# Verisk Analytics

## William Blair Growth Stock Conference

June 4, 2024

# Forward-Looking Statements, Safe Harbor, and Non-GAAP Financial Measures

## Forward-Looking Statements

This release contains forward-looking statements about Verisk's future performance, including those related to our financial guidance. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. This includes, but is not limited to, our expectation and ability to pay a cash dividend on our common stock in the future, subject to the determination by our Board of Directors and based on an evaluation of our earnings, financial condition and requirements, business conditions, capital allocation determinations, and other factors, risks, and uncertainties. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "target," "seek," "anticipate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements, because they involve known and unknown risks, uncertainties, and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements.

Other factors that could materially affect actual results, levels of activity, performance, or achievements can be found in our quarterly reports on Form 10-Q, annual reports on Form 10-K, and current reports on Form 8-K filed with the Securities and Exchange Commission. If any of these risks or uncertainties materialize or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement in this release reflects our current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise except as required by applicable securities laws.

## Notes Regarding the Use of Non-GAAP Financial Measures

We have provided certain non-GAAP financial information as supplemental information regarding our operating results. These measures are not in accordance with, or an alternative for, U.S. GAAP and may be different from non-GAAP measures reported by other companies. We believe that our presentation of non-GAAP measures provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. In addition, our management uses these measures for reviewing our financial results, for budgeting and planning purposes, and for evaluating the performance of senior management.

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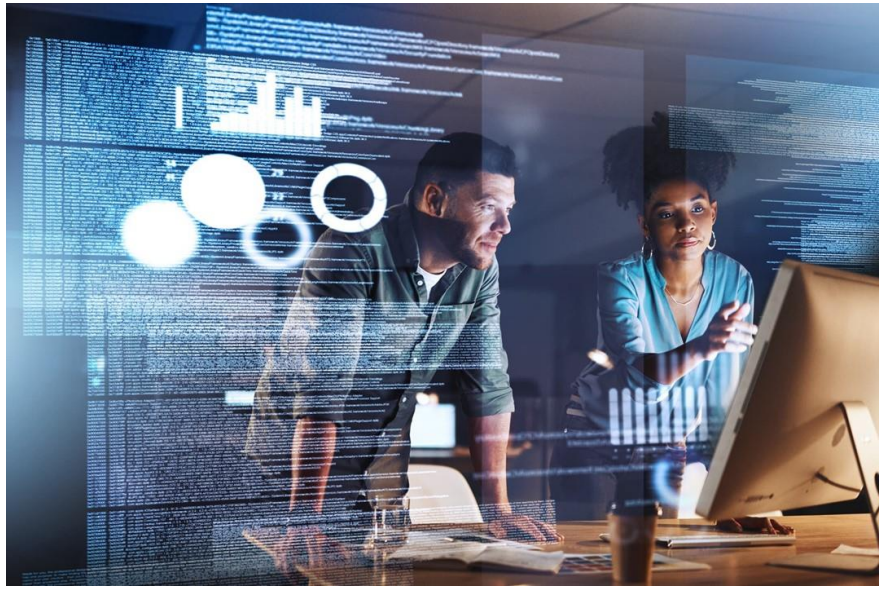
# Agenda

I. A Predictable Growth Company

II. Capitalizing on our Competitive Position

III. Financial Overview

IV. Appendix



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# I:  A Predictable Growth Company

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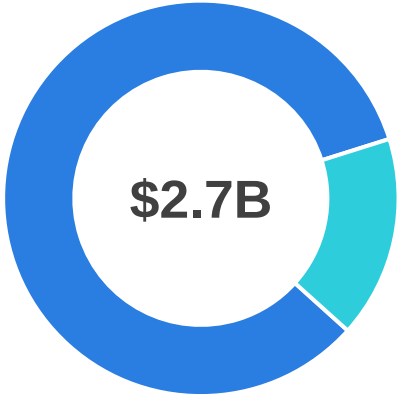
# A Strong and Profitable Platform

| Revenue | Profit | Focus | Retention | Recurring |
|---|---|---|---|---|
| $2.7B | 53.5% Adj. EBITDA Margin | 100% Insurance | 95%+ | 80% Total Revenue |

## 2023 Revenue By Reporting Segment

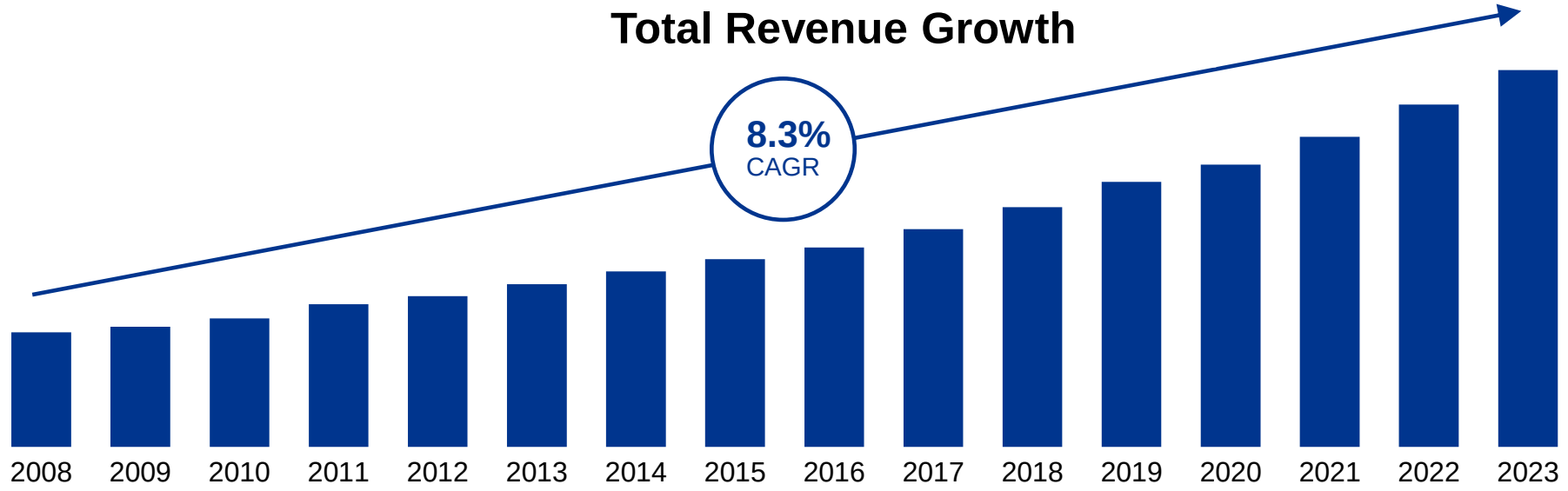


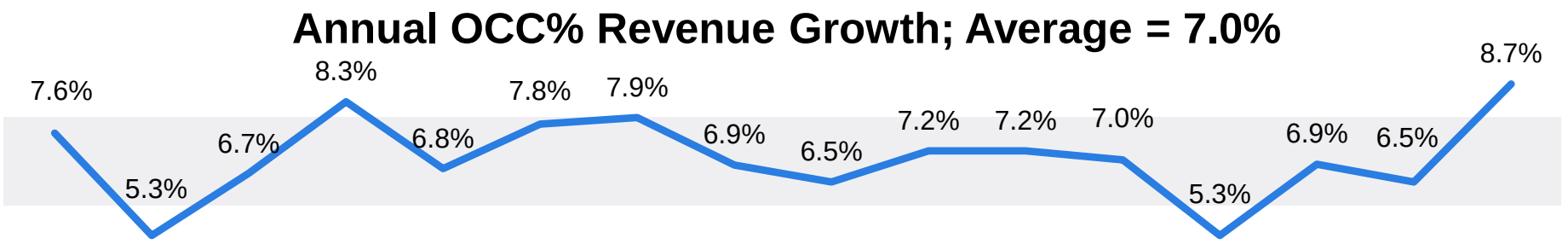

## 2023 Revenue By Geography




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# Consistent & Predictable Revenue Growth Last 15 Years




