation Summary



Discounted Cash Flow Analysis

Revenue model

Revenue Model (In \$ Millions)	Actuals				Projections											
	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Service Revenue	365.1	416.7	336.3	492.8	662.9	709.3	758.9	804.5	852.7	903.9	958.1	1010.8	1061.4	1103.8	1136.9	1159.7
y/y %		14.1%	(19.3%)	46.6%	34.5%	7.0%	7.0%	6.0%	6.0%	6.0%	6.0%	5.5%	5.0%	4.0%	3.0%	2.0%
Product Sales	5.1	32.0	57.3	57.7	58.3	58.9	59.5	60.1	60.7	61.3	61.9	62.5	63.2	63.8	64.4	65.1
y/y %		531.4%	79.0%	0.7%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Revenues	370.1	448.7	393.6	550.6	721.2	768.2	818.4	864.6	913.4	965.2	1020.0	1073.4	1124.5	1167.6	1201.4	1224.7
y/y %		21.2%	(12.3%)	39.9%	31.0%	6.5%	6.5%	5.6%	5.7%	5.7%	5.7%	5.2%	4.8%	3.8%	2.9%	1.9%

Model rationale

■ Revenue

- ❑ Projections are based on the supporting revenue model. FY 2022 and FY 2023 projections are in-line with guidance and consensus estimates
- ❑ 34.5% Service revenue growth in FY 2022 factors in pro-forma of the acquisition
- ❑ Service revenue growth and product sales revenue growth after FY 2022 is in-line with historical and management expectations

■ Cost Structure and CapEx Projections

- ❑ Gross margin expansion expected on the Service Revenue side with Cost of Service Revenues declining by 0.3% per year (due to efficiencies, scale, and SaaS economics)
- ❑ In the interest of being conservative in the model and limited historical financials (earliest 10-k from 2019), other components of the cost structure have been projected flat
- ❑ CapEx is projected to be 6.6% of revenues (in-line with management guidance)
 - D&A is extremely high due to write-up of assets and M&A accounting; overall, this is a capital light business model from a CapEx perspective

■ Terminal Value Assumptions

- ❑ 8% WACC represents YUSIF's hurdle rate
- ❑ 2% perpetuity growth rate is used given VRRM market position and predictability of the business
- ❑ 13x terminal multiple on EBIT given historical multiples and the quality of the business

