

# Verra Mobility (VRRM): EV/EBITDA 2.0x and EV/FCF 7.1x Price Regulatory Risk Against ROE 39.7%

VRRM | Verra Mobility Corporation | Technology | Information Technology Services | FY 2025 | 2026-06-15T08:07:17.463Z

At EV/EBITDA of 2.0x and EV/FCF of 7.1x, the market is pricing deterioration in earnings durability and cash conversion despite ROE of 39.7%, ROIC of 11.0%, and EPS growth of 352.6%, making Free Cash Flow Growth of -10.5% the central metric resolving the regulatory-risk debate.

SIGNALCORE VIEW

Mixed but researchable candidate

Value / Quality Candidate

SIGNAL SCORE

61 / 100

FUNDAMENTAL QUALITY

70 / 100

EXPANSION POTENTIAL

0 / 100

THESIS RISK

8 / 100

**PRIMARY DEBATE** — The investable debate is whether EPS Growth of 352.6% and Net Income Growth of 334.5% represent durable operating leverage in Government Solutions and Commercial Services, or whether Free Cash Flow Growth of -10.5% signals that earnings quality is at risk. Evidence: EV/Sales is 0.8x and EV/EBITDA is 2.0x. Interpretation: the market assigns a low revenue and earnings multiple to a business with ROE of 39.7%. Implication: the debate hinges on whether regulatory/legal exposure and customer concentration risks will compress cash generation below the current Free Cash Flow Yield of 14.6%.

INVESTMENT NARRATIVE

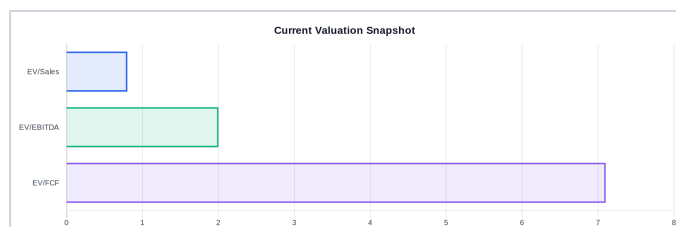
<b>Archetype</b>	<b>Dislocated quality with regulatory/legal overhang</b>	<p><b>Core Tension:</b> Are earnings and growth durable and cash-convertible in the face of regulatory/legal risk to automated enforcement, or is the EPS spike non-recurring with challenged FCF?</p> <p><b>Market Assumption:</b> The market discounts sustainability of recent EPS strength and fears regulatory/legal headwinds to automated enforcement; AI/product strategy is viewed as unproven, so multiples remain depressed.</p> <p><b>Trajectory:</b> Operationally supported with consistent beats and double-digit revenue growth; balance sheet conservative. Valuation implies deterioration not yet evident in results. valuation reassessment possible if FCF stabilizes/recovers and regulatory noise remains manageable.</p> <p><b>Mispricing Hypothesis:</b> The stock is priced for regulatory impairment and low-quality earnings, but diversified segment exposure and consistent execution suggest durability; if FCF growth turns positive, current depressed multiples underestimate intrinsic value.</p>
<b>Company Type</b>	<b>Smart mobility/GovTech services provider (government photo enforcement, toll/violation management, parking software+hardware)</b>	
<b>Key Monitoring Metric</b>	<b>FCF Growth</b>	

EVIDENCE MAP

SUPPORTING EVIDENCE	CONTRADICTION EVIDENCE
Very low valuation: EV/EBITDA 1.98 and EV/FCF 7.09 imply skepticism about durability/quality of earnings	supported cash and earnings yields: FCF Yield 14.64% and Earnings Yield 18.48%
FCF Growth is negative (-10.5), suggesting challenged cash conversion despite growth	High returns: ROE 39.7% and ROIC 11.0%
Latest Revenue Growth (11.4) below 5Y Revenue Growth (20.8), implying deceleration risk	De-risked balance sheet: Net Debt/EBITDA 0.07
Narrative coverage cluster includes regulatory_legal, highlighting perceived headline/legislative risk	Execution track record: Revenue Beat Rate 87.5% and EPS Beat Rate 75%
Government Solutions depends on municipal enforcement programs, inherently exposed to regulatory decisions	Sustained growth: Latest Revenue Growth 11.4% and very supported EPS Growth (latest 352.6%, 5Y 343.9%)
	Narrative coverage also includes product_strategy and ai_technology, suggesting potential levers for further efficiency or growth

