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Verisk Analytics, Inc. (VRSK)

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to Verisk's First Quarter 2026 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 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 Senior Vice President of Finance and Investor Relations, Ms. Stacey Brodbar. Ms. Brodbar, please go ahead.

Stacey Jill Brodbar

Senior Vice President, Finance & Investor Relations, Verisk Analytics, Inc.

Thank you, operator, and good day, everyone. We appreciate you joining us today for a discussion of our first quarter 2026 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. 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. 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. However, we are not able to provide a reconciliation of projected adjusted EBITDA, adjusted EBITDA margin and adjusted EPS to the most directly comparable expected GAAP results because of the unreasonable effort and high unpredictability of estimating certain items that are excluded from projected non-GAAP adjusted EBITDA, adjusted EBITDA margin and adjusted EPS, including, for example, tax consequences, acquisition-related costs, gains and losses from dispositions and other non-recurring expenses, the effect of which may be significant.

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

Lee M. Shavel

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

Thanks, Stacey. Good morning, everyone, and thank you for joining us. Today, I will provide a broad overview of our first quarter financial results, and then Elizabeth will go into more detail in her financial review. I will give some details on our innovation activity, including some recent AI developments. And finally, I will wrap up with highlights from our client engagement during the quarter.

Turning to the results. Verisk delivered organic constant currency revenue growth of 4.7%, with growth across both underwriting and claims, and sustained strong growth of 7% in subscription revenues. Our focus on

efficiency and cost discipline drove organic constant currency adjusted EBITDA growth of 5.9%, delivering 60 basis points of margin expansion.

This growth was modestly ahead of our expectations and included the impact of the factors we previously communicated, namely the carryover impact of the very low weather activity, tougher compares from strong renewals last year and a work stoppage in a federal government contract. So while this quarter's performance is modestly below our typical growth levels, we have confidence that the resolution of these short-term factors and continued core growth momentum will result in a gradual improvement in revenue growth as we move through the year. Moreover, we expect 2026 to be another year of performance, in line with our long-term growth targets.

Last month, we hosted an Investor Day where we outlined our strategy to drive compounding growth by focusing on four key initiatives, specifically, strengthening strategic client relationships, expanding our proprietary and contributory data advantage, delivering a steady stream of innovations to the market, and expanding networks across our businesses.

We also reiterated our growth targets for the next three years and provided detailed overviews for each of our key divisions. We truly appreciate that so many of you attended in person or watched the live webcast, and would encourage others to look at the materials which are available on the Investors section of our website.

One hallmark of Verisk's business model is that we have delivered consistent growth across varying macroeconomic, geopolitical and insurance-specific operating environments. This is due to the mission-critical nature of our solutions, our scale-driven economic advantage, and our diversified set of offerings across underwriting and claims and personal and commercial lines.

Today, the insurance industry backdrop in which we are operating is healthy yet evolving. 2025 marked one of the strongest underwriting results in years, with robust industry profitability and near-record low combined ratios, helped by unusually low catastrophe losses.

With ample capital, carriers are shifting their focus from profitability to growth, resulting in more competition and softening pricing. This dynamic is most pronounced across the property lines, specifically commercial property. On one hand, this drives carriers to be more focused on cost efficiency. However, it is precisely in these types of markets that underwriting discipline and enhanced risk selection is a key focus for our clients, contributing to the need to be informed by the most complete and comprehensive data and analytics available.

To that end, our level of engagement remains high as our clients are turning to Verisk as a trusted partner in that pursuit. At Verisk, we are focused on supporting our clients with the most advanced data, analytics and insights, and investing at scale in new technologies to help them better understand risk and navigate through these dynamic times.

We are not only introducing new innovations to the market at a faster rate, but these solutions are more impactful as they address some of the industry's most pressing challenges with more timely and more frequent insights and more efficiency and automation.