**6-8%**
**Range**

1. Pro Forma financials are adjusted to remove operating results for all divestitures.

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# We Serve the Global Insurance Industry



Life & Annuity



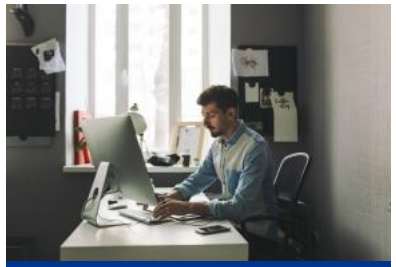
Property



Property Estimating



Auto



Underwriting Forms, Rules, & Loss Costs

Extreme Event



Casualty



Fraud Detection



Marketing



Specialty Business



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# US Insurance: A Scaled Industry That Plays A Critical Role in the Economy

## A Scaled Industry

**$800B**
US GWP

**3,700**
Number of US P&C Carriers



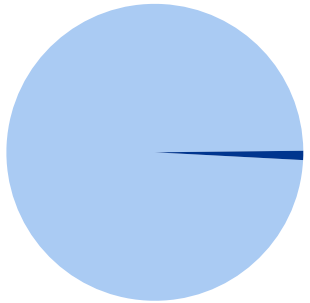
**$500B**
Industry Expenditures

**$210B**
Worldwide IT Spend

**$300B**
P&C Claims Fraud

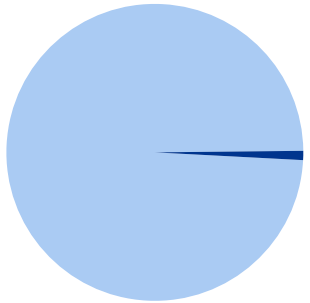
## Verisk Solutions are Mission-Critical but Small-Cost Item for the Industry

VRSK 2022 Revenue as % of US GWP



**0.3%**

VRSK 2022 Revenue as a % of Industry Expenditures



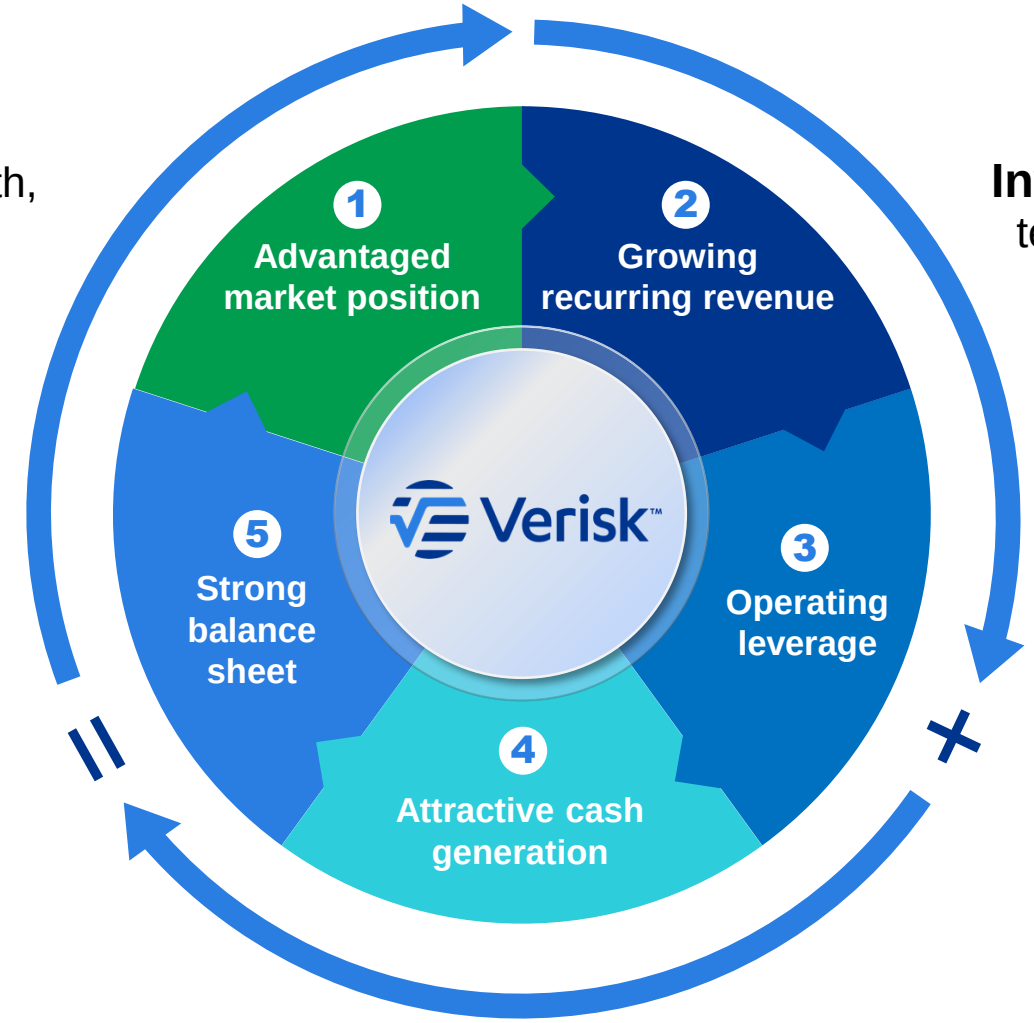
**0.4%**

*Source: AM Best, Coalition Against Insurance Fraud, Gartner, and management estimates.

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# Advantaged Business Model Drives Strong Economic Value

**Deliver** top line growth, strong returns




**Invest** in new datasets, technology & products

**Monetize** across global industry

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# The New Verisk – Building on 50 Years in Insurance

**Industry Utility**

- Centrality
- Scale
- Stability

>

**Data Infrastructure**

- Criticality
- Defensibility
- Evolution

>

**Technology Innovator**

- Growth
- Industry
- Solutions

>

**Network**

- Multiplier
- Efficiency
- Operating leverage

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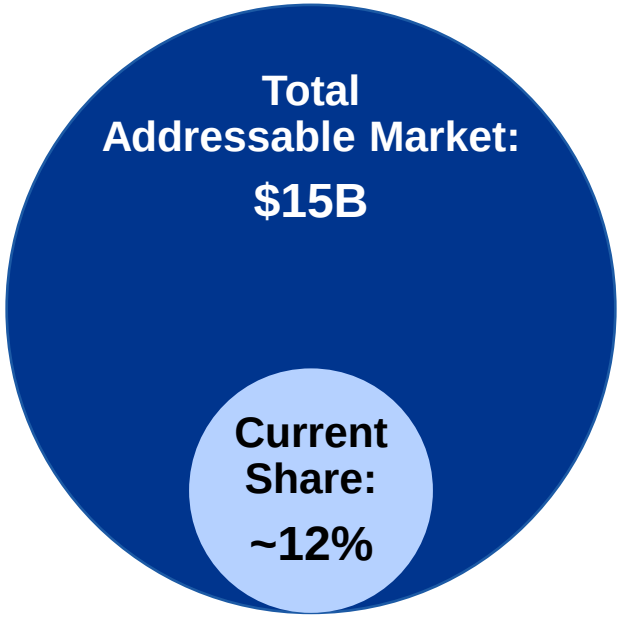
# II: Capitalizing on our Competitive Position

