

30-Jul-2025

# Verisk Analytics, Inc. (VRSK)

Q2 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, everyone, and welcome to the Verisk second quarter 2025 earnings results conference call. This call is being recorded. Currently, all participants are in a listen-only mode. After today's prepared remarks, we will conduct a question-and-answer session, where we will limit participants to one question so that we can allow time for everyone to ask a question. We will have further instructions for you at that time.

For opening remarks and introductions, I would like to turn the call over to Verisk's Head of Investor Relations, Ms. Stacey Brodbar. Ms. Brodbar, please go ahead.

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### Stacey Jill Brodbar

*Head-Investor Relations & FP&A, Verisk Analytics, Inc.*

Thank you, operator, and good day, everyone. We appreciate you joining us today for a discussion of our second quarter 2025 financial results. On the call today are Lee Shavel, Verisk's President and Chief Executive Officer; and Elizabeth Mann, Chief Financial Officer.

The earnings release referenced on this call as well as our traditional quarterly earnings presentation and the associated 10-Q can be found in the Investors section of our website, [verisk.com](http://verisk.com). The earnings release has also been attached to an 8-K that we have furnished to the SEC. A replay of this call will be available for 30 days on our website and by dial-in.

As set forth in more detail in today's earnings release, I will remind everyone that today's call may include forward-looking statements about Verisk's future performance, including those related to our financial guidance and our recently announced pending acquisition of AccuLynx. Actual performance could differ materially from what is suggested by our comments today. Information about the factors that could affect future performance is contained in our recent SEC filings.

A reconciliation of reported and historic non-GAAP financial measures discussed on this call is provided in our 8-K and today's earnings presentation posted on the Investors section of our website, [verisk.com](http://verisk.com). However, we are not able to provide a reconciliation of projected adjusted EBITDA and adjusted EBITDA margin to the most directly comparable expected GAAP result because of the unreasonable effort and high unpredictability of estimating certain items that are excluded from projected non-GAAP adjusted EBITDA and adjusted EBITDA margin, including, for example, tax consequences, acquisition-related cost, gains and losses from dispositions and other nonrecurring expenses, the effects of which may be significant.

And now I'd like to turn the call over to Lee Shavel.

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### Lee M. Shavel

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

Thank you, Stacey. Good day, everyone, and welcome to today's call. I'm pleased to share that our operating momentum continued in the second quarter, as we delivered another strong quarter, which was generally in line with our expectations. Organic constant currency revenue growth of 7.9% was broad based across most of our businesses.

Our focus on cost discipline delivered healthy margin expansion, resulting in organic constant currency adjusted EBITDA growth of 9.7%. Elizabeth will provide much more detail in our financial review, but these results demonstrate the compounding power of our subscription-based business model, driven by the value we create for our clients.

I'm confident that this year is on track to be another solid year for Verisk, and we are raising our revenue and adjusted EBITDA outlook for the full year 2025 to reflect the strong first half and the impact of M&A. Almost three years ago, we unveiled the new Verisk, an insurance-focused predictable growth company. We implemented structural and cultural changes to become more integrated, and we focused on elevating the strategic dialogue with our clients.

The net result has been strong financial and operational growth. We also evolved our business from industry utility to data analytics specialist to integrated technology network, serving the global insurance industry by focusing on innovation and advanced technologies. And we maintained our capital allocation discipline, investing behind our highest return on capital opportunities while returning excess capital to shareholders.

This morning, we announced that we have signed a definitive agreement to acquire AccuLynx for \$2.35 billion. AccuLynx is the leading SaaS platform, providing end-to-end business management workflow for the residential restoration and repair industry with expertise in roofing. AccuLynx is a natural fit and extension of the network capabilities we provide to insurance carriers and contractors through our property estimating solutions business.

AccuLynx's integrated service software platform sits at the center of the roofing contractors' workflow, addressing each critical stage, including lead generation, sales and customer relationship management, virtual measurements, materials ordering, labor sourcing, payment processing, and job management.

Most of the company's 5,000-plus customers perform insurance-driven repairs and restoration, and roofs are one of the largest and most expensive home components, making up more than 25% of all residential claim value.

AccuLynx is a very strong business with a compelling financial profile marked by revenue growth and EBITDA margins that are accretive to Verisk overall, and a high mix of recurring revenues. But more importantly, AccuLynx is highly additive to our property estimating solutions business due to a high degree of customer overlap and complementary functionality.

We see strong incremental value creation from combining AccuLynx with Verisk property estimating solutions, which will, in turn, improve, extend and strengthen our network, enhancing the value of the ecosystem for all participants. Specifically, more seamless integration will remove manual work and improve information flow between carriers and contractors, delivering cost and time savings for both constituencies, while property owners can benefit from quicker repairs due to workflow efficiency and cost savings driven by more accurate pricing data.

On the data front, AccuLynx's differentiated and rich data sets focused on roofing materials and labor will improve the analytics we provide to insurers and contractors. Through our elevated strategic dialogue, we hear frequent requests for enhancements to our roofing materials information and benchmarking reports. We see synergistic cross sell and upsell opportunities as we can advance the adoption of the AccuLynx platform and its many modules to existing Verisk customers.