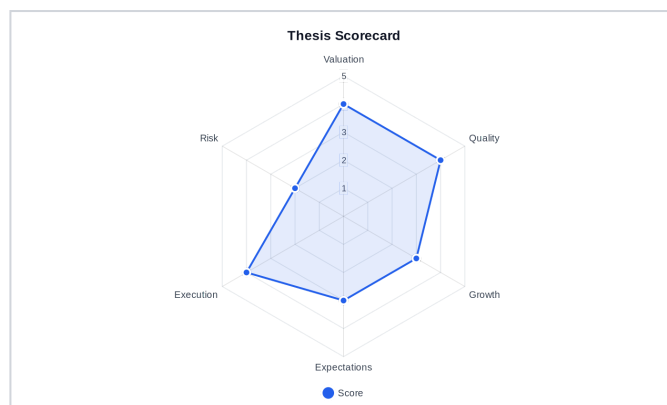
SCORECARD

VALUATION	QUALITY	GROWTH	EXPECTATIONS	EXECUTION	RISK	OVERALL
4	4	3	3	4	2	3
SUPPORTED	SUPPORTED	MIXED	MIXED	SUPPORTED	LOW	MIXED



#### CURRENT VALUATION SNAPSHOT

Current multiples are shown separately from historical fiscal-year trend metrics.



#### THEESIS SCORECARD RADAR

Evidence scores summarise valuation, quality, growth, expectations, execution, and risk.

### KEY METRICS

CURRENT EV/EBITDA	CURRENT EV/FCF	FCF YIELD	ROIC	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	EPS BEAT RATE
<b>2.0x</b>	<b>7.1x</b>	<b>14.6%</b>	<b>11.0%</b>	<b>11.4%</b>	<b>352.6%</b>	<b>-10.5%</b>	<b>75.0%</b>

### EXECUTIVE SUMMARY

<b>Core Tension</b>	Are earnings and growth durable and cash-convertible in the face of regulatory/legal risk to automated enforcement, or is the EPS spike non-recurring with challengedening FCF?
<b>Market Assumption</b>	The market discounts sustainability of recent EPS strength and fears regulatory/legal headwinds to automated enforcement; AI/product strategy is viewed as unproven, so multiples remain depressed.
<b>Current Pricing</b>	At EV/FCF of 7.1x and Earnings Yield of 18.5%, the market is pricing that current earnings may not be sustained.
<b>Valuation</b>	Current EV/EBITDA of 2.0x and EV/FCF of 7.1x are below fiscal-year latest EV/EBITDA of 9.4x and latest EV/FCF of 25.9x.
<b>Quality</b>	Quality metrics are supported by ROE of 39.7%, ROA of 7.9%, and Income Quality of 1.8.
<b>Growth</b>	Growth is mixed.
<b>Cash Flow</b>	Cash-flow trend is the key tension.
<b>Execution</b>	Execution has been consistent.
<b>Primary Monitor</b>	Can Free Cash Flow Growth move above 0.0% while Operating Cash Flow Growth remains at 14.4%?

### THEESIS DRIVERS

SUPPORTING DRIVERS			CONSTRAINTS / MONITORS		
1	EPS Growth	<b>352.6%</b>	1	FCF Growth	<b>-10.5%</b>
2	EPS Beat Rate	<b>75.0%</b>			
3	FCF Yield	<b>14.6%</b>			
4	ROIC	<b>11.0%</b>			
5	Revenue Growth	<b>11.4%</b>			

### COMPANY & BUSINESS MODEL

Verra Mobility Corporation is a company dedicated to delivering innovative smart mobility technology solutions and associated services across the United States, Australia, Canada, and Europe. Its operations are structured across three distinct segments: Government Solutions: This division focuses on automated safety, providing systems and technology for photo enforcement via road safety cameras. These programs are designed to detect and process infractions such as red light running, speeding, and violations involving school and city bus lanes. This segment's clientele includes municipal and county governments, school districts, and law enforcement organizations. Commercial Services: Through this segment, the company offers automated solutions for toll and violation management, alongside title and registration services. Its primary customers in this area are rental car companies, fleet management providers, and other significant fleet operators. Parking Solutions: The Parking Solutions segment delivers comprehensive parking management through an integrated suite of software and hardware. Clients include educational institutions, urban centers, professional parking operators, healthcare providers, and major transportation hubs. Established in 2016, Verra Mobility maintains its headquarters in Mesa, Arizona.