As an example, within our underwriting data and analytics solutions business, we continue to enhance and strengthen our leading property solutions through our innovations using aerial imagery. By integrating this advanced technology, we have innovated with more accurate property-level insights at scale, namely our roof age and aerial imagery analytics solutions that address longstanding challenges for the industry.

We have invested behind continuous data refreshment and have expanded our analytical capabilities, resulting in a product that offers better risk selection and faster underwriting. Client adoption has been strong with our enhanced aerial imagery offerings, growing revenue more than 30% over the last two years. We have additional innovations which are slated for introduction this year, including wind and hail peril scores and remaining roof life.

And within our anti-fraud business, our Digital Media Forensics is an AI-powered solution that automates anomaly detection in photos and documents, a growing source of fraud risk for the industry. This innovation reinforces our position as a key partner in fraud analytics and highlights our scale and ability to organically build new contributory data sets to help the industry address a growing challenge. Through innovation, we are driving growth in a heavily penetrated business, and in fact, just this quarter, we onboarded the sixth top-10 carrier to the Digital Media Forensics platform.

The changes to our go-to-market strategy, first implemented in 2024 and continued throughout 2025, have enabled us to get ever closer to our clients, understanding their specific needs and delivering better service with high levels of client satisfaction. We are continuing to improve our client engagement with the addition of new sales leadership in our claims business, added sales resources across the business and the expansion of our client strategy group, which focuses on our largest clients.

We recently hosted two key client events, the Insurance Fraud Management Conference, or IFM, our signature anti-fraud event; and the Verisk Insurance Conference, or VIC, as it is known throughout the industry. VIC is our flagship event where we strategically engage various market participants to learn, network and explore the latest industry trends, innovations, and Verisk solutions that address the most top-of-mind industry dynamics. In fact, this year, 75% of respondents viewed VIC as a must-attend industry event.

Both events attracted a record number of attendees from across the global insurance ecosystem, including representatives from the carriers, brokers, reinsurers, regulators, and our channel partners. AI featured prominently across the education program with 23 sessions covering AI-driven product innovation and the role of AI across underwriting, catastrophe modeling, life and annuities, specialty lines, and core platforms. These sessions were the most attended, including hundreds of clients representing a wide range of scale from large global multi-line carriers to regional and small carriers.

In the Solutions Gallery, the AI showcase focused on five workflow-based AI demos, reflecting how we're scaling practical AI in our underwriting, catastrophe and risk, and specialty business areas. Demonstrations focused on showcasing solutions that embed AI directly into workflows, augment human decision-making, improve the usability of complex data, and reinforce Verisk's commitment to responsible, regulator-ready AI.

I'd note, in an AM Best report on AI and insurance released this week, surveyed insurers identified data readiness as the top impediment to AI implementation, even ahead of security and privacy. Companies are keenly focused on how they can partner with Verisk and capitalize on our robust and proprietary data sets through this significant technology transformation.

I was particularly impressed with the engagement with our largest clients as they develop their AI strategies. In several instances, clients have included us in their own internal discussions to explore how we can integrate our data and capabilities into their AI strategies as a co-development partner. There has been a recurring theme that while AI can be powerful, it requires both deep industry knowledge and relevant data sets to be most effectively applied.

Coming out of both events, client interest and sales pipelines are robust, and competitive win rates have been very strong. Additionally, we are experiencing a faster pace of trial and growing number of proof of concepts for our AI solutions. In fact, we already have over 20 follow-up meetings set up related to augmented underwriting.

That said, in certain cases, we are seeing an extended sales cycle related to the more complex contracting to incorporate AI governance and compliance. We are also engaging with many of our large clients, regulators and the frontier model companies on partnership opportunities to leverage our data and insights.

A key focus for all parties is accountability, transparency, governance, and protection of intellectual property. Based on our interactions with several frontier model companies, it is clear that they recognize the importance of leveraging not just proprietary data sets, but also deep industry-specific knowledge and established workflows, all of which we have at Verisk.