Additionally, we are excited about the opportunity for expanded data monetization of existing Verisk products across the AccuLynx client base. We previously announced the strategic acquisition of SuranceBay, a leading provider of producer licensing, onboarding, and compliance solutions for the life and annuity industry. SuranceBay

will become part of Verisk life solutions and extends our presence into the independent agent and broader distribution channel.

The combination of SuranceBay and Verisk's FAST business will help to streamline and improve the process of insurance distribution, and will provide the life and annuity ecosystem with solutions that enhance workflows between carriers, general agencies, insurance agents, and consumers. The initial reaction to the announcement has been very positive. Clients, prospects, and industry analysts have commented that they see the value in an integrated solution as voiced by one of them that this was "a perfect fit for the suite." This feedback further affirms our ongoing commitment to delivering innovative, integrated solutions that address the evolving needs of the life and annuity sector.

Together, the acquisitions of AccuLynx and SuranceBay are a meaningful demonstration of our capital allocation discipline, which includes our fundamental value-creating M&A philosophy. This approach is focused on three pillars: namely, one, acquiring solid operating businesses, consistent with our insurance-focused strategy with sustainable growth and operating leverage; two, identifying clear opportunities to improve and enhance the value of the combined entities; and three, to acquire businesses at a price that generates an attractive return on capital.

Over the past three years we have demonstrated patience, selectivity, and price discipline, and we are excited to welcome the AccuLynx and SuranceBay teams to Verisk. We are energized about working together to enhance the network effect of these businesses and maximize value for the property claims and life insurance ecosystems. Across Verisk we have been focused on driving innovation and leaning in on our use of generative AI, embedding new features in some of our core products to deliver greater insights and efficiencies for our clients.

In particular, as part of our Core Lines Reimagine initiative, we launched Premium Audit Advisory Service AI, a first-to-market AI chatbot. This invention enables insurers to research classifications and rules to ensure risks are accurately classified at underwriting with information [ph] reachable (00:09:46) over 95% faster than our legacy solutions. Client adoption of the solution has been strong, and we are experiencing increases in time spent by clients as they are finding value in the tool.

Additionally, within Mozart, our forms management platform, the Mozart compare with AI enables our customers to compare across ISO forms to quickly identify changes we have made to coverage language to reflect up-to-date market and compliance requirements. This solution is saving our customers time and eliminating complexity in managing forms changes.

And finally, we are in the early stages of a commercial introduction of Underwriting Assistant, our AI-powered solution that produces transformative underwriting results with greater efficiency and data accuracy, enabling users to maximize their productivity and effectiveness. One of the key features of Underwriting Assistant is its ability to automate the creation of structured commercial property submissions, significantly reducing the time to decision, transforming what used to take days or weeks into just minutes. This not only speeds up the process, but also replaces lower-value data capture activities allowing underwriters who are leveraging the tool to focus on more strategic tasks.

Our solution also enhances data accuracy through data augmentation by leveraging our extensive commercial property data sets to ensure that underwriters have the most reliable and complete data, contributing to more profitable underwriting decisions. And finally, our interactive chatbot provides real-time expert advice to underwriters and agents, which leverages our deep domain expertise and proprietary data. By providing timely prompts and insights, we help ensure that underwriting decisions are both more informed and profitable. We are

excited about this new groundbreaking innovation and the opportunity to help our insurance partners include the most advanced technologies in their core processes.

Before we close, I want to announce that Maroun Mourad is stepping down from his role at Verisk to assume an executive position at another public company. We wish Maroun well and thank him for his decade of service to Verisk. With Maroun's departure, Elizabeth Mann will take on the added responsibility of Interim President, Claims Solutions. We are confident in the bench strength we have in place within claims, and have commenced a search for a permanent replacement.

Now let me turn the call over to Elizabeth for the financial review.

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## Elizabeth Mann

*Chief Financial Officer, Verisk Analytics, Inc.*

Thanks, Lee, and good morning to everyone on the call. Today, I plan to provide details on three topics. First, I will cover our financial results for the second quarter 2025. Second, I will address the financial impact of our recently announced acquisitions of SuranceBay and AccuLynx. And third, I will provide details on our updated outlook for 2025.

Turning to earnings, on a consolidated and GAAP basis, second quarter revenue was \$773 million, up 7.8% versus the prior year, reflecting strong growth across both underwriting and claims. Net income was \$253 million, an 18% decrease versus the prior year, while diluted GAAP earnings per share were \$1.81, down 16% versus the prior year. The decline in GAAP net income and EPS are primarily the result of a cumulative \$102 million net gain in the prior-year period related to previously disposed businesses and the early extinguishment of debt.

Moving to our organic constant currency results adjusted for non-operating items as defined in the non-GAAP financial measures section of our press release. Our operating results demonstrated sustained broad-based growth across the business. In the second quarter, OCC revenues grew 7.9% with balanced growth of 7.7% in underwriting and 8.3% in claims.