## INVESTMENT THESIS

Verra Mobility, a smart mobility and GovTech services provider, trades at EV/EBITDA of 2.0x and EV/FCF of 7.1x with a market cap of \$709.4M and enterprise value of \$736.1M. Evidence: Earnings Yield is 18.5% and Free Cash Flow Yield is 14.6%. Interpretation: the valuation embeds skepticism that recent EPS Growth of 352.6% and Net Income Growth of 334.5% are durable in a regulatory-sensitive automated enforcement model. Implication: the current price of \$4.67 reflects a scenario where earnings normalization or cash-flow pressure offsets recent profitability gains. Against that, quality metrics remain elevated. Evidence: ROE is 39.7%, ROIC is 11.0%, Net Debt/EBITDA is 0.07, and Current Ratio is 1.9 with Working Capital of \$206.9M. Interpretation: capital efficiency and balance sheet leverage do not indicate financial stress. Implication: the valuation discount is more closely tied to sustainability concerns than to solvency or capital structure risk. The core tension centers on cash conversion. Evidence: Operating Cash Flow Growth is 14.4% while Free Cash Flow Growth is -10.5%, and Capex/Revenue is 12.2% versus a 3Y average of 9.1%. Interpretation: operating trend has not translated into free cash flow expansion, partly due to higher capital intensity. Implication: unless FCF Growth turns positive relative to the 3Y average of -6.8%, the low multiple can be rationalized by conversion risk. Historically, valuation was higher when returns were lower. Evidence: fiscal-year latest EV/EBITDA is 9.4x versus a 3Y average of 14.8x, while latest ROIC is 11.6% versus a 3Y average of 7.7%. Interpretation: the business is generating higher returns on capital than its recent historical average while trading at a lower multiple. Implication: the current multiple of 2.0x suggests a step-down in profitability not yet visible in ROIC or ROE data.

## INVESTABLE DEBATE

The investable debate is whether EPS Growth of 352.6% and Net Income Growth of 334.5% represent durable operating leverage in Government Solutions and Commercial Services, or whether Free Cash Flow Growth of -10.5% signals that earnings quality is at risk. Evidence: EV/Sales is 0.8x and EV/EBITDA is 2.0x. Interpretation: the market assigns a low revenue and earnings multiple to a business with ROE of 39.7%. Implication: the debate hinges on whether regulatory/legal exposure and customer concentration risks will compress cash generation below the current Free Cash Flow Yield of 14.6%.

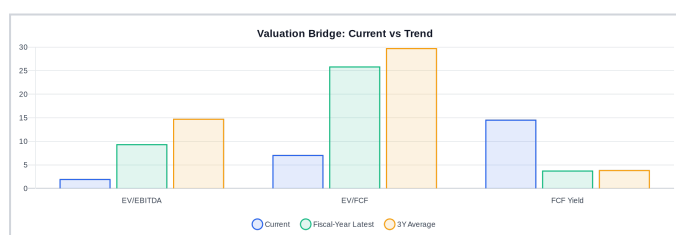
## MARKET EXPECTATIONS

At EV/FCF of 7.1x and Earnings Yield of 18.5%, the market is pricing that current earnings may not be sustained. Evidence: Free Cash Flow Growth is -10.5% and avgFreeCashFlowGrowth3Y is -6.8%. Interpretation: recent cash-flow trend is below long-term 5Y average Free Cash Flow Growth of 124.7%, reinforcing skepticism about durability. Implication: expectations embedded in the \$4.67 price appear to assume limited improvement in FCF Growth and potential pressure from regulatory or contractual developments.