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# Well-Positioned in Large and Growing Markets

## Underwriting & Rating

**Growing +LSD% annually**

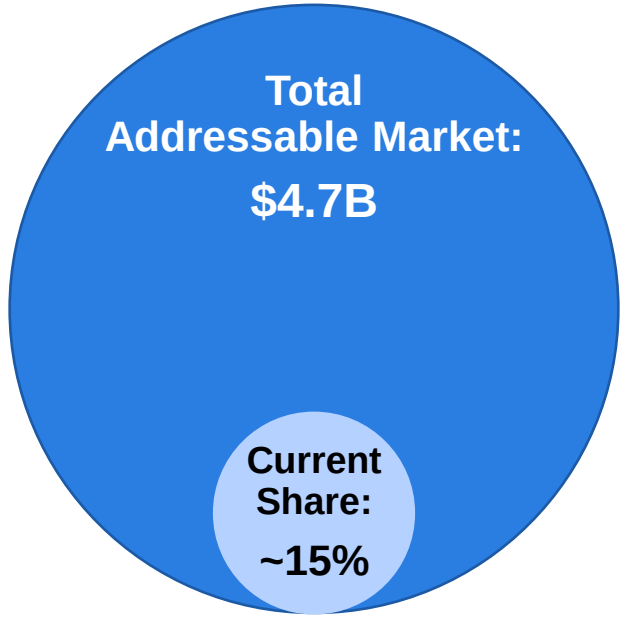



**Business Lines:**

- Forms, Rules, Loss Costs
- Commercial & Personal
- Underwriting Products
- Extreme Events
- Life Solutions
- Marketing Solutions
- Specialty Business Solutions
- ESG Solutions

## Claims

**Growing +LSD% annually**




**Business Lines:**

- Property Estimating
- Casualty
- Anti-Fraud

*Source: Management estimates.

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# Clearly Defined Strategic Operating Goals

## Client



- Strengthen client strategic dialogue
- Intensify industry engagement
- Improve go-to-market approach

## Product



- Enhance existing solutions
- Accelerate growth opportunities
- Develop new market horizons

## Team



- Enhance results-oriented culture
- Focus on integration across insurance
- Improve talent acquisition & retention

## Financial



- Revenue growth
- Margin expansion
- Capital return
- Return on invested capital

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# Three Key Priorities

## Drive Consistent Growth



## Deliver Margin Expansion



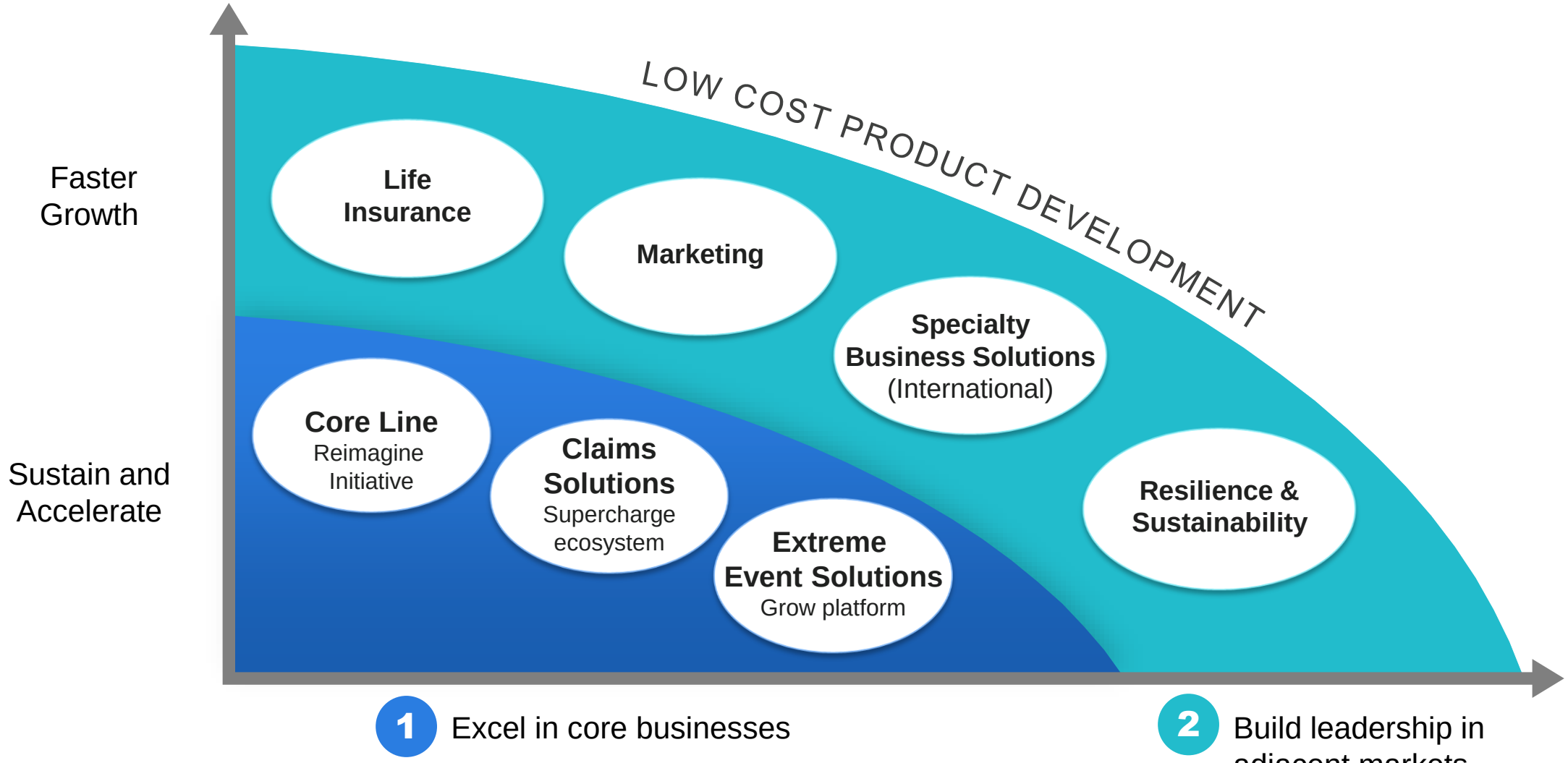
## Ensure Disciplined Capital Allocation