For these reasons as well as our focus on accountability, compliance and governance, Verisk was the winner of a competitive RFP process to be the strategic partner of a global insurance firm to support the creation of a next-generation digitally native underwriting entity.

Verisk will contribute its established data, actuarial and analytics capabilities, alongside a growing suite of AI-driven platforms and marketplace solutions to co-develop the operating model. This opportunity reflects continued momentum in commercializing Verisk's multiyear investments in agentic technologies and expanded role in enabling innovation across the insurance value chain.

And with that, let me turn the call over to Elizabeth for the detailed financial review.

Elizabeth Mann

Chief Financial Officer, Verisk Analytics, Inc.

Thanks, Lee, and good day to everyone on the call. On a consolidated and GAAP basis, first quarter revenue was \$783 million, up 4% versus the prior year. Net income was \$234 million, a 1% increase versus the prior year, while diluted GAAP earnings per share were \$1.73, up 5% versus the prior year. The increase in net income and diluted GAAP EPS reflects solid operational performance and a lower average share count, offset in part by higher interest expense and a higher effective tax rate.

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 demonstrate continued growth across both underwriting and claims.

In the first quarter, OCC revenues grew 4.7%, with growth of 5.3% in underwriting and 3.4% in claims. This quarter's performance, while below our typical level, was ahead of our expectations as we continue to drive growth despite the shorter-term headwinds that we have previously communicated, namely the carryover effect of a lower level of weather-related events, tough comparisons from strong renewals last year and the work stoppage in a federal government contract. The durability of our subscription revenues is the best demonstration of the ongoing health of our business and the mission-critical nature of our solutions.

In the first quarter of 2026, subscription revenues, which comprised 84% of our total revenues in the quarter, grew 7% on an OCC basis, compounding on top of a 10.6% organic constant currency increase from the first quarter of the prior year. These growth levels reflect the lower weather events, as well as the negative impact of the work stoppage in the government contract, but otherwise, this quarter's subscription growth was broad-based, with outperformance from our largest subscription-based solutions.

In forms, rules and loss costs, we are driving strong price realization in renewals as we continue to demonstrate to our clients the enhanced value created through our Reimagine initiative. In the first quarter, we released seven new client-facing modules, and we anticipate a total of 25 releases for 2026 as we continue to innovate and enhance our core offering.

We are also continuing to onboard new data contributors, both in Core Lines, where we added four new carriers, as well as in our new excess and surplus lines contributory data program, where we now have contributions representing more than \$15 billion in premium.

Within catastrophe and risk solutions, we delivered another quarter of double-digit growth, driven by the expansion of contracts with existing clients, competitive wins and the addition of new logos, including many clients that are new to catastrophe modeling. Specifically, we had key multiyear contract expansions in the quarter with two top carriers, as well as new wins in the casualty modeling space, where we are the provider of the industry's first probabilistic casualty catastrophe model.

Client interest in Verisk Synergy Studio, our next-generation catastrophe risk platform, is high and live previews have been well received. The release of our updated US Tropical Cyclone model and the production release of Verisk Synergy Studio remain on track, and clients are expanding their hosting relationships with Verisk in preparation for the launch of the platform.

In anti-fraud, we are driving strong value realization in renewals as a result of our enhanced data insights and expanded ecosystem strategy. Additionally, new inventions, including Claims Coverage Identifier and Digital Media Forensics, which Lee mentioned earlier, are seeing strong client adoption and we have a deep pipeline of opportunities.

Within our life business, we continue to deliver double-digit organic revenue growth driven by new client wins, as well as the expansion of relationships with existing clients. Recently, we closed our first combined FAST and SuranceBay deal with a major life and annuity carrier, demonstrating the synergistic value creation we can drive by combining these businesses.

Our transactional revenues, which comprise 16% of our total revenues in the quarter, declined 6.1% on an OCC basis. The primary driver of this decline continues to be lower volumes in property and restoration solutions due to low levels of weather activity.