## CURRENT VALUATION VS HISTORICAL TREND

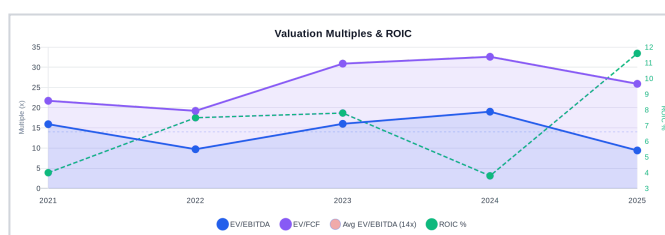
METRIC	CURRENT	FISCAL-YEAR LATEST	3Y AVG	5Y AVG
EV/EBITDA	2.0x	9.4x	14.8x	14.0x
EV/FCF	7.1x	25.9x	29.8x	26.1x
FCF Yield	14.6%	3.8%	3.9%	5.3%

Current EV/EBITDA is 2.0x, while fiscal-year trend data shows latest EV/EBITDA of 9.4x versus a 3Y average of 14.8x. Current EV/FCF is 7.1x, while fiscal-year trend data shows latest EV/FCF of 25.9x versus a 3Y average of 29.8x.



### VALUATION BRIDGE: CURRENT VS HISTORICAL TREND

Current EV/EBITDA is 2.0x, while fiscal-year trend data shows latest EV/EBITDA of 9.4x versus a 3Y average of 14.8x.



### VALUATION MULTIPLES & ROIC OVERLAY

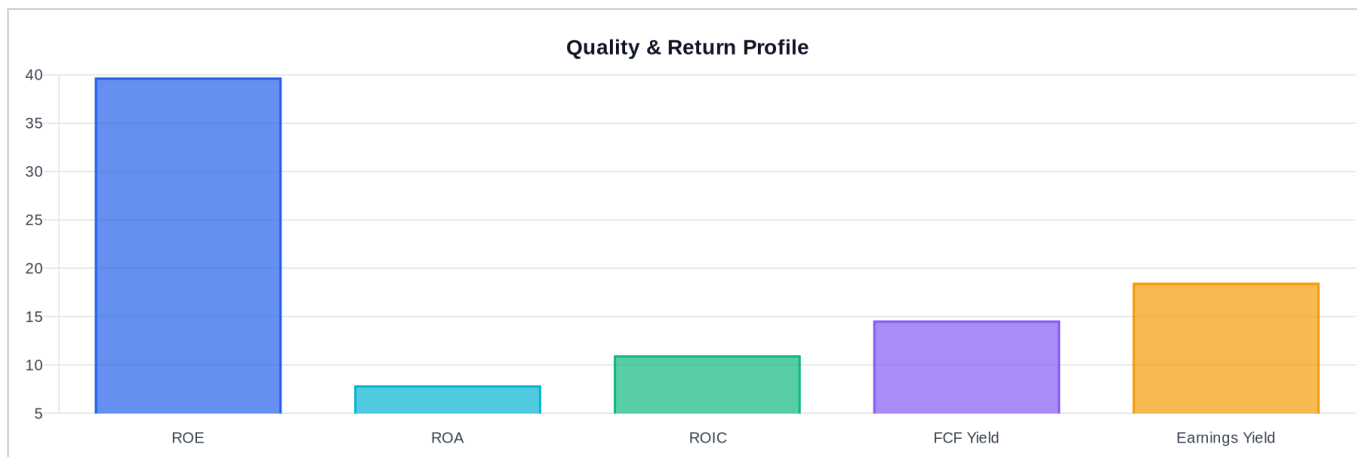
Current EV/EBITDA of 2.0x and EV/FCF of 7.1x are below fiscal-year latest EV/EBITDA of 9.4x and latest EV/FCF of 25.9x.

## VALUATION ANALYSIS

Current EV/EBITDA of 2.0x and EV/FCF of 7.1x are below fiscal-year latest EV/EBITDA of 9.4x and latest EV/FCF of 25.9x. Evidence: ROIC is 11.0% and Free Cash Flow to Firm is \$147.4M. Interpretation: the company is generating double-digit returns on invested capital and meaningful absolute cash flow relative to its \$736.1M enterprise value. Implication: the present valuation implies a decline in returns or cash generation not yet evidenced in ROIC of 11.0% or Free Cash Flow Yield of 14.6%.