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PRIORITY #1

# Drive Consistent and Predictable Growth by Extending Our Reach within Insurance



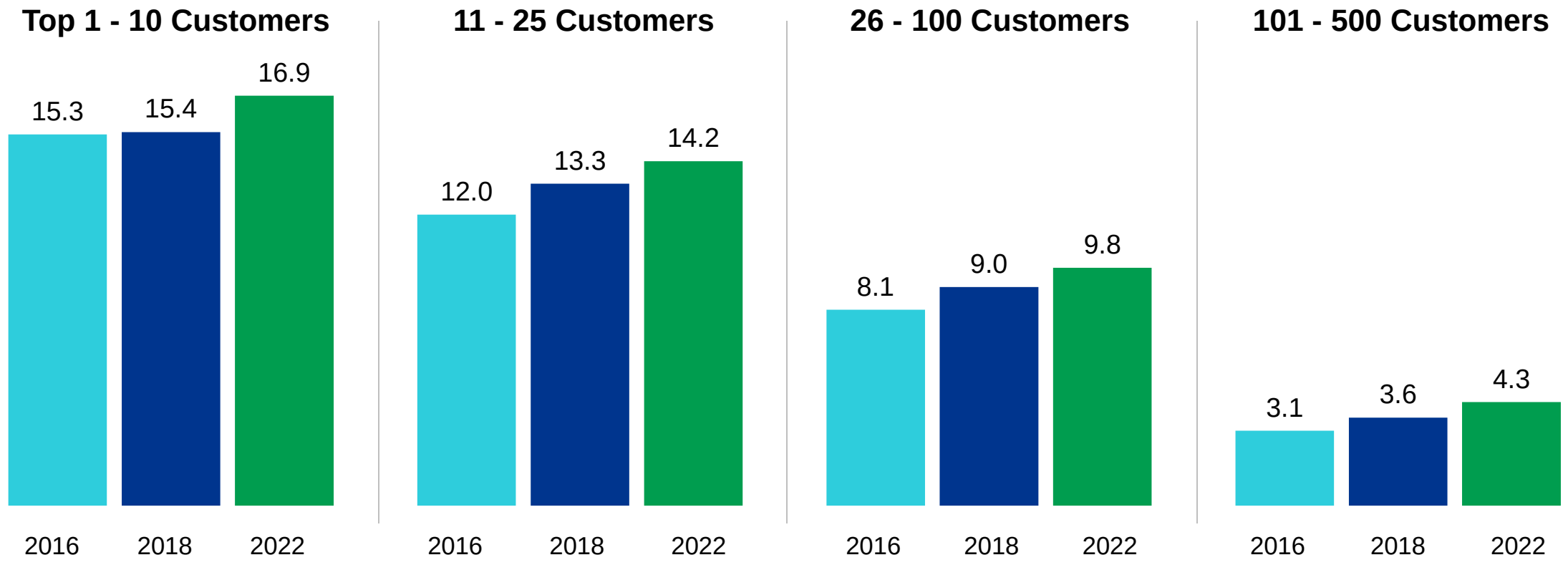

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PRIORITY #1

# Drive Consistent and Predictable Growth Through Cross Sell of Existing Solutions

## Average Number of Products

(Across 33 Product Categories)




Top Customers Based on Verisk Revenue

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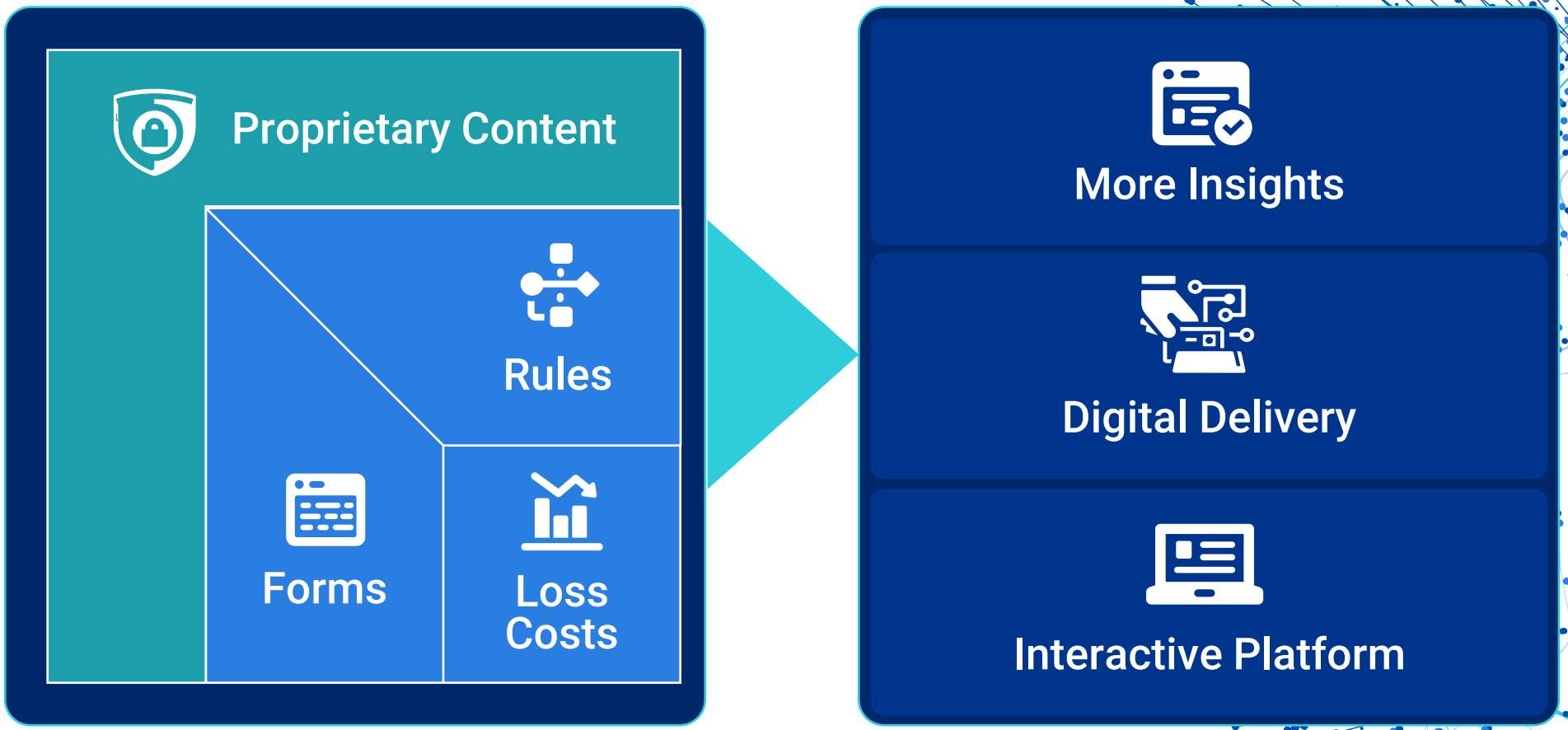
PRIORITY #1

# Drive Consistent and Predictable Growth Through Innovation

| Sustainable Innovation | Transformational Innovation | Disruptive Innovation | Efficiency Innovation |
|---|---|---|---|
|  |  |  |  |
| Optimizing existing products for existing customers | Leading the industry with new products | Inventing market disrupting ideas | Streamlining existing processes and business models |
| Value Based Pricing | Overall Topline Growth | Market Share Gains | Margin Expansion |
| Touchstone | Lightspeed | Life/Critical Illness/ Automated Medical Risk Tool for Asia | Future of Data Collection |
| Core Lines Reimagine | | | |

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# Case Study:  Core Lines Reimagine




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PRIORITY #2

# Multiple Levers of Margin Expansion

## Operating Leverage



- Subscription revenues drive high incremental margins
- Build once, sell many times
- Ongoing productivity enhancements

## Cost Actions



- Cost savings from technology transformation
- Greater emphasis on hiring in low-cost jurisdictions
- Right sizing real estate footprint for hybrid work

## Portfolio Impacts



- Mix shift from faster growing, lower margin businesses
- Acquisitions generally carry lower margins; with operating leverage