Our subscription revenues, which comprised 82% of our total revenue in the quarter, grew 9.3% on an OCC basis. This was driven by strong growth across our largest businesses in underwriting and claims, including forms, rules, and loss costs, extreme event solutions and anti-fraud. All three of these businesses delivered strong price realization and expanded renewals as we continue to innovate and improve our core offerings. Additionally, we saw solid double-digit growth in specialty business solutions as we continue to see strong acceptance and usage across our white space platform.

As we look ahead to the second half of the year, we remind you that we will be comparing against strong elevated double-digit subscription growth in 2024 that was helped by the conversion of certain contracts to subscriptions. Additionally, we will be realizing the impact related to federal government spending cuts that we expect to start in the third quarter. Though as we have previously communicated, the federal government contracts represent less than 1% of our total revenue.

Our transactional revenues, which comprise 18% of total revenues, returned to growth in the quarter, up a modest 1.8% on an OCC basis. This growth was a function of strength in our international businesses, including property and life, health, and travel. Additionally, we delivered strong revenue growth in our Extreme Events business from securitization as issuance volumes were at record levels. This market continues to attract new capital, and market participants turn to Verisk's model as the trusted source on pricing risk.

This growth was offset by softness in our auto business related to tough comparisons from last year, customer mix, and some competitive pressures, which we expect to persist. Additionally, we are experiencing some weakness in our sustainability business owing to market conditions.

Moving to our adjusted EBITDA results. OCC adjusted EBITDA growth was 9.7% during the quarter, while total adjusted EBITDA margins, which include both organic and inorganic results, were 57.6% up 220 basis points from the prior year. Our reported margins benefited from a foreign exchange translation impact, which contributed 120 basis points in the quarter. This FX benefit was not contemplated in our guidance, as we do not forecast or hedge foreign currency.

Adjusting for this nonoperational benefit, we still delivered healthy margin expansion, highlighting the effect of strong revenue growth, ongoing cost discipline, and our global talent optimization initiative. As we have shared in the past, we find it useful to look at our margins on a trailing 12-month basis to adjust for seasonality. LTM margins came in at 55.6% in the period.

As we look to the second half of the year, we want to remind you that we did have some margin variability in the third and fourth quarter of 2024 associated with foreign currency translation.

Moving down the income statement. Net interest expense was \$36 million in the second quarter compared to \$29 million in the same period last year due to higher debt balances and higher interest rates. During the second quarter, we retired \$500 million of 4% notes that were due in June 2025.

Our reported effective tax rate was 22.7% compared to 21.7% in the prior year. The year-over-year increase was driven by a one-time tax benefit in the prior year period. Adjusted net income increased 6.3% to \$264 million, and diluted adjusted EPS increased 8% to \$1.88 for the quarter. The increase was driven by strong revenue growth, margin expansion, and a lower average share count. This was partially offset by higher depreciation and interest expenses and a higher tax rate.

On a reported basis, net cash from operating activities increased 15.5% to \$245 million, while free cash flow rose 22.6% to \$189 million. This increase was driven primarily by the timing of certain cash collection. We remain committed to returning capital to shareholders.

During the second quarter, we paid a cash dividend of \$0.45 per share, a 15% increase from the prior year. Additionally, we completed a \$100 million accelerated share repurchase program. As of June 30, we had \$1.3 billion in capacity under our share repurchase authorization.

Turning to our acquisitions. We are excited about the growth opportunities ahead with the acquisition of SuranceBay and AccuLynx upon closing. These businesses both have strong financial characteristics, marked by robust revenue and adjusted EBITDA growth and healthy margins that will enhance Verisk's overall growth profile.

Additionally, both businesses have a substantial mix of recurring revenue, consistent with our predictable growth model. We are expecting revenue contribution in the range of \$40 million to \$50 million from all acquisitions this year, assuming that the AccuLynx transaction closes at the end of the third quarter 2025. And we expect the transaction to be accretive to earnings by year-end 2026.

As Lee discussed, we see strong value creation opportunities from the combination of these businesses with Verisk. We have plans to invest behind the integration to drive durable long-term revenue growth and maximize synergies. From a financing perspective, we funded the \$163 million purchase of SuranceBay with cash on hand



and closed the transaction on July 17. And we have fully committed debt financing in place, supporting the \$2.35 billion acquisition of AccuLynx.

This financing will increase our leverage temporarily, bringing it to the high end of our current 2 to 3 times target range, but we intend to delever toward the middle of the target leverage range by year-end 2026. Additionally, we expect our interest expense to increase in the back half of the year, reflecting the new borrowings associated with the deal.

Given our strong free cash flow generation, which will only be enhanced by these acquisitions, we intend to continue to repurchase shares as we also delever. These transactions are representations of our disciplined approach and execution of our capital allocation framework. We will continue to actively manage our portfolio, both through acquisitions and dispositions, to maximize value creation for shareholders.

On guidance, we are pleased with our strong results for the first half of the year, and we have updated our full-year outlook for 2025 to reflect this solid performance as well as to incorporate the impact of our recently announced acquisitions, which are still subject to regulatory approval and closing. More specifically, we are raising our outlook for consolidated revenue and now expect it to be in the range of \$3.09 billion to \$3.13 billion, inclusive of \$40 million to \$50 million from acquisitions.