## QUALITY & CAPITAL EFFICIENCY

Quality metrics are supported by ROE of 39.7%, ROA of 7.9%, and Income Quality of 1.8. Evidence: Net Debt/EBITDA is 0.07 and Current Ratio is 1.9. Interpretation: leverage risk is limited and earnings convert to cash at a ratio above 1.0. Implication: financial resilience appears consistent with a Compounder classification, contingent on stabilizing Free Cash Flow Growth of -10.5%.



#### QUALITY & RETURN PROFILE

Quality metrics are supported by ROE of 39.7%, ROA of 7.9%, and Income Quality of 1.8.

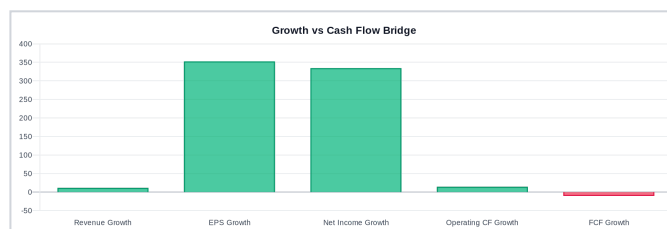
#### GROWTH TRAJECTORY

Growth is mixed. Evidence: Revenue Growth is 11.4% versus a 5Y average of 20.8%, while EPS Growth is 352.6% versus a 5Y average of 343.9%. Interpretation: top-line growth has decelerated relative to long-term averages, but earnings growth has accelerated due to operating leverage, with Operating Income Growth of 75.3%. Implication: the growth profile is margin-driven rather than revenue-accelerated, increasing sensitivity to volume or regulatory disruptions.



#### HISTORICAL GROWTH TRENDS

Growth is mixed.



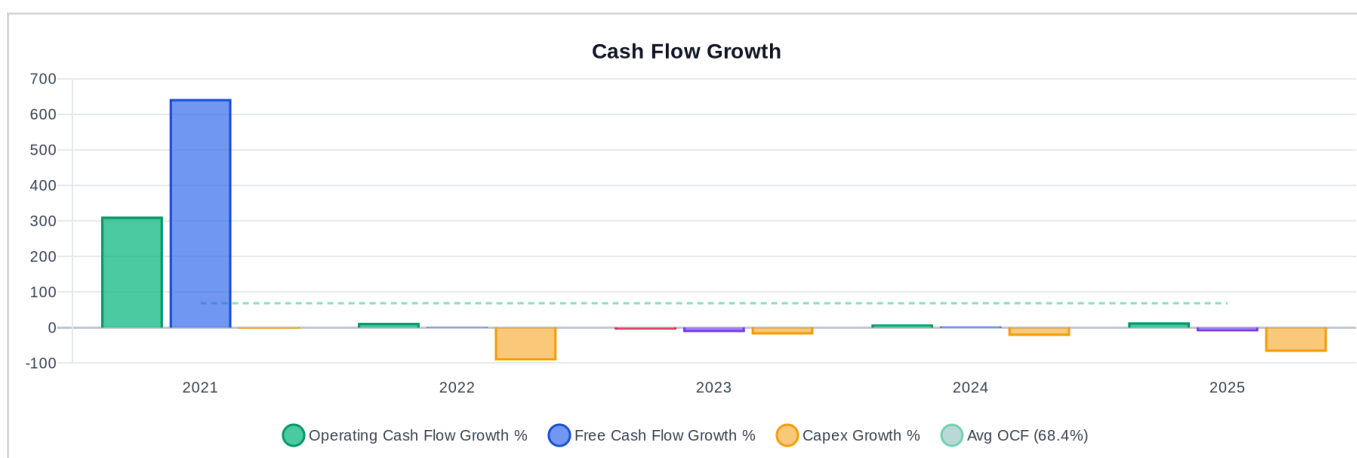
#### GROWTH VS CASH FLOW BRIDGE

Growth is mixed.