**Result**

**Margin expansion**

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PRIORITY #3

# Ensure Disciplined Capital Allocation

**1**

## Organic Investment



**2**

## Selective M&A



**3**

## Strong Balance Sheet



**4**

## Return Capital to Shareholders



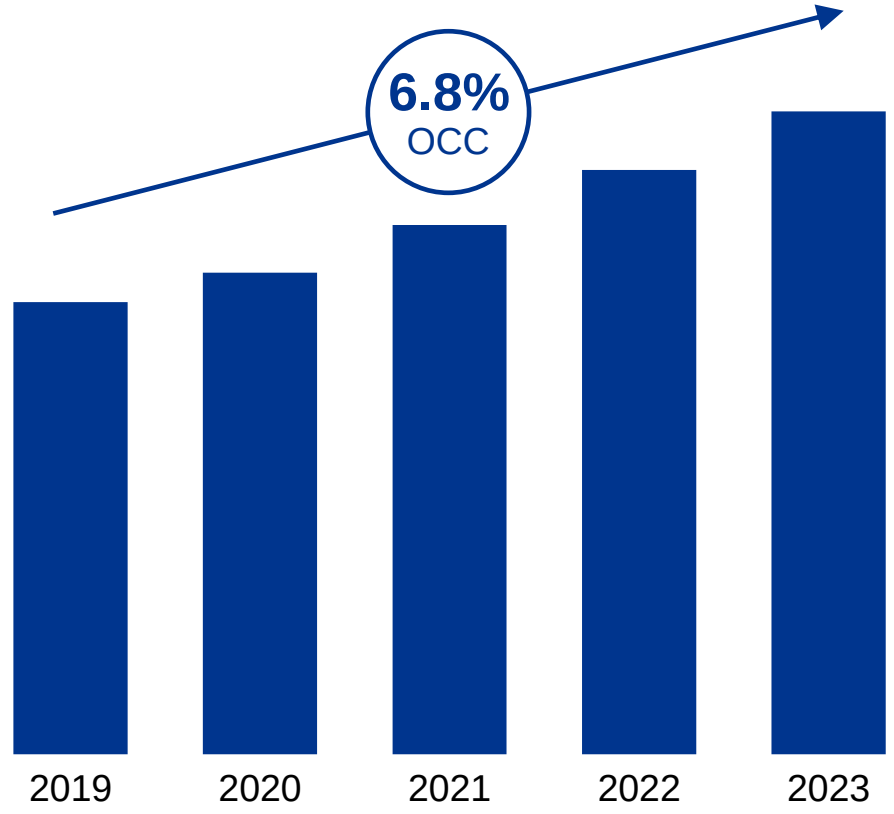
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# III: Financial Overview

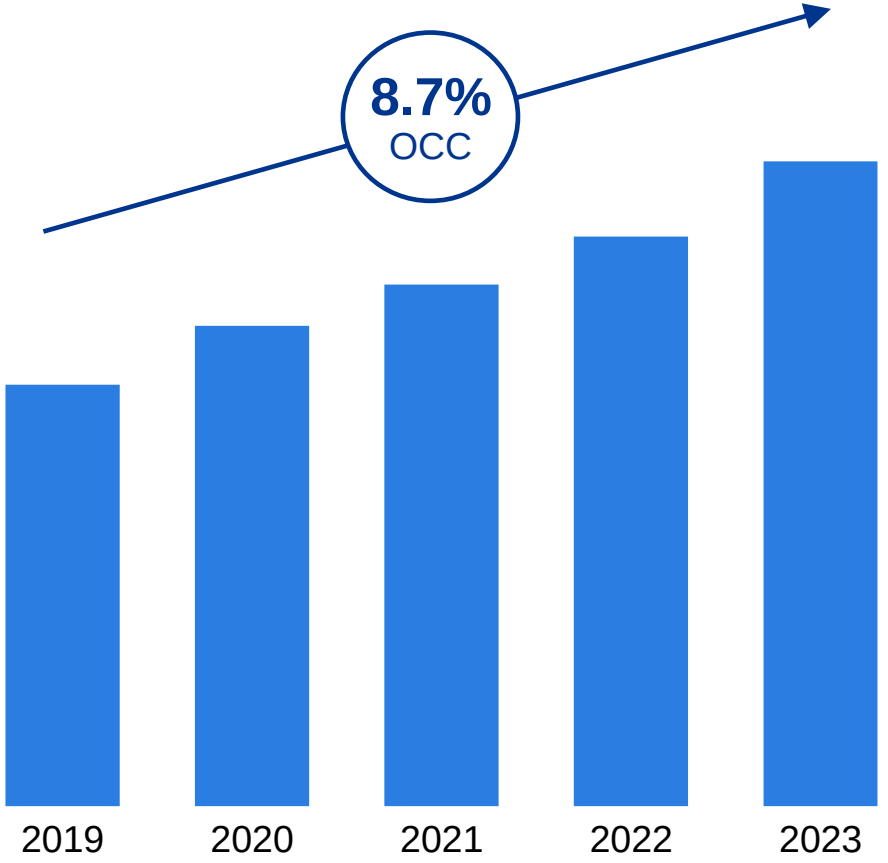
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# Delivers Solid and Consistent Growth

## Revenue Growth (1)




## Adjusted EBITDA Growth (1)

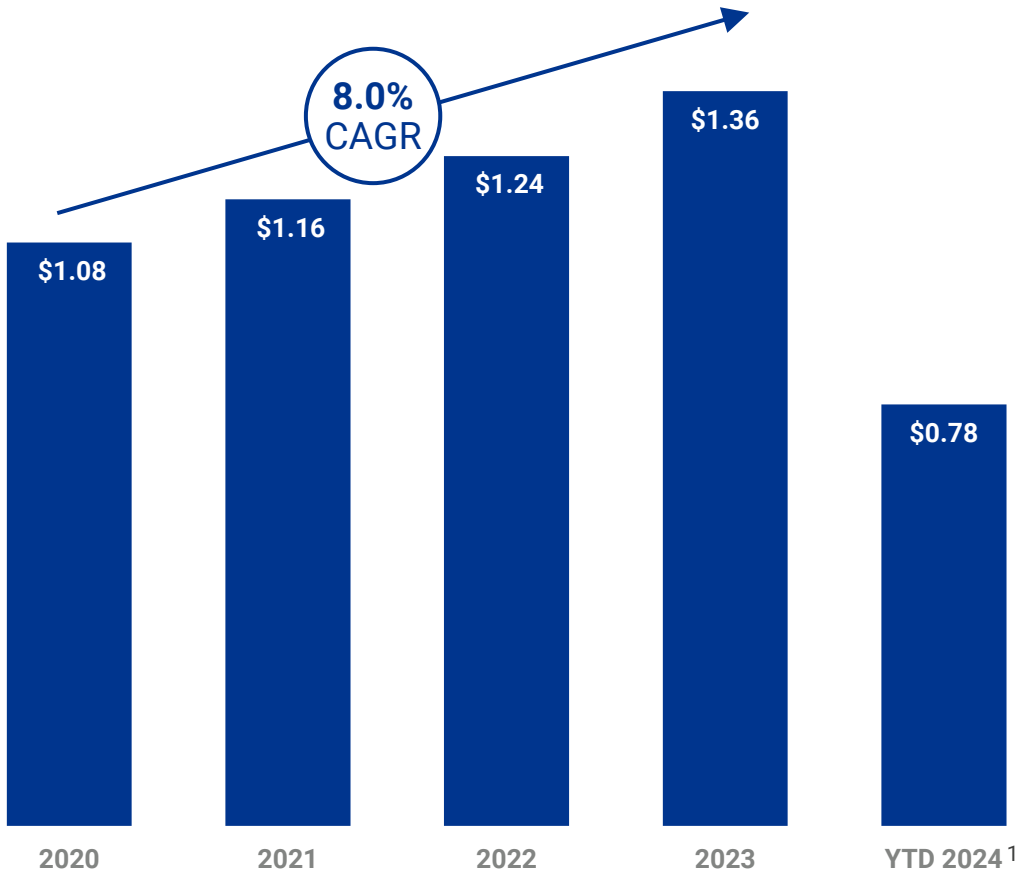



Note 1: Numbers are pro forma for all dispositions.