Discounted Cash Flow Analysis

Unlevered free cash flow model

Discounted Cash Flow (In \$ Millions)	Projections														
	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total Revenues	448.7	393.6	550.6	721.2	768.2	818.4	864.6	913.4	965.2	1,020.0	1,073.4	1,124.5	1,167.6	1,201.4	1,224.7
% Growth		(12.3%)	39.9%	31.0%	6.5%	6.5%	5.6%	5.7%	5.7%	5.7%	5.2%	4.8%	3.8%	2.9%	1.9%
Cost of Service Revenues	(5.6)	(4.0)	(5.3)	(7.9)	(8.5)	(9.1)	(9.6)	(10.2)	(10.8)	(11.5)	(12.1)	(12.7)	(13.2)	(13.6)	(13.9)
% of Service Revenue	(1.3%)	(1.2%)	(1.1%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)
Cost of Product Revenues	(13.9)	(29.6)	(29.8)	(30.1)	(30.2)	(30.4)	(30.5)	(30.6)	(30.7)	(30.8)	(31.0)	(31.1)	(31.2)	(31.3)	(31.4)
% of Product Revenues	(43.5%)	(51.6%)	(51.6%)	(51.6%)	(51.3%)	(51.0%)	(50.7%)	(50.4%)	(50.1%)	(49.8%)	(49.5%)	(49.2%)	(48.9%)	(48.6%)	(48.3%)
Operating Expenses	(125.6)	(115.7)	(163.4)	(214.0)	(227.9)	(242.8)	(256.5)	(271.0)	(286.4)	(302.7)	(318.5)	(333.7)	(346.5)	(356.5)	(363.4)
% of revenue	(28.0%)	(29.4%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)	(29.7%)
Sales and Marketing	(85.5)	(89.7)	(123.4)	(161.6)	(172.2)	(183.4)	(193.8)	(204.7)	(216.3)	(228.6)	(240.6)	(252.0)	(261.7)	(269.3)	(274.5)
% of revenue	(19.1%)	(22.8%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)	(22.4%)
D&A	(115.8)	(116.8)	(116.8)	(153.0)	(163.0)	(173.6)	(183.4)	(193.8)	(204.8)	(216.4)	(227.7)	(238.6)	(247.7)	(254.9)	(259.8)
% of revenue	(25.8%)	(29.7%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)	(21.2%)
Operating Income (EBIT)	102.4	37.8	111.9	154.5	166.4	179.1	190.7	203.1	216.2	230.0	243.5	256.4	267.3	275.8	281.7
EBIT Margin	22.8%	9.6%	20.3%	21.4%	21.7%	21.9%	22.1%	22.2%	22.4%	22.6%	22.7%	22.8%	22.9%	23.0%	23.0%
EBIT Growth		(63.1%)	195.8%	38.1%	7.7%	7.6%	6.5%	6.5%	6.4%	6.4%	5.9%	5.3%	4.2%	3.2%	2.1%
Tax Rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
NOPAT	76.8	28.4	83.9	115.9	124.8	134.3	143.0	152.3	162.1	172.5	182.6	192.3	200.5	206.9	211.3
Add: Depreciation & Ammortization	115.8	116.8	116.8	184.4	196.4	209.2	221.0	233.5	246.8	260.8	274.4	287.5	298.5	307.1	313.1
% of Revenue	25.8%	29.7%	21.2%	25.6%	25.6%	25.6%	25.6%	25.6%	25.6%	25.6%	25.6%	25.6%	25.6%	25.6%	25.6%
Less: Capital Expenditures	(29.7)	(24.3)	(25.0)	(47.6)	(50.7)	(54.0)	(57.1)	(60.3)	(63.7)	(67.3)	(70.8)	(74.2)	(77.1)	(79.3)	(80.8)
% of Revenue	(6.6%)	(6.2%)	(4.5%)	(6.6%)	(6.6%)	(6.6%)	(6.6%)	(6.6%)	(6.6%)	(6.6%)	(6.6%)	(6.6%)	(6.6%)	(6.6%)	(6.6%)
Unlevered Free Cash Flow	162.9	120.9	175.7	252.7	270.5	289.5	307.0	325.5	345.2	366.0	386.2	405.6	421.9	434.7	443.5
UFCF Growth Rate		(25.7%)	45.3%	43.8%	7.0%	7.0%	6.0%	6.0%	6.0%	6.0%	5.5%	5.0%	4.0%	3.0%	2.0%
Discount Period				1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	12.00
Discount Rate				8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Discount Factor				0.926	0.857	0.794	0.735	0.681	0.630	0.583	0.540	0.500	0.463	0.429	0.397
PV of Unlevered Free Cash Flow				234.0	231.9	229.8	225.7	221.6	217.5	213.5	208.7	202.9	195.4	186.4	176.1

Discounted Cash Flow Analysis

Intrinsic valuation output

Perpetuity Growth Method	
Cumulative PV of FCF	2,543.6
% of Enterprise Value	45.9%
Final Year UFCF	452.4
Perpetuity Growth Rate	2.0%
Terminal Value	7,540.2
PV of Terminal Value	2,994.3
% of Enterprise Value	54.1%
Total Enterprise Value	5,537.9
Cash	53.4
Debt	(1,251.5)
Total Equity Value	4,339.8
GAAP FDSO	158.3
Contigent Earn-Out Shares	5.0
Warrant Conversion	20.0
Real FDSO	183.3
Implied Share Price	\$23.68
Current Share Price	\$15.66
Implied Upside	51.2%

Exit Multiple Method	
Cumulative PV of FCF	2,543.6
% of Enterprise Value	61.8%
Final Year EBIT	281.7
Exit EBIT Multiple	13.0x
Terminal Value	3,661.7
PV of Terminal Value	1,570.4
% of Enterprise Value	38.2%
Total Enterprise Value	4,114.0
Cash	53.4
Debt	(1,251.5)
Total Equity Value	2,915.9
GAAP FDSO	158.3
Contigent Earn-Out Shares	5.0
Warrant Conversion	20.0
Real FDSO	183.3
Implied Share Price	\$18.42
Current Share Price	\$15.66
Implied Upside	17.6%