#### CASH FLOW GROWTH & CONVERSION

Cash-flow trend is the key tension. Evidence: Operating Cash Flow Growth is 14.4% while Free Cash Flow Growth is -10.5%. Interpretation: positive operating expansion is being offset by capital allocation or working capital dynamics, as Capex/Revenue is 12.2% versus a 3Y average of 9.1%. Implication: unless Free Cash Flow Growth moves above 0.0%, valuation support from a 14.6% FCF Yield may not translate into sustained deleveraging or reinvestment capacity.

Evidence: Income Quality is 1.8 and Cash Conversion Cycle is -1140.2 days. Interpretation: accounting earnings are supported by cash metrics and supplier financing dynamics, but Free Cash Flow Growth of -10.5% indicates that incremental earnings have not yet translated into incremental free cash flow. Implication: the thesis depends on aligning positive Operating Cash Flow Growth of 14.4% with positive Free Cash Flow Growth.



#### CASH FLOW GROWTH — OCF, FCF & CAPEX

Cash-flow trend is the key tension.

## ANALYST EXPECTATIONS

Next Revenue Estimate	\$1.0B
Revenue Bull Case	\$1.1B
Revenue Bear Case	\$989.0M
Next EPS Estimate	0.99
EPS Bull Case	1.06
EPS Bear Case	0.96
Revenue Dispersion	7.08%
EPS Dispersion	9.21%
Revenue Coverage	3
EPS Coverage	1

Analyst expectations appear Reasonable. Evidence: nextRevenueEstimate is \$1.0B and nextEpsEstimate is \$0.99, with revenueDispersionPct of 7.1% and epsDispersionPct of 9.2%. Interpretation: dispersion is contained and coverage is limited at 3 revenue analysts and 1 EPS analyst. Implication: expectations do not appear aggressive relative to Revenue Growth of 11.4% and EPS Growth of 352.6%, but limited coverage increases forecast sensitivity.



ANALYST EXPECTATIONS RANGE

Analyst expectations appear Reasonable.



EXECUTION HISTORY

Execution has been consistent.

## EXECUTION QUALITY

Quarters Analysed	8
EPS Beat Rate	75.0%
Revenue Beat Rate	87.5%
Avg EPS Surprise	3.6%
Avg Revenue Surprise	2.7%
EPS Beats / Misses	6 / 2
Revenue Beats / Misses	7 / 1

Execution has been consistent. Evidence: Revenue Beat Rate is 87.5% and EPS Beat Rate is 75% over 8 quarters, with averageEpsSurprisePct of 3.7%. Interpretation: management has delivered results above consensus in most quarters. Implication: historical execution supports credibility of near-term estimates such as nextEpsEstimate of \$0.99.

Given EPS Beat Rate of 75% and Revenue Beat Rate of 87.5%, combined with revenueDispersionPct of 7.1%, consensus appears anchored in observed performance. Interpretation: contained dispersion and repeated beats suggest estimates incorporate recent trends. Implication: deviations from Free Cash Flow Growth of -10.5% would be a more decisive signal than minor EPS variances.

## BULL / BASE / BEAR SCENARIOS

BULL CASE	BASE CASE	BEAR CASE
<p>If Revenue reaches the bull case of \$1.06B and EPS reaches \$1.06 while EV/EBITDA remains near 2.0x, then earnings durability would appear inconsistent with the current multiple. If Free Cash Flow Growth moves above 0.0% from -10.5%, then the cash conversion concern would diminish.</p> <p>Revenue Bull Case \$1.06B    EPS Bull Case \$1.06</p> <p>EV/EBITDA 2.0x</p>	<p>If Revenue tracks the nextRevenueEstimate of \$1.0B and EPS approximates \$0.99 while EV/FCF remains near 7.1x, then valuation would remain aligned with stable but not expanding Free Cash Flow Growth of -10.5%.</p> <p>Revenue Estimate \$1.0B    EPS Estimate \$0.99</p> <p>EV/FCF 7.1x</p>	<p>If Revenue falls toward the bear case of \$989.0M and EPS declines toward \$0.96 while Free Cash Flow Growth remains at -10.5%, then the low EV/Sales of 0.8x would reflect contracting earnings durability under regulatory or contractual pressure.</p> <p>Revenue Bear Case \$989.0M</p> <p>EPS Bear Case \$0.96    EV/Sales 0.8x</p>

## SCENARIO PROBABILITY MATRIX

BULL SCENARIO	BASE SCENARIO	BEAR SCENARIO	WEIGHTED THESIS SCORE
27%	52%	21%	51 / 100

### 12-24 MONTH CONDITIONAL OUTLOOK

Revenue Growth of 11.4% relative to avgRevenueGrowth3Y of 9.7% suggests steady expansion if nextRevenueEstimate of \$1.0B is achieved.