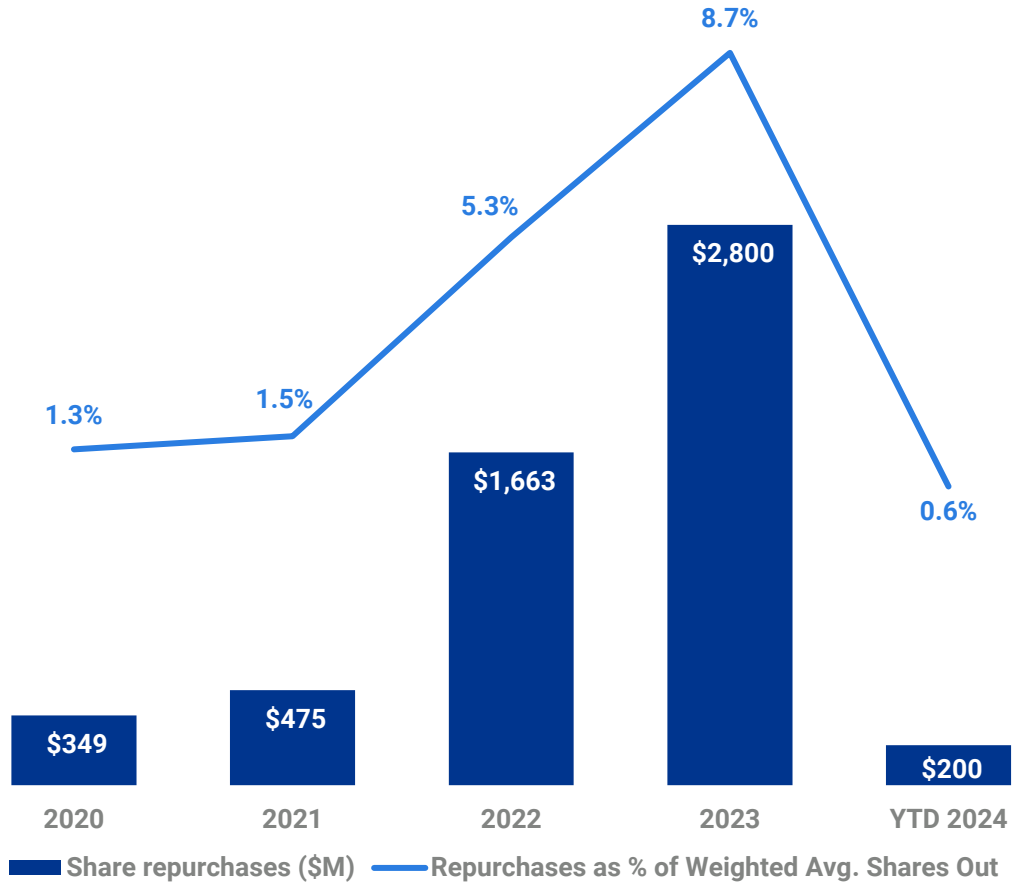
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# Capital Return

## Dividend per Share




## Share Repurchases




1. *2024 dividend per share includes $0.39 approved dividend to be paid on June 28, 2024.*

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# Maintain Investment Grade Rating and Strong Balance Sheet

| Investment Grade Debt Issuer | Target Leverage | FCF Generation | Working Capital Efficiency |
|---|---|---|---|
| Continue to **Maintain** | Debt to EBITDA Target **2–3X** | 2023 **+$800M** | Working Capital **Source of Cash** |

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# Verisk 2023 Investor Day Targets

| OCC Revenue Growth | OCC EBITDA Growth | Adjusted EBITDA Margin Expansion | Adjusted EPS Growth |
|---|---|---|---|
| **6%-8%** annually | **7%-10%** annually | **54-55%** in 2024<br>**+25-75 bps** in 2025 | **+Double Digit** |



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SUMMARY

# Driving Consistent and Predictable Growth

- Long track record of consistent and predictable growth
- Committed to deliver margin expansion
- Disciplined capital allocation
- Multiple factors set to drive accelerated earnings growth going forward



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# Appendix:

# Guidance, Supplemental Slides and Non-GAAP Reconciliations

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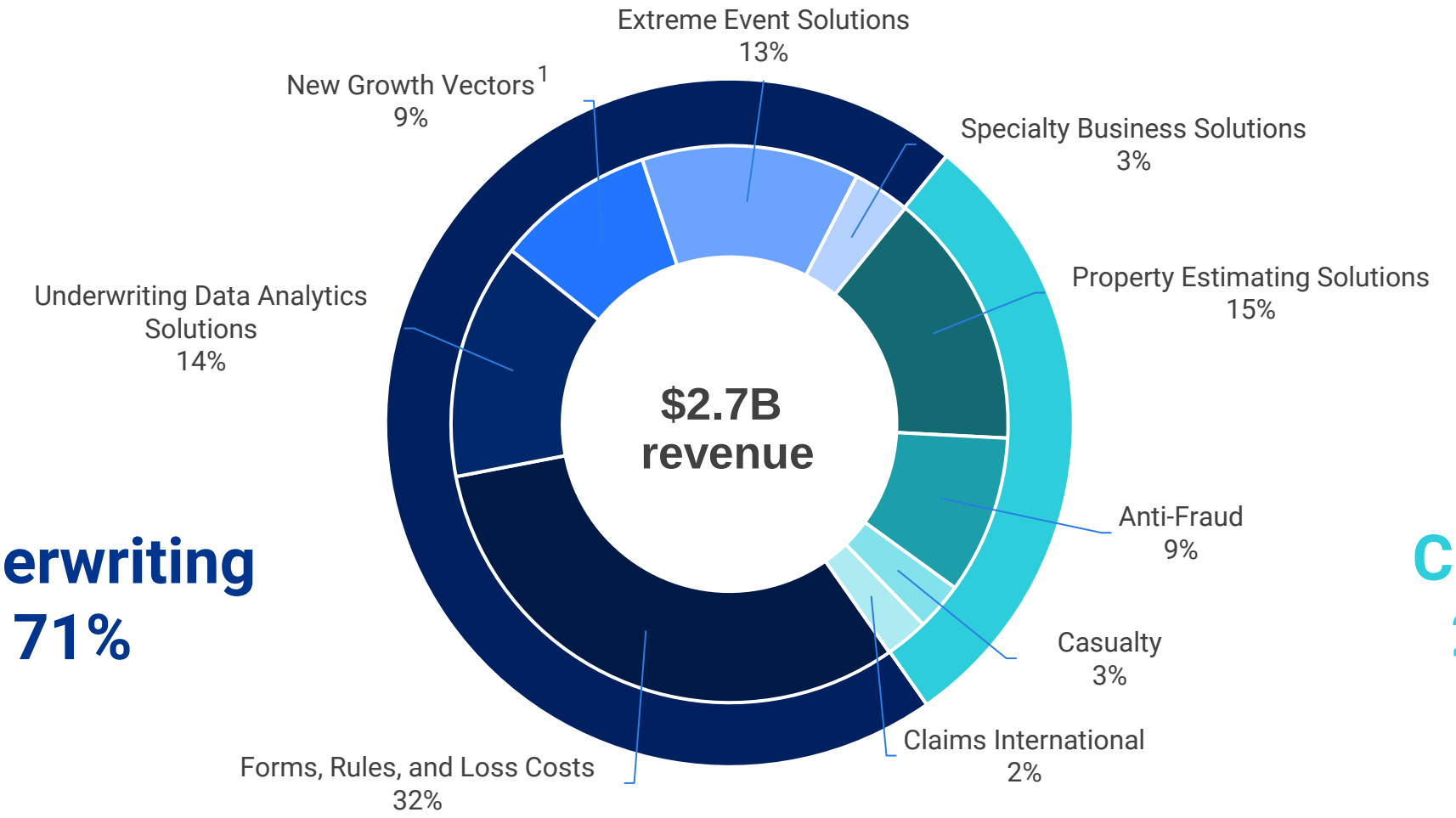
# 2024 Outlook