We are also increasing our outlook for adjusted EBITDA to a range of \$1.7 billion to \$1.74 billion. We expect adjusted EBITDA margins to remain in the 55% to 55.8% range, reflecting contribution from our acquisitions and some one-time expenses associated with the transaction and integration of these businesses. We expect interest expense to be in the range of \$190 million to \$210 million, reflecting the incremental debt necessary to fund the acquisition of AccuLynx.

From a tax perspective, we are still expected to be in the range of 23% to 25%, so we will likely come in closer to the low end. Taken all together, we now expect diluted adjusted earnings per share in the range of \$6.80 to \$7, reflecting strong results in our core business and modest initial dilution from the acquisition. We expect the transaction to become accretive by year-end of 2026. A complete list of all guidance measures can be found in the earnings slide deck, which has been posted to the Investors section of our website, [verisk.com](http://verisk.com).

And now I will turn the call back over to Lee for some closing comments.

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### Lee M. Shavel

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

Thanks, Elizabeth. Before I close, I want to ask you all to mark your calendars and save the date of March 5, 2026, for our next Investor Day, which will be hosted in Jersey City. We will share more information as it gets closer. We are excited about the growth opportunities ahead and have confidence in delivering on our strategy and value creation. We continue to appreciate all the support and interest in Verisk. Given the large number of analysts we have covering us, we ask that you limit yourself to one question.

With that, I'll ask the operator to open the line for questions.



## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Manav Patnaik from Barclays. Your line is open.

**Manav Patnaik**

*Analyst, Barclays Capital, Inc.*

Q

Thank you. Good morning. I was just wondering if on the AccuLynx deal, you could just talk about – I'm guessing you provide your property estimating solutions and partnering with a lot of other players in the industry as well. So I was hoping you could just address if this changes that dynamic. And just some more color on some of the revenue and cost synergies that you would anticipate from this deal. I don't think you mentioned that.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Sure, Manav. Thank you very much. The start of your question really captures one of the key strategic dimensions that we see with the AccuLynx merger. First, that the property estimating solutions business, while founded originally on providing that estimate of damage, has really evolved into a very valuable network that connects insurers and contractors, third-party administrators, remediation specialists, adjusters, and, importantly, policyholders.

And the AccuLynx component, given the exceptionally strong platform that they have built for roofers allows us to extend and integrate that network with a core component of insurance-related repairs. There is high overlap between our customers. AccuLynx has over 5,000 customers. And we believe that over half of those – we also have relationships with our property estimating solutions business.

So that gives you some sense of the overlap that we have and our ability to improve the connectivity that we have. Now that then leads to the synergy opportunity. The immediate opportunities are identifying those AccuLynx customers that are not utilizing our property estimating solutions business, as well as conversely, contractors are on the PES system that have the ability to utilize the Xactware suite of products.

So those are immediate opportunities given the synergies between both of them. In addition, as we refer to, it's not just the network element, but there is a significant benefit in the very precise roofing materials and operating costs that we can utilize with our insurance client base. Recently, as recently as I think within the past three months I had a meeting with a major insurance company CEO who asked specifically, can you provide more detailed, more current and relevant data on the roofing front, and this clearly addresses that.

And then beyond that, while AccuLynx is focused on the roofing dimension, we believe that there is also applicability to water mitigation and other specialized elements of the repair and restoration function. Elizabeth?

**Elizabeth Mann**

*Chief Financial Officer, Verisk Analytics, Inc.*

A

Yeah. I'll just add on the synergy front, as Lee highlighted, there's a number of revenue opportunities that we'll be pursuing that will build over the next couple of years post close. I'll just add from a cost synergy standpoint, we will always be focused, of course, on efficiency, but this is not an acquisition that's predicated on cost takeout. We've

highlighted the attractive margins of the AccuLynx business. And so we actually see some opportunity to invest in that business while still maintaining their attractive margins.

**Operator:** Your next question comes from the line of Alex Kramm from UBS. Your line is open.

**Alex Kramm**

*Analyst, UBS Securities LLC*

Q

Yes. Hey, guys. Good morning. Just in terms of the revenue guide, it looks like you really just brought it up for the contribution from M&A by that \$40 million to \$50 million. I think FX should also be helpful given everything that's going on. You're still talking about a very strong beginning of the year and positive outlook. But just seems like, given where you're running, you should have brought that up. So just wondering if the outlook is a little bit softer than before. I know you have the government side, you're talking about. So just maybe flesh out a little bit what's working better or not as good as you saw it at the beginning of the year. Sorry for the lengthy question.

**Elizabeth Mann**

*Chief Financial Officer, Verisk Analytics, Inc.*

A

Thanks a bunch for the question, Alex. It makes sense. And yes, as you look at it, you're right, we're very proud of the results that we delivered in the first half of the year. As we look ahead to the second half of the year, we do see a balanced outlook here and a couple things that we are keeping our eyes on. First of all, there's the comps versus last year and the second half of 2024. Specifically, there were the storms in the fourth quarter of 2024 that we called out with the hurricanes there. Also, over the course of the second half of 2024, there was really accelerating subscription revenue. Some of that came from some strong renewals. That means that we're lapping that strong growth and presents a headwind on the growth factors this year. So that's the first area on the comps.