As a reminder, the first quarter of 2025 included a benefit from claims associated with Hurricanes Helene and Milton. Additionally, softness in the personal lines auto business, as well as a lower level of overage revenues in the property business, also negatively impacted growth.

Moving to our adjusted EBITDA results. OCC adjusted EBITDA growth was 5.9% in the quarter, while total adjusted EBITDA margins, which include both organic and inorganic results, were 55.9%, up 60 basis points from the prior year. This level of margin expansion reflects the operational leverage of our business model and our ongoing commitment to cost discipline, including global talent optimization, offset in part by increased investment in AI technologies. As is typical, we expect our expenses to ramp as we move throughout the year.

Continuing down the income statement, net interest expense was \$43 million compared to \$36 million in the prior-year period due to higher debt balances and higher interest rates. During the first quarter, we issued \$1 billion of

senior notes and entered into a \$500 million term loan. We used these proceeds to fund the previously announced \$1.5 billion accelerated share repurchase program.

Of note, at the close of the quarter, we have \$250 million outstanding on the term loan. Our current leverage stands at 2.4 times debt to adjusted EBITDA, which is well within our targeted range of 2 to 3 times. As we look ahead, we anticipate the run rate of quarterly interest expense to be higher than the first quarter of 2026, reflecting a full period's impact of the new debt issued.

Our reported effective tax rate was 24.1%, compared to 21.6% in the prior-year quarter. The year-over-year increase was driven by lower tax benefits from a lower level of employee stock option exercise activity. We continue to expect our tax rate to be in the 23% to 26% range for the full year.

Adjusted net income increased 0.6% to \$246 million, and diluted adjusted EPS increased 5.2% to \$1.82 per share for the quarter. The increase was driven by solid revenue growth, strong margin expansion, and a lower average share count. This was partially offset by higher interest expense and a higher tax rate.

From a cash flow perspective, on a reported basis, net cash from operating activities decreased 12% to \$390 million, while free cash flow decreased 17% to \$326 million. The decrease in both cash flow measures was primarily driven by a tax refund collected in the prior-year period that did not recur this year, as well as higher interest payments. If adjusted for last year's tax refund, both cash flow measures would have seen growth in the quarter.

We remain committed to returning capital to shareholders. During the first quarter, we paid a cash dividend of \$0.50 per share, an 11% increase from the prior year, totaling \$66 million. Additionally, we initiated a \$1.5 billion accelerated share repurchase program, which is expected to run at least through the second quarter. We also repurchased \$126 million of stock through an open market repurchase program. In total, we retired 7.6 million shares in the first quarter of 2026. We currently have approximately \$1 billion remaining under our share repurchase authorization.

Turning to guidance, we are reaffirming our outlook for 2026. More specifically, we continue to expect consolidated revenue in the range of \$3.19 billion to \$3.24 billion. Adjusted EBITDA is expected to be between \$1.79 billion and \$1.83 billion, with adjusted EBITDA margins of 56% to 56.5%. We continue to expect net interest expense of \$190 million to \$200 million, and our effective tax rate to be in the range of 23% to 26%. Taken together, this results in adjusted earnings per share for the year in the range of \$7.45 to \$7.75.

A few things to note as you update your models. First, as we said last quarter, we expect the first quarter of 2026 to be a trough, both in terms of organic constant currency revenue growth rates and absolute dollars, and forecast a gradual improvement as we move through the year.

Second, we continue to face tougher comparisons in the first half of this year, as last year benefited from a strong subscription renewal cycle across our largest underwriting businesses. Third, all guidance figures reflect the impact of the divestiture of Verisk Marketing Solutions, which contributed \$68 million in revenue in 2025 with little seasonality and represents an \$0.11 headwind to earnings per share.

Finally, specific to the second quarter, we remind you that the prior-year quarter's reported margins benefited from a foreign currency translation impact, which contributed 120 basis points to margin and which we do not expect to recur.