| Metric | 2024 Guidance | 2023 | YoY Growth at Midpoint |
|---|---|---|---|
| Total Revenue | $2.84 – $2.90B | $2.68B | 7.0% |
| Adjusted EBITDA | $1.54 – $1.60B | $1.43B | 9.5% |
| Adjusted EBITDA margin | 54.0% – 55.0% | 53.5% | 100 bps |
| Diluted Adjusted EPS | $6.30 – $6.60 | $5.71 | 13.0% |
| Tax rate | 23% – 25% | 25.2% | (120) bps |
| Capex | $240 – $260M | $224M | 11.8% |
| Fixed asset D&A | $210 – $240M | $207M | 8.8% |
| Intangible amortization | $75M | $75M | -- |
| Q2 Dividend Per Share | $0.39 | $0.34 | 14.7% |

*We are not able to provide a reconciliation of projected Adjusted EBITDA and Adjusted EBITDA margin to the most directly comparable expected GAAP results because of the unreasonable effort and high unpredictability of estimating certain items that are excluded from non-GAAP Adjusted EBITDA and Adjusted EBITDA margin, including, for example, tax consequences, acquisition-related costs, gain/loss from dispositions and other non-recurring expenses, the effect of which may be significant.*

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# 2023 Revenue Contribution




**Underwriting 71%**

**Claims 29%**

*1. New Growth Vectors includes Life, Marketing and Underwriting Solutions International*

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# Non-GAAP Reconciliations

## Specified Metrics

We have provided certain non-GAAP financial information as supplemental information regarding our operating results. These measures are not in accordance with, or an alternative for, U.S. GAAP and may be different from non-GAAP measures reported by other companies. We believe that our presentation of non-GAAP measures provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. In addition, our management uses these measures for reviewing our financial results, for budgeting and planning purposes, and for evaluating the performance of senior management.

### EBITDA, Adjusted EBITDA, and Adjusted EBITDA Expenses

EBITDA represents GAAP net income adjusted for (i) depreciation and amortization of fixed assets; (ii) amortization of intangible assets; (iii) interest expense, net; and (iv) provision for income taxes. Adjusted EBITDA represents EBITDA adjusted for acquisition-related costs (earn-outs), gain/loss from dispositions (which includes businesses held for sale), and nonrecurring gain/loss. Adjusted EBITDA expenses represent adjusted EBITDA net of revenues. We believe these measures are useful and meaningful because they allow for greater transparency regarding our operating performance and facilitate period-to-period comparison.

### Adjusted Net Income and Diluted Adjusted EPS

Adjusted net income represents GAAP net income adjusted for (i) amortization of intangible assets, net of tax; (ii) acquisition-related costs (earn-outs), net of tax; (iii) gain/loss from dispositions (which includes businesses held for sale), net of tax; and (iv) nonrecurring gain/loss, net of tax. Diluted adjusted EPS represents adjusted net income divided by weighted-average diluted shares. We believe these measures are useful and meaningful because they allow evaluation of the after-tax profitability of our results excluding the after-tax effect of acquisition-related costs and nonrecurring items.

### Free Cash Flow

Free cash flow represents net cash provided by operating activities determined in accordance with GAAP minus payments for capital expenditures. We believe free cash flow is an important measure of the recurring cash generated by our operations that may be available to repay debt obligations, repurchase our stock, invest in future growth through new business development activities, or make acquisitions.

### Organic

Organic is defined as operating results excluding the effect of recent acquisitions and dispositions (which include businesses held for sale) that have occurred over the past year. An acquisition is included as organic at the beginning of the calendar quarter that occurs subsequent to the one-year anniversary of the acquisition date. Once an acquisition is included in its current-period organic base, its comparable prior-year-period operating results are also included to calculate organic growth. A disposition (which includes a business held for sale) is excluded from organic at the beginning of the calendar quarter in which the disposition occurs (or when a business meets the held-for-sale criteria under U.S. GAAP). Once a disposition is excluded from its current-period organic base, its comparable prior-year-period operating results are also excluded to calculate organic growth. We believe the organic presentation enables investors to assess the growth of the business without the impact of recent acquisitions for which there is no prior-year comparison and the impact of recent dispositions, for which results are removed from all prior periods presented to allow for comparability.

### Organic Constant Currency (OCC) Growth Rate

Organic Constant Currency (OCC) Growth Rate: Our operating results, such as, but not limited to, revenue and adjusted EBITDA, reported in U.S. dollars are affected by foreign currency exchange rate fluctuations because the underlying foreign currencies in which we transact changes in value over time compared with the U.S. dollar; accordingly, we present certain constant currency financial information to assess how we performed excluding the impact of foreign currency exchange rate fluctuations. We calculate constant currency by translating comparable prior-year-period results at the currency exchange rates used in the current period. We believe organic constant currency is a useful and meaningful measure to enhance investors' understanding of the continuing operating performance of our business and to facilitate the comparison of period-to-period performance because it excludes the impact of foreign exchange rate movements, acquisitions, and dispositions.

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# Non-GAAP Reconciliations

## Segment Results and EBITDA | Current and Prior-Year Period

| Segment Results Summary and Adjusted EBITDA Reconciliation | 1Q24 | 1Q23 |
|---|---|---|
| Revenues | $704.0M | $651.6M |
| Revenues from acquisitions and dispositions | (7.8) | (1.9) |
| **Organic revenues** | **696.2** | **649.7** |
| EBITDA | 380.0 | 355.3 |
| Acquisition-related credit (earn-outs) | — | (15.0) |
| Impairment of cost-based investments | 1.0 | — |
| Nonoperational foreign currency loss on internal loan transaction | 4.2 | — |
| Litigation reserve, net of recovery | (4.7) | — |
| **Adjusted EBITDA** | **380.5** | **340.3** |
| Adjusted EBITDA from acquisitions and dispositions | (1.2) | 0.1 |
| **Organic adjusted EBITDA** | **379.3** | **340.4** |