EPS Growth of 352.6% sets a high base; sustaining nextEpsEstimate of \$0.99 depends on maintaining Operating Income Growth of 75.3%.

If ROIC remains near 11.0% and EV/EBITDA stays at 2.0x, valuation would continue to imply earnings contraction not evidenced in return metrics.

With EPS Beat Rate of 75% across 8 quarters, execution trends support near-term estimate stability.

If Free Cash Flow Growth shifts from -10.5% to above 0.0%, the valuation case would be supported by improved cash durability despite EV/FCF of 7.1x.

### THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Can Free Cash Flow Growth move above 0.0% while Operating Cash Flow Growth remains at 14.4%?	If Free Cash Flow Growth rises above 0.0% from -10.5%, then cash conversion concerns would diminish.	If ROE falls below the 3Y average of 24.0% from 39.7%, then the quality profile would be challenged.
Will ROIC remain above the 3Y average of 7.7% if Revenue Growth stays near 11.4%?	If ROIC increases above the latest fiscal-year 11.6%, then capital efficiency would exceed recent levels and challenge the 2.0x EV/EBITDA multiple.	If Free Cash Flow Growth declines below the 3Y average of -6.8% from -10.5%, then cash-flow deterioration would deepen.
Does Capex/Revenue remain at 12.2% versus the 3Y average of 9.1%?	If Revenue Growth accelerates above the 5Y average of 20.8%, then deceleration concerns would be challenged.	If Net Debt/EBITDA rises above the fiscal-year 3Y historical level of 3.8x, then balance sheet risk would increase relative to the current 0.07x.



#### RISK & THESIS MONITOR

Can Free Cash Flow Growth move above 0.0% while Operating Cash Flow Growth remains at 14.4%?

### RISK ASSESSMENT

DIMENSION	SCORE	LEVEL
Valuation Risk	2 / 5	Low
Growth Risk	3 / 5	Moderate
Execution Risk	2 / 5	Low
Forecast Risk	3 / 5	Moderate
Quality Risk	2 / 5	Low
Overall Risk	2 / 5	Low