A complete listing 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.

And now, let me turn the call back over to Lee for some closing remarks.

Lee M. Shavel

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

Thanks, Elizabeth. In summary, we delivered a solid start to 2026 with organic revenue growth, expanding margins, and strong cash generation despite several temporary headwinds. The resilience of our subscription-based model, combined with disciplined execution and continued investment in high-return initiatives, positions us well for the remainder of the year.

We are excited about the growth opportunities ahead and have confidence in delivering a year of growth in 2026 that is in line with our long-term growth targets and compounds the solid year in 2025. 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: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Ashish Sabadra with RBC Capital Markets. Your line is open. Please go ahead.

Ashish Sabadra

Analyst, RBC Capital Markets LLC

Q

Thanks for taking my question. In the prepared remarks, there was a comment on strong pricing realization on renewals. I was wondering if you could unpack that further. Can you talk about how the NWP's are impacting pricing, but also how you're getting pricing on the non-NWP contracts? Thanks.

Lee M. Shavel

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

A

Sure, Ashish. So the way I would summarize that is, both at our large client multiyear renewals, we have seen a consistent trend of our ability to achieve stronger price increases on an annualized basis for those multiyear contracts, as well as either similar terms or longer terms, reflecting the criticality of the data, the importance particularly in this AI environment. And they have been averaging approximately between four and five years, which we think is a very strong indication of our role as a fundamental partner to what they're doing.

So the comment reflects that as well as our ability on the annual increases to secure pricing increases, reflective of the greater value that we're providing through our Core Lines Reimagine initiative. And that's generally been true across both of those levels. So, hopefully that unpacks a little bit the strength that we're referring to in those comments.

Ashish Sabadra

Analyst, RBC Capital Markets LLC

Q

That's very helpful. Thanks.

Stacey Jill Brodbar

Senior Vice President, Finance & Investor Relations, Verisk Analytics, Inc.

Next question, operator.

A

Operator: Your next question comes from the line of Toni Kaplan with Morgan Stanley. Toni, your line is open. Please go ahead.

Toni Kaplan

Analyst, Morgan Stanley & Co. LLC

Thank you. Lee, you talked in the prepared remarks about clients wanting to use your data and capabilities in their internal AI strategies, which makes a lot of sense given your proprietary data. I was hoping you could talk about how you see the monetization model for that type of situation. Could you be net neutral in selling your data versus selling a whole software solution?

And I guess, does selling just the data limit your ability to cross-sell if they're not using your interface? Or no, because you'll still have sales people trying to upsell those clients anyway and so you're just as well off. I know you want to partner with these clients to try to maximize the value. So just wanted to understand the puts and takes of monetization of the different models and situations. Thanks.

Q

Lee M. Shavel

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

Toni, I think the monetization opportunity for us is going to be rooted in the fact that the application of AI, which could come from client-developed solutions, frontier model companies, our integration of generative AI or agentic AI, all driven off of the data sets that we are providing on a structured, clean, industry-wide basis.

I was very reassured to see in the AM Best report that I referred to that there was a consistent observation that data readiness in its ability to integrate with AI is one of the biggest challenges that the industry faces. And individual clients facing legacy system issues in utilizing that data, even within their own data, creates that natural partnership opportunity for us to deliver that data and connect it to this technology in a way that allows them to achieve more value because the data is more usable, it's broader, it's in-industry data that will enable us to give them more value for the data that we provide.

So I start with that foundation. We think that it will also encourage more use of our data within specific data sets, but also across our related areas in underwriting claims in CAT modeling and the models. So I think that will encourage more use.

And then our monetization strategy, I think, will consist of both realizing more value through our pricing arrangements as well as, at the outset, opening up new specific data utilization for AI applications that are specific purposes that we are adapting our data to that are driving value realization from our clients.