		Perpetuity Growth Rate				
		0.5%	0.8%	2.0%	1.3%	1.5%
WACC	7.0%	\$24.79	\$25.49	\$30.09	\$27.09	\$28.00
	7.5%	\$22.33	\$22.91	\$26.59	\$24.21	\$24.93
	8.0%	\$20.22	\$20.69	\$23.68	\$21.75	\$22.34
	8.5%	\$18.37	\$18.77	\$21.21	\$19.64	\$20.13
	9.0%	\$16.75	\$17.08	\$19.11	\$17.81	\$18.22

		Exit EBIT Multiple				
		11.0x	12.0x	13.0x	14.0x	15.0x
WACC	7.0%	\$18.76	\$19.61	\$20.45	\$21.30	\$22.14
	7.5%	\$17.81	\$18.61	\$19.41	\$20.21	\$21.02
	8.0%	\$16.89	\$17.66	\$18.42	\$19.18	\$19.95
	8.5%	\$16.02	\$16.75	\$17.48	\$18.20	\$18.93
	9.0%	\$15.20	\$15.89	\$16.58	\$17.27	\$17.96

Appendix

Comparable Company Analysis I

Primary comparable companies - inferior small-cap traffic processors

Verra Mobility Corporation - Valuation Statistics	Equity Value (\$M)	Enterprise Value (\$M)	EV / Revenue			EV / EBITDA			P / E			Leverage
			LTM	2022E	2023E	LTM	2022E	2023E	LTM	2022E	2023E	Debt/EBITDA
Iteris Inc. (NASDAQ:ITI)	132	124	0.9x	0.8x	0.8x	N/A	N/A	9.1x	N/A	N/A	N/A	0.3x
Autoscope Technologies Corp. (NASDAQ:AATC)	22	22	1.9x	1.9x	2.2x	13.4x	12.6x	9.4x	52.4x	15.2x	15.7x	1.1x
Conduent Inc. (NASDAQ:CNDT)	834	1,930	0.5x	0.5x	0.5x	4.3x	4.9x	4.8x	8.2x	16.1x	12.4x	2.2x
Maximum	834	1,930	1.9x	1.9x	2.2x	13.4x	12.6x	9.4x	52.4x	16.1x	15.7x	2.2x
75th Percentile	483	1,027	1.4x	1.4x	1.5x	11.1x	10.7x	9.3x	41.4x	15.9x	14.9x	1.7x
Median	132	124	0.9x	0.8x	0.8x	8.9x	8.8x	9.1x	30.3x	15.7x	14.1x	1.1x
25th Percentile	77	73	0.7x	0.7x	0.7x	6.6x	6.8x	7.0x	19.3x	15.4x	13.2x	0.7x
Minimum	22	22	0.5x	0.5x	0.5x	4.3x	4.9x	4.8x	8.2x	15.2x	12.4x	0.3x
Verra Mobility Corporation (NASDAQ:VRRM)	2,149	3,347	4.6x	4.5x	4.3x	10.7x	10.0x	9.2x	27.1x	28.9x	26.7x	3.6x

Verra Mobility Corporation - Operating Statistics	Revenue Growth		EBITDA Growth		EBITDA Margin			Return Metrics (LTM)		
	2022E	2023E	2022E	2023E	LTM	2022E	2023E	ROC	ROA	ROE
Iteris Inc. (NASDAQ:ITI)	13.7%	9.2%	56.9%	N/A	(8.8%)	N/A	8.3%	(12.1%)	(8.5%)	(24.2%)
Autoscope Technologies Corp. (NASDAQ:AATC)	(4.9%)	(4.9%)	34.8%	34.8%	10.7%	12.0%	12.0%	3.4%	3.3%	2.8%
Conduent Inc. (NASDAQ:CNDT)	(6.8%)	(0.6%)	16.2%	1.6%	8.7%	10.3%	10.3%	3.2%	2.4%	8.3%
Maximum	13.7%	9.2%	56.9%	34.8%	10.7%	12.0%	12.0%	3.4%	3.3%	8.3%
75th Percentile	4.4%	4.3%	45.9%	26.5%	9.7%	11.6%	11.2%	3.3%	2.9%	5.6%
Median	(4.9%)	(0.6%)	34.8%	18.2%	8.7%	11.2%	10.3%	3.2%	2.4%	2.8%
25th Percentile	(5.9%)	(2.8%)	25.5%	9.9%	(0.1%)	10.7%	9.3%	(4.5%)	(3.1%)	(10.7%)
Minimum	(6.8%)	(4.9%)	16.2%	1.6%	(8.8%)	10.3%	8.3%	(12.1%)	(8.5%)	(24.2%)
Verra Mobility Corporation (NASDAQ:VRRM)	34.3%	5.2%	29.6%	7.8%	42.0%	45.4%	46.8%	8.0%	6.7%	38.0%