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# Non-GAAP Reconciliations

## Segment Results and EBITDA | Current and Prior-Year Period

| Segment Results Summary and Adjusted EBITDA Reconciliation | FY23 Insurance | FY23 E&SM | FY23 FS | FY22 Insurance | FY22 E&SM | FY22 FS |
|---|---|---|---|---|---|---|
| Revenues | $2,681.4M | — | — | $2,437.0M | $22.4M | $37.6M |
| Revenues from acquisitions and dispositions | (42.9) | — | — | (10.5) | (22.4) | (37.6) |
| **Organic revenues** | **2,638.5** | — | — | **2,426.5** | **-** | **-** |
| EBITDA | 1,424.1 | — | — | 1,303.0 | 426.2 | (89.4) |
| Impairment loss | — | — | — | — | — | 73.7 |
| Impairment of cost-based investments | 6.5 | — | — | — | — | — |
| Litigation reserve | 38.2 | — | — | — | — | — |
| Acquisition-related costs (earn-outs) | (19.4) | — | — | (3.0) | — | — |
| Severance expense | — | — | — | — | 1.8 | — |
| (Gain) loss from dispositions | (15.9) | — | — | — | (449.9) | 22.1 |
| **Adjusted EBITDA** | **1,433.5** | — | — | **1,300.0** | **(21.9)** | **6.4** |
| Adjusted EBITDA from acquisitions and dispositions | (8.1) | — | — | (28.7) | 21.9 | (6.4) |
| **Organic adjusted EBITDA** | **1,425.4** | — | — | **1,271.3** | — | — |

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# Non-GAAP Reconciliations

## Adjusted Net Income/EPS and Free Cash Flow | Current and Prior-Year Period

| Adjusted Net Income and EPS | FY23 | FY22 | 1Q24 | 1Q23 |
|---|---|---|---|---|
| Net income | $614.4M | $954.3M | $219.4M | $56.4M |
| Income from discontinued operations, net of tax expense | (154.0) | (87.8) | — | 138.0 |
| Income from continuing operations | 768.4 | 1,042.1 | 219.4 | 194.4 |
| plus: Amortization of intangibles | 74.6 | 74.4 | 18.5 | 17.7 |
| less: Income tax effect on amortization of intangibles | (18.7) | (18.6) | (4.8) | (4.5) |
| plus: Litigation reserve expense (release) | 38.2 | — | (4.7) | — |
| plus: Income tax effect on litigation reserve | (0.5) | — | 1.7 | — |
| plus: Acquisition-related costs and interest expense (earn-outs) | (19.4) | (0.1) | — | (15.0) |
| less: Income tax effect on acquisition-related costs and interest expense (earn-outs) | 4.9 | 0.1 | — | 3.8 |
| plus: Impairment loss | — | 73.7 | — | — |
| less: Income tax effect on impairment loss | — | (16.8) | — | — |
| plus: Loss (gain) from dispositions | (15.9) | (427.9) | — | — |
| less: Income tax effect on gain from dispositions | 3.7 | 67.4 | — | — |
| plus: Impairment of cost-based investments | 6.5 | — | 1.0 | — |
| less: Income tax effect on impairment of cost-based investments | (0.4) | — | (0.3) | — |
| plus: Severance expense | — | 1.8 | — | — |
| less: Income tax effect on severance expense | — | (0.4) | — | — |
| plus: Nonoperational foreign currency loss on internal loan transaction | — | — | 4.2 | — |
| less: Income tax effect on nonoperational foreign currency loss on internal loan transaction | — | — | (1.0) | — |
| **Adjusted net income** | **841.4** | **795.7** | **234.0** | **196.4** |
| **Diluted EPS attributable to Verisk** | **$5.22** | **$6.55** | **$1.52** | **$1.27** |
| **Diluted adjusted EPS** | **$5.71** | **$5.01** | **$1.63** | **$1.29** |
| Weighted-average diluted shares outstanding | 147.3M | 158.9M | 144.0M | 152.7M |

| Free Cash Flow | FY23 | FY22 | 1Q24 | 1Q23 |
|---|---|---|---|---|
| Net cash provided by operating activities | $1,060.7M | $1,059.0M | $372.2M | $365.3M |
| Capital expenditures | (230.0) | (274.7) | (55.2) | (61.2) |
| **Free cash flow** | **830.7** | **784.3** | **317.0** | **304.1** |

1. *Cash flow measures follow GAAP view and includes the impact from recent dispositions, including discontinued operations.*

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# Non-GAAP Reconciliations

## 2021 and 2022 Pro Forma Revenues and EBITDA

| | 2023 | 2022 | | | | | 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 1Q | 2Q | 3Q | 4Q | FY | 1Q | 2Q | 3Q | 4Q | FY |
| Revenues (Insurance) | $652M | $586M | $610M | $610M | $630M | $2,437M | $536M | $550M | $558M | $563M | $2,207M |
| Revenues from acquisitions | 23 | (20) | (28) | (28) | (28) | (105) | (1) | - | (0) | (2) | (3) |
| **Organic revenues** | **629** | **567** | **582** | **582** | **602** | **2,332** | **535** | **550** | **558** | **562** | **2,204** |
| Net income attributable to Verisk (reported)[1] | 56 | 506 | 198 | 189 | 61 | 954 | 169 | 154 | 202 | 142 | 666 |
| (Income) loss from discontinued operations[2] | (138) | (19) | (24) | (24) | 155 | 88 | (21) | 8 | (22) | (24) | (59) |
| Income from continuing operations | 194 | 487 | 173 | 166 | 216 | 1,042 | 148 | 161 | 179 | 118 | 607 |
| Depreciation and amortization of fixed assets | 45 | 40 | 39 | 42 | 43 | 164 | 42 | 43 | 43 | 42 | 170 |
| Amortization of intangible assets | 18 | 21 | 18 | 18 | 17 | 74 | 21 | 25 | 14 | 20 | 80 |
| Interest expense | 26 | 31 | 32 | 34 | 41 | 139 | 35 | 31 | 30 | 30 | 127 |
| Provision for income taxes | 72 | 103 | 41 | 53 | 24 | 220 | 46 | 57 | 53 | 24 | 179 |
| EBITDA | 355 | 682 | 304 | 312 | 341 | 1,639 | 292 | 318 | 318 | 235 | 1,164 |
| Impairment loss | - | 74 | - | - | - | 74 | - | - | - | 134 | 134 |
| Litigation reserve | - | - | - | - | - | - | - | - | - | (50) | (50) |
| Acquisition-related costs (earn-outs) | (15) | - | - | 8 | (11) | (3) | (0) | 0 | 0 | - | 0 |
| Severance expense | - | - | 2 | - | - | 2 | - | - | - | - | - |
| Loss (gain) from dispositions | - | (451) | 16 | 5 | 2 | (428) | - | - | - | - | - |
| EBITDA from dispositions[3] | - | (18) | (0) | 0 | 0 | (18) | (19) | (21) | (22) | (27) | (88) |
| **Adjusted EBITDA (Pro Forma)** | **340** | **287** | **322** | **325** | **332** | **1,266** | **274** | **297** | **297** | **292** | **1,160** |
| Adjusted EBITDA from acquisitions | (5) | (4) | (7) | (8) | (6) | (25) | 1 | - | 0 | 1 | 2 |
| **Organic adjusted EBITDA (Pro Forma)** | **$335M** | **$284M** | **$315M** | **$318M** | **$326M** | **$1,242M** | **$274M** | **$297M** | **$297M** | **$293M** | **$1,162M** |

1. *As reported in the Company's 2021 and 2022 10-k filing.*
2. *(Income) loss from discontinued operations reflects the results of our recently announced disposition of the Energy business*
3. *Includes 3E and VFS*

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