#### Composite Risk Score

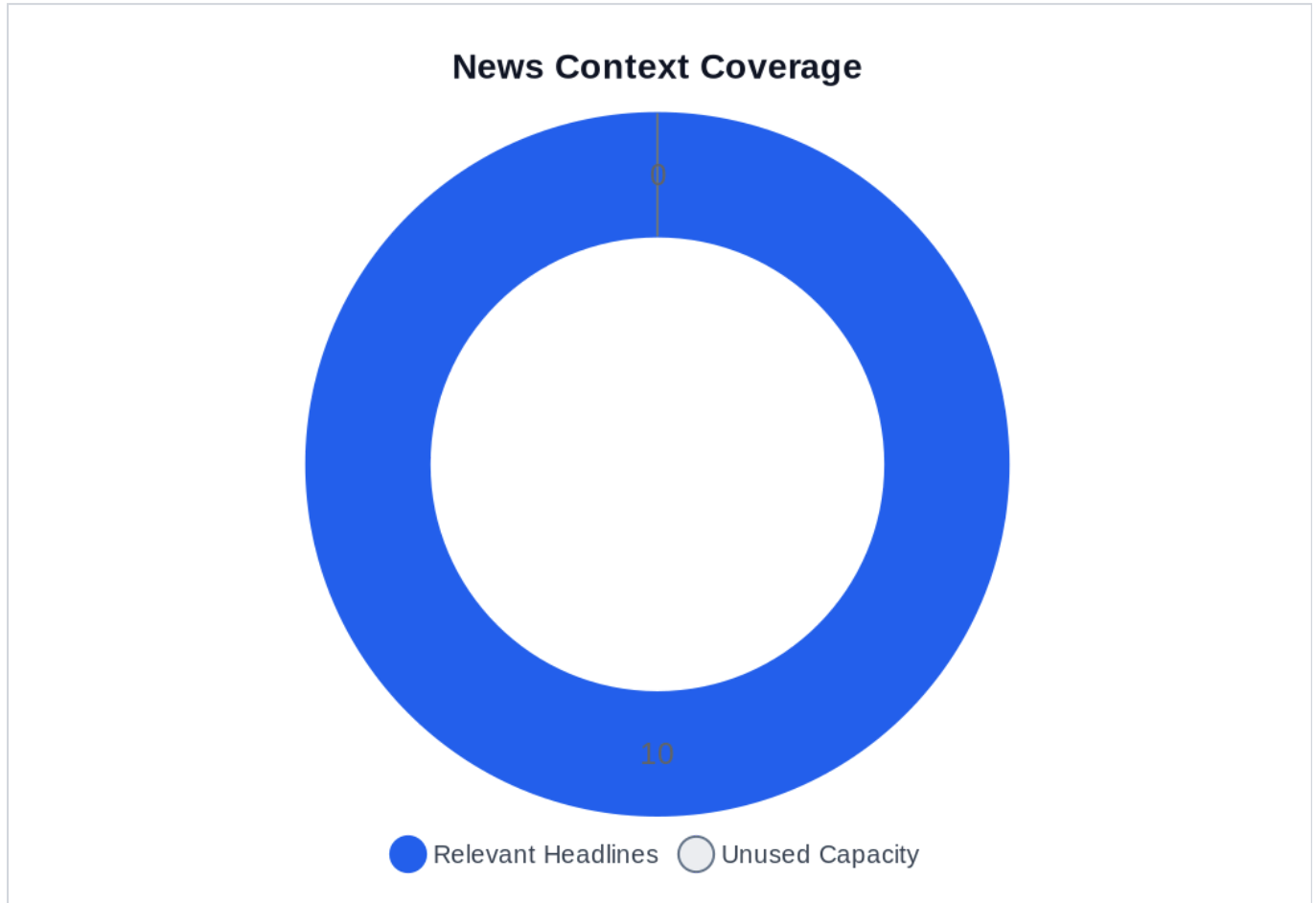
2.3 / 5

- Limited analyst coverage with analystCoverageEps of 1 increases estimate sensitivity.
- Intangibles to Total Assets of 55.3% introduces balance sheet composition risk.

- Capex/Revenue of 12.2% versus 3Y average of 9.1% may continue to pressure Free Cash Flow Growth.

## NEWS NARRATIVE

The headline "Hagens Berman Alerts Verra Mobility Corporation (VRRM) Investors: Avis Termination Notice Sparks Securities Class Action, 70% Stock Crash, \$1.4B Wipeout" is relevant to monitoring revenue concentration and legal risk, but additional evidence is required to determine financial impact. Multiple headlines dated 2026-06-14 reference securities class actions, reinforcing the regulatory\_legal theme, while financial metrics such as ROE of 39.7% and EV/EBITDA of 2.0x frame the valuation response.



### NEWS CONTEXT COVERAGE

Recent relevant coverage clusters around: product\_strategy, ai\_technology, regulatory\_legal.

## INVESTMENT VIEW

EVIDENCE BALANCE	CONVICTION	RISK LEVEL	CLASSIFICATION
Mixed evidence balance	Medium	Low	Value / Quality Candidate

**Core Thesis:** At EV/EBITDA of 2.0x and EV/FCF of 7.1x, the market is pricing deterioration in earnings durability and cash conversion despite ROE of 39.7%, ROIC of 11.0%, and EPS growth of 352.6%, making Free Cash Flow Growth of -10.5% the central metric resolving the regulatory-risk debate.

**Primary Risk:** Regulatory/legal exposure highlighted by class action headlines dated 2026-06-14.

**Monitor:** Can Free Cash Flow Growth move above 0.0% while Operating Cash Flow Growth remains at 14.4%?