Comparable Company Analysis

NTM EBITDA	351.6
NTM EV / EBITDA Median	8.8x
Enterprise Value	\$3,076.4
Plus: Cash	53
Plus: Short-term Investments	--
Less: Total Debt	(1,252)
Less: Preferred Stock	--
Less: Non-Controlling Interest	--
Equity Value	\$1,878.3
Diluted Shares Outstanding	183.3
Implied Share Price	\$10.25
Current Share Price	\$15.66
Implied Margin of Safety	(52.8%)

Comparable Company Analysis II

Secondary comparable companies – alternate industry SaaS peers

Verra Mobility Corporation - Valuation Statistics	Equity Value (\$M)	Enterprise Value (\$M)	EV / Revenue			EV / EBITDA			P / E			Leverage
			LTM	2022E	2023E	LTM	2022E	2023E	LTM	2022E	2023E	Debt/EBITDA
Littlefuse Inc. (NASDAQ:LFUS)	6,125	6,682	2.7x	2.7x	2.7x	10.2x	10.0x	11.8x	18.6x	14.7x	17.7x	0.8x
Vontier Corp. (NYSE:VNT)	3,093	5,596	1.8x	1.8x	1.9x	7.6x	7.4x	7.9x	7.2x	6.4x	7.0x	3.4x
ACI Worldwide Inc. (NASDAQ:ACIW)	2,438	2,271	2.4x	2.4x	2.4x	11.8x	9.1x	8.4x	15.5x	12.5x	11.3x	3.3x
Maximum	6,125	6,682	2.7x	2.7x	2.7x	11.8x	10.0x	11.8x	18.6x	14.7x	17.7x	3.4x
75th Percentile	4,609	6,139	2.6x	2.6x	2.6x	11.0x	9.6x	10.1x	17.1x	13.6x	14.5x	3.4x
Median	3,093	5,596	2.4x	2.4x	2.4x	10.2x	9.1x	8.4x	15.5x	12.5x	11.3x	3.3x
25th Percentile	2,766	3,934	2.1x	2.1x	2.2x	8.9x	8.3x	8.2x	11.4x	9.4x	9.2x	2.1x
Minimum	2,438	2,271	1.8x	1.8x	1.9x	7.6x	7.4x	7.9x	7.2x	6.4x	7.0x	0.8x
Verra Mobility Corporation (NASDAQ:VRRM)	2,149	3,347	4.6x	4.5x	4.3x	10.7x	10.0x	9.2x	27.1x	28.9x	26.7x	3.6x

Verra Mobility Corporation - Operating Statistics	Revenue Growth		EBITDA Growth		EBITDA Margin			Return Metrics (LTM)		
	2022E	2023E	2022E	2023E	LTM	2022E	2023E	ROC	ROA	ROE
Littlefuse Inc. (NASDAQ:LFUS)	21.0%	0.4%	3.4%	(14.7%)	26.2%	26.5%	22.5%	11.8%	9.7%	17.0%
Vontier Corp. (NYSE:VNT)	4.0%	(4.6%)	6.3%	(6.3%)	23.0%	24.4%	23.9%	11.8%	8.8%	91.5%
ACI Worldwide Inc. (NASDAQ:ACIW)	2.0%	2.8%	31.7%	8.2%	19.6%	26.5%	27.9%	6.0%	4.3%	13.5%
Maximum	21.0%	2.8%	31.7%	8.2%	26.2%	26.5%	27.9%	11.8%	9.7%	91.5%
75th Percentile	12.5%	1.6%	19.0%	1.0%	24.6%	26.5%	25.9%	11.8%	9.3%	54.3%
Median	4.0%	0.4%	6.3%	(6.3%)	23.0%	26.5%	23.9%	11.8%	8.8%	17.0%
25th Percentile	3.0%	(2.1%)	4.9%	(10.5%)	21.3%	25.4%	23.2%	8.9%	6.6%	15.3%
Minimum	2.0%	(4.6%)	3.4%	(14.7%)	19.6%	24.4%	22.5%	6.0%	4.3%	13.5%
Verra Mobility Corporation (NASDAQ:VRRM)	34.3%	5.2%	29.6%	7.8%	42.0%	45.4%	46.8%	8.0%	6.7%	38.0%