The second factors that we're looking at are some known factors that we called out in the remarks there, things that – developments since we provided the first outlook at the beginning of 2025 I called out specifically on the federal government contract front. That is contained, but that is a known factor that will start hitting us in the third quarter. And then we also called out specifically in the auto business, more generally some short-term impacts in our UDAS business, including those auto factors with some competitive pressure there as well as some pressure on insurers from the situation in California, moderating some of their discretionary spend.

So those are the known factors. There are a couple unknown factors like attrition and weather activities, transactional volumes in our international businesses. But that, as we look ahead, are some of the things affecting us in the second half. I will just finish that by saying that the core value in the business and the strength of the business remains strong. And the full-year outlook at still 6% to 8% organic is very consistent with our overall guidance.

**Alex Kramm**

*Analyst, UBS Securities LLC*

Q

Fair enough. Thanks.

**Operator:** Your next question comes from the line of Kelsey Zhu from Autonomous Research. Your line is open.

**Kelsey Zhu**

*Analyst, Autonomous Research US LP*

Q

Hi. Good morning. Thanks for taking my question. In auto, outside of the tougher comps and shopping activity and maybe some impact from contract conversions, I think you called out a couple times the competitive pressure there. So I was just wondering if you can add more colors. Who are you seeing these competitive pressures from? And just any colors from your conversations with customers there. That would be really helpful. Thanks a lot.

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**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

**A**

Yeah. Thank you, Kelsey. I appreciate the question. I think the comment I would make is in the auto space, there is a large competitor that we face where we don't have the same scale in that business. It's an area where we have competed successfully, but from time to time we do face greater pressures in that area. But it's one where we continue to work to find dimensions of our other businesses where we can supplement what we do, for instance, by tying claims-related data to underwriting data and providing innovative solutions on that front. But it is an area, even while it's less than 10% of our total business, where – in our auto-related businesses, but it's one where we are subject to occasional competitive pressure.

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**Operator:** Your next question comes from the line of Toni Kaplan from Morgan Stanley. Your line is open.

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**Toni Kaplan**

*Analyst, Morgan Stanley & Co. LLC*

**Q**

Thank you. I wanted to go back to AccuLynx. You characterized it as the leading SaaS platform in that part of the market. I was wondering if that is a priority for you. I know in the past, you've tried to integrate with a number of P&C insurance SaaS platforms. Is that an area that strategically we should expect to see more going towards that type of a platform or product set just in the future? Thanks.

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**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

**A**

Yeah. Thank you, Toni. It's a great question. And I think in fairness, if you look at a lot of our existing businesses, while, of course, everybody understands us in one dimension as a data and analytics business, a lot of our businesses are effectively software or SaaS-related businesses where, through software, we are connecting key underwriting or claims functions. And certainly, the PES business is a representation of that.

And so while we can say that this is clearly a strong SaaS platform, that element of connectivity for the client and tying together their internal processes as well as serving as a means to integrate that contractor into a broader ecosystem in the restoration and repair function, connecting contractors, adjusters and insurers in that process is a natural fit.

You also may be aware from our past comments that our extreme events business is in the process of a migration to a SaaS platform, which will facilitate the efficiency and the speed and the compute capability of a lot of our modeling businesses. And as well within our underwriting business, I'll ask Saurabh Khemka to comment on this. We also have been developing many integration functions in our Core Lines Reimagine element that you can describe as software related or connectivity related.

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**Saurabh Khemka**

*Co-President, Underwriting Solutions, Verisk Analytics, Inc.*

**A**

Yeah. Thank you, Lee. Absolutely. If you look at our Core Lines Reimagine program, the central point of that is the core.verisk.com platform, which brings in all our content in one place and offers the opportunity for our

customers to integrate that into their workflow. And this is where we're getting great feedback where customers are saying, look, this is now the one-stop shop for all the content that you provide, which is the premier content in the industry. But now I can integrate that into my workflow and get a lot of efficiency. So that connectivity is very important to us.

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**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah. And that's the essence, Toni, that I just I want to leave you with is that while our legacy function of collecting data across the industry, cleansing that data, which requires a lot of expertise and a lot of work, and distributing it is a foundation of the business. Increasingly, the connectivity function that substantiates a network element to our business is where we see an additional opportunity for us to continue to grow and serve the industry. And it's certainly something that in our conversations with our clients, connecting that ecosystem is a role that Verisk is uniquely well positioned to address.

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**Operator:** Your next question comes from the line of Jeff Meuler from Baird. Your line is open.

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**Jeffrey P. Meuler**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Yeah. Thank you. Congrats on AccuLynx. In terms of its strong growth, can you just help us understand, I guess, the drivers or the penetration rates in its core market? I guess I'm just trying to understand the sustainability of that level of growth. Thank you.

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**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Thanks, Jeff. So I'm going to start this off, and then I'm going to turn it over to Aaron Brunko, who leads our property estimating solutions business. But from my standpoint, the growth dynamic has been that AccuLynx really developed a specialized SaaS integrated service platform that was specifically focused on the roofing function. And its founder was originally a roofer so knew that business well. And they have successfully penetrated that roofing business which is, as you can imagine, a very large business, by creating a competitively differentiated product specialized to the needs of that particular function.

So there continues to be a significant opportunity to penetrate that opportunity as well as, as you add more value to that function, then that creates more value for the roofer and then sustains overall pricing benefit. To give you a sense of our estimate of the TAM for that roofing sector as it exists on its own, it's approximately a \$2 billion TAM. And as we've conveyed, AccuLynx is looking at approximately \$150 million in 2025 revenue. So it gives you a sense of the ongoing penetration opportunity. But Aaron, perhaps in terms of ongoing growth and the opportunity that we see in conjunction with the property estimating solutions, perhaps you can give Jeff some additional color.

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**Aaron Brunko**

*President, Property Estimating Solutions, Verisk Analytics, Inc.*

A

Yeah. Thank you, Lee, and Jeff. Appreciate the question. So just when you think about the growth within the market, there are a large number of roofers that really represent white space opportunity within the market itself. One of the other things that we've noticed is a lot of roll-ups through private equity that have occurred that also put AccuLynx really in a very strong growth position over the next several years from the analysis that we've seen. So not only do we have the increase in severe convective storms; we have more sophisticated needs, if you will, in the roofing market. And that general changing demographic that further supports that that deeper penetration of the TAM is very much what we're focused on.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah. Thank you, Aaron. And Jeff, one other dimension that I want to mention, you'll see this in the slides that we've presented on the strategic rationale. While we're focusing on the contractors, the other interesting dimension that AccuLynx has developed is the relationships that they've built with the suppliers in which they are providing for direct negotiation, delivery, and pricing on materials. And that dimension is, I think, still in a relatively early stage, specifically at AccuLynx, so an opportunity to expand there. And then, of course, potentially to expand that more broadly to our other contractor relationships. So that's another dimension of growth that's supporting the core business.

**Operator:** Your next question comes from the line of Ashish Sabadra from RBC Capital Markets. Your line is open.

**Ashish Sabadra**

*Analyst, RBC Capital Markets LLC*

Q

Thanks for taking my question. Just wanted to follow up on the AccuLynx revenue growth. Obviously, very strong revenue growth profile. But I just wanted to understand if there is any kind of cyclical. Property estimating solution often experienced strength related to extreme event, particularly hurricanes. Does AccuLynx also exhibit similar cyclical? And then maybe just on the investment, Elizabeth noted or you also noted some potential for more investments there. So any color on how should we think about those investments for this business? Thanks.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Thank you, Ashish. So let me address the cyclical issue, and then I'll turn it over to Elizabeth on the investment side. It was something that we looked at very carefully to understand that. And we brought in a third party consultant to evaluate that for us and then applying our own knowledge. And we found that there's actually relatively low cyclical. That the roofing and repair business is more driven by just overall, the overall home stock, which, as you can imagine from a scale standpoint, is much more significant. I mean it's a massive, massive market when you think about the number of residential homes.

And of course there is going to be an ongoing regular level of repair and restoration that is required associated with those roofs. And so it tends not to have significant swings as a business, let's say, is more closely aligned with the mortgage business or the construction business. So I think we're comfortable that it's a relatively low level of cyclical based upon what we've seen.

**Elizabeth Mann**

*Chief Financial Officer, Verisk Analytics, Inc.*

A

Thanks, Lee. And the one thing I'll add to that, I agree with that on cyclical. From a seasonality standpoint, there is less roofing work that takes place in the winters. When it's very cold, it's not possible to do that. So there may be just a bit of seasonality in that during the winter months. From an investment standpoint, to the second part of your question, yes, AccuLynx as we acquired them, was run fairly leanly as a private company.

We will have two elements of investment in the business. One is building out some of the public company functions as they join the Verisk family. But the second and the more important is really to continue to build behind the revenue synergies and the product development opportunities that we see to combine it with the

property estimating solutions suite of products. To give some confidence on that, we've highlighted that the business is accretive to Verisk from an overall margin standpoint, and we expect to be able to maintain that.

**Operator:** Your next question comes from the line of Faiza Alwy from Deutsche Bank. Your line is open.

**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Yes. Hi. Thank you. I wanted to ask about some of the new AI products that you discussed in your prepared remarks, Lee, in particular, the AI automated underwriting function. And curious if you think the industry is ready to adopt that. And maybe if you can talk about pricing perspectives around that and if that increases your ability to price for value.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Thank you, Faiza. I'm going to turn it over to Saurabh. I think to your general question, one of our value adds is developing products and applying new technology and then testing it with the industry. And across the industry, as I think with most, you have early adopters, you have fast followers, you have conservative players that are more resistant to change. But I think that we're in that unique position of being able to test this. But I think in each of these cases, and we've talked about three of them, we're seeing a high degree of interest in varied levels of adoption.