Comparable Company Analysis

NTM EBITDA	351.6
NTM EV / EBITDA Median	9.1x
Enterprise Value	\$3,203.0
Plus: Cash	53
Plus: Short-term Investments	--
Less: Total Debt	(1,252)
Less: Preferred Stock	--
Less: Non-Controlling Interest	--
Equity Value	\$2,004.9
Diluted Shares Outstanding	183.3
Implied Share Price	\$10.94
Current Share Price	\$15.66
Implied Margin of Safety	(43.2%)

Strengthening ESG performance led by emission efficiency and safety creation

Environmental Impact

■ Commercial Services:

- VRRM's electronic tolling solutions reduce the need for toll booths and in turn idling and traffic back-ups which reduces greenhouse gases

■ Government Solutions:

- VRRM's digital connections with municipalities significantly reduce demand for paper records as well as the associated impact of mailing physical copies

■ Parking:

- VRRM's solutions improve parking efficiency and reduce the need for manual payment booths, leading to decreased vehicle travel, reduced emissions, and less paper waste as a result of digital citations

Social Impact

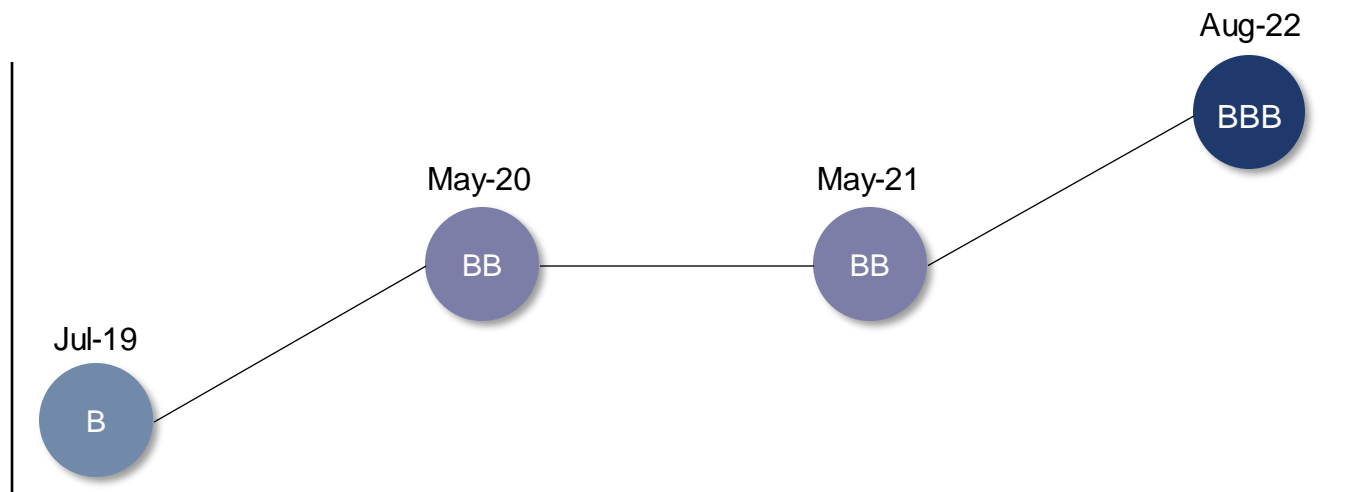
■ Products Preserve Human Life:

- VRRM's government solutions service add safety to communities through road safety cameras which reduce traffic violations in problematic areas such as school zones and busy intersections

■ Data Privacy:

- Each year, VRRM participates in audits and/or assessments initiated by customers, governing bodies and industry experts, including but not limited to quarterly penetration tests, PCI audits, SOC 1, SOC 2, NLETS, SOX, ISO 27001 and BIO.

VRRM MSCI ESG Rating History



Board Composition

Reputable and experienced majority independent board

Board Member	Experience							
	Director Since	Business Leadership	Technology	Public Co. Executive	Investment / Financial	ESG	Legal	Transportation
 Patrick Byrne Chairman (Independent)	2020	✓	✓	✓		✓		
 David Roberts Director (VRRM CEO)	2014	✓	✓	✓	✓	✓		✓
 Douglas Davis Director (Independent)	2019	✓	✓					
 Sarah Farrell Director (Independent)	2022	✓			✓			
 Michael Huerta Director (Independent)	2021	✓					✓	✓
 John Rexford Director (Independent)	2018	✓	✓	✓	✓			
 Cynthia Russo Director (Independent)	2019	✓	✓		✓			

Average tenure of ~3 years, ~86% independent board, non-CEO chairman in-line with best practices

Key Management Profiles

Reputable and experienced corporate officers

President & CEO

David Roberts



- David Roberts has served as VRRM's President and Chief Executive Officer since May 2018. He came to VRRM in August 2014 as Chief Operating Officer bringing extensive management experience to the company
- Prior to VRRM, David was the President and Chief Executive Officer of BillingTree, a multi-channel electronic payment platform company
- Before his time at BillingTree, David was a Managing Director at Bank of America Merrill Lynch, leading the Equity Plan Services business

CFO

Craig Conti



- Craig Conti has served as VRRM's Chief Financial Officer since April 2022. Prior to joining VRRM, Craig was the executive vice president and CFO of Century Aluminum Company (NASDAQ: CENX), a global producer of primary aluminum
- He previously served as the CFO for ITW's welding business, and he also led financial planning and analysis for GE Healthcare's IT business. Mr. Conti began his career at GE, where he gained a wide range of finance, operations and strategy experience over the course of 15 years

EVP, Commercial Services

Steve Lalla



- Steve Lalla has served as EVP, Commercial Services since February 2021. Prior to VRRM, he spent more than 30 years leading global, transformational changes at technology providers such as Vertiv, Dell and Motorola
- At Vertiv, as Executive Vice President, he oversaw a global portfolio that included services and software solutions for power, thermal and industrial products. At Dell, Steve held leadership roles in Commercial PC, PC accessories, and cloud and data security

EVP, Government Solutions

Jon Baldwin



- Prior to joining VRRM, Jon served as President of Fortive's Gems, Sensors and Controls business, a global supplier of industrial sensors and control components
- He also served as the General Manager for Texas Instruments' Precision Signal Path business unit
- Jon also held leadership roles in marketing, business development and strategy for National Semiconductor Corporation, Simplify Systems, Inc. and Analog Devices, Inc. He began his career at Raytheon Technologies as a systems engineer

Executive Compensation

Senior management compensation largest fixed with minor RTSR implementation

2021						
Name	Position	Salary	Stock Awards	Non-Equity Bonus	Other	Total
David Roberts	President and CEO	\$426,751	\$2,499,998	\$426,751	\$11,600	\$3,365,100
Patricia Chiodo	Former CFO	\$405,675	\$1,030,003	\$231,408	\$11,600	\$1,678,686
Steve Lalla	EVP, Commercial Services	\$338,462	\$900,006	\$233,210	\$111,400	\$1,583,078
Mark Talbot	EVP, Government Solutions	\$123,077	\$999,991	\$0	\$62,631	\$1,185,699
Rebecca Collins	General Counsel	\$344,167	\$615,008	\$167,767	\$8,301	\$1,135,243
Norman Blake	President, T2 Systems	\$23,333	\$0	\$0	\$342,949	\$366,282

2020						
Name	Position	Salary	Stock Awards	Non-Equity Bonus	Other	Total
David Roberts	President and CEO	\$452,364	\$2,110,009	\$426,751	\$11,400	\$3,000,524
Patricia Chiodo	CFO	\$376,879	\$660,025	\$0	\$11,400	\$1,048,304
Rebecca Collins	General Counsel	\$320,885	\$340,885	\$5,781	\$666,778	\$1,334,329