**Saurabh Khemka**

*Co-President, Underwriting Solutions, Verisk Analytics, Inc.*

A

Yeah, absolutely. So I'll talk about the two around our PAAS AI tool and Mozart AI tool. And I'll just highlight the adoption of these tools has been really good. And on the PAAS side, we have almost quarter of our users already using it. They love it. They see a lot of efficiency from a time perspective for them. And what we're getting the feedback is this is helping us build the value for the underlying tool as well. So the underlying information is great, but adding an AI component to it increases the value to our customers.

On the Mozart side, which is our forms management platform, almost half of our customers have started using it. And again, this is a huge time efficiency saving for them, and they are also enjoying the tool, and we expect to add more functionality to it.

**Operator:** Your next question comes from the line of Gregory Peters from Raymond James. Your line is open.

**C. Gregory Peters**

*Analyst, Raymond James & Associates, Inc.*

Q

Thank you. Boy, a number of questions. I have to pick one. I'm going to focus on the capital comments. Given the transaction, maybe you can go back and just talk about – you said the leverage is going to go to the upper end of the range and then you're going to delever and at the same time, buy stock back. So just wondering how the mechanics of that work and just looking forward, how you see that unfolding.

**Elizabeth Mann**

*Chief Financial Officer, Verisk Analytics, Inc.*

A

Yeah. Thanks for the question, Greg. Yeah, so we will raise debt to complete the transaction. That will be a mix of term debt and bank debt, which has pre-payability to it. So we will be able to pay that down over time at a steady



rate and within our control. So with our strong free cash flow, which will be enhanced by these acquisitions, we can choose to do a mix and a combination of debt paydown while maintaining our share repurchase activity, likely at a lower rate than what we've been doing in the past when we had no M&A. But we will still maintain that share repurchase activity.

**Operator:** Your next question comes from the line of Andrew Steinerman from JPMorgan. Your line is open.

**Andrew C. Steinerman**

*Analyst, JPMorgan Securities LLC*

Q

Hi. I know you've labeled AccuLynx as the leading provider of SaaS in the roofer space. Could you just tell us, who do they compete with? I'm assuming you're going to say ServiceTitan, but if that's true, how does AccuLynx distinguish itself? And just go over the competitive landscape for SaaS.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Andrew, I'm impressed that you're familiar with the contractor SaaS models. ServiceTitan is a competitor. JobNimbus is also in that space. They generally are providing more general contractor services. And so the competitive differentiation for AccuLynx is their specialization on the specific needs, both from a materials and from a process and a job management perspective for those roofing contractors. I'll ask Aaron to add to that, if there's anything he would like to share on the competitive front. Aaron?

**Aaron Brunko**

*President, Property Estimating Solutions, Verisk Analytics, Inc.*

A

Lee, I think you covered it well just in terms of the companies that you had named. Certainly AccuLynx is the premier provider within the roofing SaaS market. So I think you covered that one well, Lee.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Thanks, Aaron.

**Aaron Brunko**

*President, Property Estimating Solutions, Verisk Analytics, Inc.*

A

Thanks.

**Operator:** Your next question comes from the line of David Motemaden from Evercore. Your line is open.

**David Motemaden**

*Analyst, Evercore ISI*

Q

Hey, thanks. Good morning. Also had a question on AccuLynx. So I think it's around 5% of your existing revenues, but it's also growing in the mid to high teens. And then you also called out a decent sized cross sell opportunity. I'm wondering if this changes at all your view of the 6% to 8% OCC growth target once we fully get this into organic in 2027.

**Elizabeth Mann**

*Chief Financial Officer, Verisk Analytics, Inc.*

A



Yeah. Thanks for the question, David. We will have to take a look at that as we unfold into 2027. Obviously, it is unquestionably additive from a growth standpoint. As you say, it's a smaller percent of the total. So we'll see how it shakes out.

**Operator:** Your next question comes from the line of Jason Haas from Wells Fargo. Your line is open.

**Jason Haas**

*Analyst, Wells Fargo Securities LLC*

Q

Hey. Good morning, and thanks for taking my question. It looks like we're seeing moderating net written premium growth this year after several years of very strong growth. So I'm curious if it's possible that you'll be able to continue to take price at the same rate that you have been given all that you've been delivering to your customers at Core Lines Reimagine your other investments. Or should we expect that that pricing will start to moderate? I guess it would be in 2027 given the two-year lag. But yeah, if you could help explain that dynamic, that'd be helpful. Thank you.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah. Thank you, Jason. And I think your observation is fair. It's something that we watch. I'm going to turn it over to Saurabh Khemka to give you color on that.

**Saurabh Khemka**

*Co-President, Underwriting Solutions, Verisk Analytics, Inc.*

A

Yeah, absolutely, Jason. You're right. I mean we are seeing industry premium growth slowing. It depends on – there's some variation on the lines as well as whether it's property versus liability. And as you noted, for the portion of our contracts that are tied to this annual premium growth, that impact will be lagged. However, more of our revenue is tied to longer-term contracts.

And when we are renewing these contracts our customers are projecting that slowdown. We are architecting long-term deals to incorporate both this growth period as well as this slower growth period. So we offer clients that stability over long terms of their contracts, and it enables us to have more pricing visibility. I'd also add that, look, premium is one component of our pricing. And what we're really focused on within these renewals is highlighting the value that our customers see. And this is being helped by our investment in our Core Lines Reimagine program.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah. And the other thing that I would add, Jason, is if you look at the long-term growth within the core insurance business, we clearly have seen cyclicalities in premium growth, hard markets and soft markets, and it has still enabled us to deliver a highly consistent organic growth range in the 6% to 8% range. In addition, beyond that exposure, we continue to see strong growth in our SBS and life businesses, which are penetrating new opportunities and are not tied to overall premium growth.

**Operator:** Your next question comes from the line of Andrew Nicholas from William Blair. Your line is open.

**Andrew Nicholas**

*Analyst, William Blair & Co. LLC*

Q

Hi, good morning. Thanks for taking my question. I kind of wanted to stick with the organic growth theme. Last three quarters now you're at or, in the fourth quarter's case, slightly above the 6% to 8% range that you outlined at Investor Day a couple years ago. I'm just curious, if we look at the last three quarters in particular, are there any kind of components of the long-term growth algorithm between price, new customers, upsell, cross sell, new initiatives, client consolidation, all the different drivers that you outlined a few years back, that are running at the top end of those ranges or even above? Just trying to get a sense and frame recent momentum relative to the way that you constructed that top line growth algo back at the Investor Day in 2023. Thank you.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah. Andrew, thank you very much for the question. And I'm going to build off a comment that Saurabh ended on. I think the biggest, the most important element to our ability to have outperformed has been investing in and communicating and realizing the incremental value for our clients from the investments that we've made across the businesses. We've seen that most clearly in the investment that we made in our Core Lines Reimagine program to increase their usability of the data, the efficiency of their process. We've heard this not only directly but indirectly from an investor that was doing their own diligence and spoke to multiple of our clients to see if they were getting value out of it, and it was consistently very positive.

I think that that has also been added by the fact that our engagement at a senior level has allowed us to better articulate the value that we provide to them and understand where we can be making investments that are very relevant to what we're doing. I mentioned before that I'd had the meeting with an insurance company CEO who emphasized the roofing data element of improving that roofing data component. And so that was clearly a factor that we considered in the merits of this acquisition. So that's what I would cite is probably the most important contributor to the overall growth in our business.

**Elizabeth Mann**

*Chief Financial Officer, Verisk Analytics, Inc.*

A

Thanks, Lee. And then to dimensionalize that and map that against the factors, Andrew, that you were qualifying. I think as we think about our build, that engagement and that value delivery has enabled us to deliver at the high end of the range or occasionally above the range on the factors of pricing as we highlight the value on the factors of cross sell and upsell, as well as the fact that attrition has been lower. So I think those three factors have really contributed to the strong recent strength. As I think I highlighted in the near term, those create a short-term tough comps. And then as we lap through that, we will maintain the growth.

**Operator:** Your next question comes from the line of George Tong from Goldman Sachs. Your line is open.

**George K. Tong**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hi. Thanks. Good morning. Your transactional revenue growth returned to positive territory in the quarter, and that was led by international performance in the securitization market. Can you talk about to what extent you expect international and securitization trends to continue into the second half?

**Elizabeth Mann**

*Chief Financial Officer, Verisk Analytics, Inc.*

A

Yeah. Thanks for the question, George. Let me start, on the securitization, that is a market that is really primarily in the second quarter year in, year out. So that is something that we do not expect to be very active in the second half of the year. And as you look at first half, second half comps, that would be a headwind. On the international

transactional activity, that is a bit more difficult to predict. It was a benefit in the second quarter. From a comparability standpoint, the activity may be less in the second half, so that's a bit weather and volume dependent.

As we think about transactional activity overall in the second quarter, we also have the headwinds from the – sorry, I'm sorry, transactional activity in the second half, we will have the headwinds from the storm comparison from some of the underwriting data and analytics solutions pressure that I highlighted before. And though at a lower level than before, we still do have some conversion to subscription going on across the portfolio. So still some potential headwinds on transactions in the second half of the year.

**Operator:** Your final question comes from the line of Russell Quelch from Rothschild & Company, Redburn. Your line is open.

**Russell Quelch**

*Analyst, Rothschild & Co Redburn*

Q

Thank you. Thanks for squeezing me in. Lee and Elizabeth, what is the hurdle rate you've considered when making these two acquisitions recently? I'm wondering what to expect in terms of, or what you're planning for or modeling for in your return on invested capital in the near term

**Elizabeth Mann**

*Chief Financial Officer, Verisk Analytics, Inc.*

A

Yeah. Thanks for the question, Russell. Yeah, we evaluate our acquisitions on an ROIC framework, return on invested capital. And we target acquisitions that have a return on invested capital above our WACC in a three-year period. We see good strategic merit in these acquisitions. And so we're looking for them to deliver value over time.

**Operator:** And this concludes today's conference call. We thank you for your participation, and you may now disconnect.

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