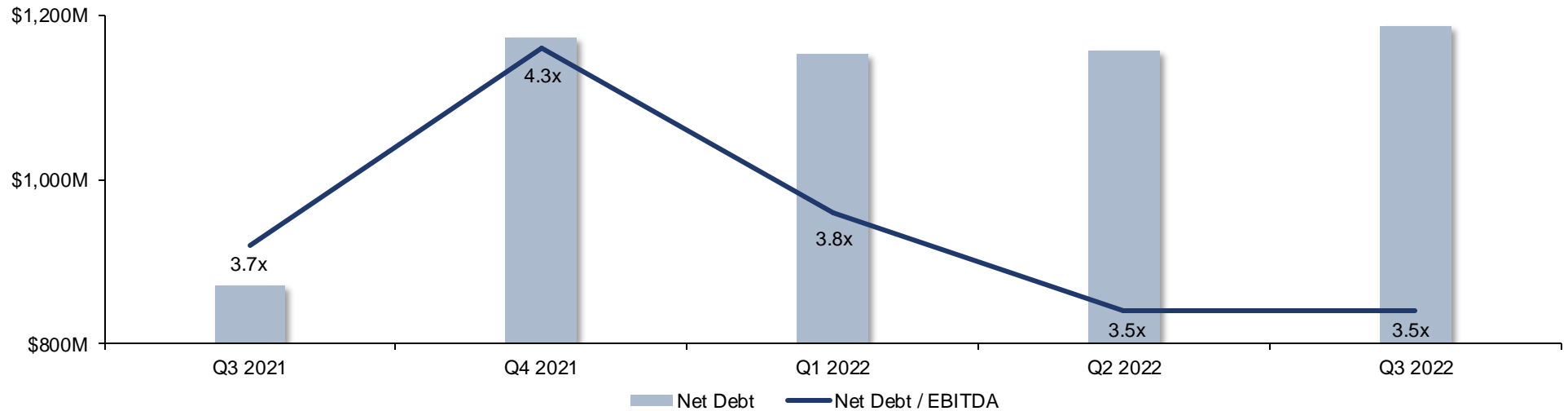
2019						
Name	Position	Salary	Stock Awards	Non-Equity Bonus	Other	Total
David Roberts	President and CEO	\$425,673	\$0	\$436,961	\$10,800	\$873,434
Patricia Chiodo	CFO	\$371,457	\$0	\$371,457	\$10,800	\$753,714
Vincent Brigidi	EVP, Commercial Services	\$300,728	\$0	\$222,539	\$9,674	\$532,941
Garrett Miller	EVP, Government Solutions	\$162,846	\$292,000	\$153,278	\$57,683	\$665,807
Rebecca Collins	General Counsel	\$307,269	\$0	\$199,417	\$10,800	\$517,486

- Performance-based equity compensation based on annualized Relative Total Shareholder Return $((\text{capital gains} + \text{dividends}) / \text{initial price})$ relative to peer group (\$300K)

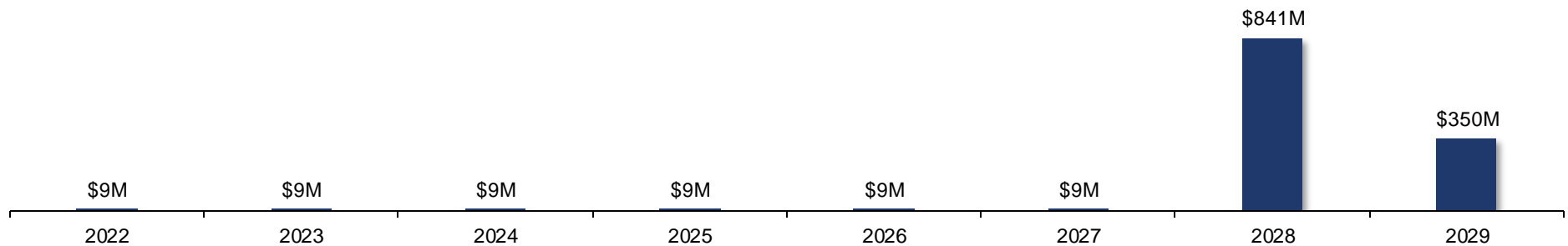
Leverage Analysis

Net leverage improvement and distant debt maturities bode favorably for VRRM

Historic Leverage Improvement



Weighted Average Debt Maturity of ~7 Years



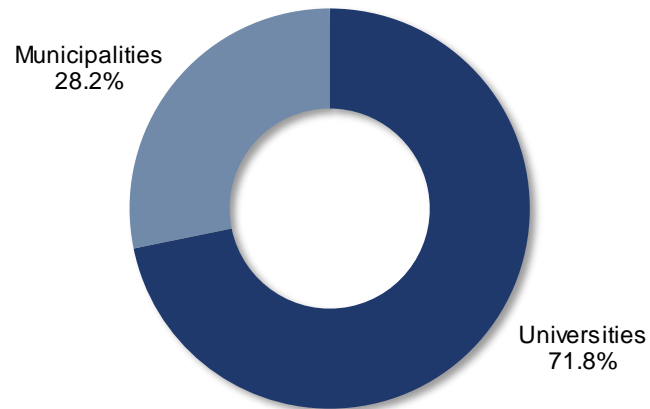
Long-term covenants mandate no repayment until maturity unless excess cash flow is generated

No major debt maturities until 2028 and consistent cash flow enables rapid de-levering

Parking Segment

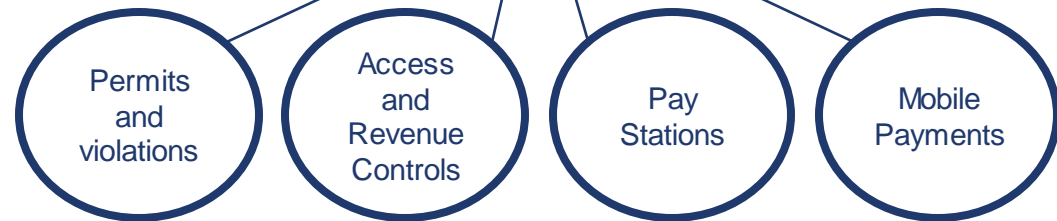
Newly formed parking segment breakdown

T2 Systems Overview



19% Profit Margin

T2 Flex Full Software Integration



Customer Base

<p>Higher Education</p>		<p>89.7% universities served are state owned</p>
<p>Municipalities</p>		<p>50+ cross-selling opportunities</p>

Existing government relationships in the tolling and camera sectors increase parking software synergies

Analyst Coverage and Ownership Analysis

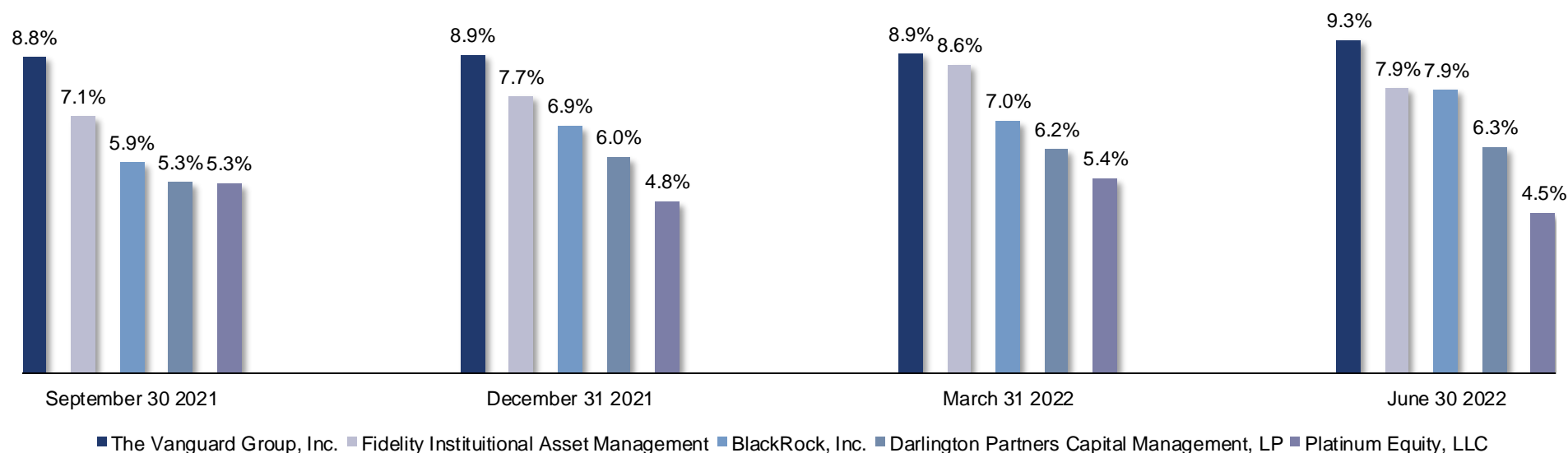
Strong coverage and consistent institutional ownership pose positive signals

Research Analyst Coverage

Firm	Analyst
Baird	David Koning
BTIG	Mark Palmer
CJS Securities	Daniel Moore
Credit Suisse	Nikolai Cremo
Deutsche Bank	Faiza Alwy
Marktfeld	James Schneider
Morgan Stanley	James Faucette
Northcoast Research	Keith Housum
William Blair	Michael DiPalma



Institutional Ownership Confident in Position Despite Tumultuous Market Conditions



Source(s): S&P Capital IQ, Equity Research