So I think in the near term what we are seeing is our clients have moved beyond an experimentation and an exploration phase in 2025 to realizing that integrating these data sets into what they're doing and their functions is going to create value. But they need that greater data readiness, better data quality, and partnership between us, their objectives and technology providers, both on the frontier AI model companies as well as, in some cases, the infrastructure or policy administration system partners.

A

And we are working with each of those entities. And I think that will create both near-term opportunities as we begin to implement that, as well as longer-term opportunities from a pricing standpoint for the data. And this is certainly going to evolve over time as the industry experiments and experiences what's possible here.

Toni Kaplan

Analyst, Morgan Stanley & Co. LLC

Thank you.

Q

Operator: Your next question comes from the line of Jeff Mueller with Baird. Jeff, your line is open. Please go ahead.

Jeffrey P. Meuler

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

Yeah. Thank you. There was a comment, Lee, from you in the prepared remarks about extended sales cycles for some AI solutions. I just want to make sure I'm understanding what you're trying to convey there correctly. Are you trying to insert any incremental caution relative to your prior commentary on how revenue should develop for you over the balance of the year? Or is this just all about governance and compliance of AI solutions of a disruptive tech in a risk-focused industry or anything on if the competitive set is broader after you go after those opportunities or anything like that?

Q

Lee M. Shavel

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

Yeah. Jeff, what that reflects is, as we are pursuing these specific AI opportunities and even our existing contracts, AI is an element where both our clients and we need to be thoughtful about intellectual property, the issues related to that, privacy issues associated with that. And so it has added an additional complexity in negotiating and adapting our contracts to those specific purposes. And so I think we have seen in these larger contract renewals, we're having to spend some more time working our way through these issues. I think that that will improve over time for us as industry standards on dealing with these issues improve.

A

And I think that the other advantage that we have in that regard is that we are very used to dealing with issues on data governance, security, privacy issues, given the trusted role that we have with our clients' data. And I think we are – we'll be in a better position to resolve those issues because, in many ways, they're extensions of the trust and the data governance components that we have around it.

So what I am – what we are signaling is, this is an element that is taking a little longer to work through. It goes hand-in-hand with the new opportunity and with what we are seeing is a growing pipeline of opportunities, which is the case. It may take a little longer for us to work those through from a contractual standpoint as we feel this out. So, yes, there is a little bit of caution, but it relates to I think this growing opportunity and what it represents for us longer term.

Jeffrey P. Meuler

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

Thanks, Lee.

Q

Operator: Your next question comes from the line of George Tong with Goldman Sachs. George, your line is open. Please go ahead.

George K. Tong

Analyst, Goldman Sachs & Co. LLC

Q

Hi. Thanks. Good morning. You mentioned expectations of gradual improvement in organic revenue growth moving through the year. Can you provide some color on the cadence of improvement, taking into account factors like weather, property underwriting overages and subscription renewal timing?

Elizabeth Mann

Chief Financial Officer, Verisk Analytics, Inc.

A

Yeah, happy to. Look, we indicated that we expected 1Q to be the trough, and we continue to expect that with improvement from here. On a reported revenue standpoint, I think we can expect a steady build to the full-year amount that we gave in our guidance range as the year progresses.

Some of the headwinds that we've talked about from a year-over-year perspective will persist into that second quarter. So you could still see from an OCC perspective the second quarter falling below our long-term guidance range. That's just a function of the year-over-year impact still of the headwinds we talked about in the second half of 2025.

The core of our business remains strong. And so as we move past that year-over-year impact, we expect the underlying strength and health of the business with the strength of our subscription revenues to reemerge.

George K. Tong

Analyst, Goldman Sachs & Co. LLC

Q

Got it. Very helpful. Thank you.

Operator: Your next call comes from David Motemaden with Evercore. David, your line is open. Please go ahead.

David Motemaden

Analyst, Evercore ISI

Q

Hey. Thanks. Good morning. Elizabeth, I believe you had mentioned that you added four new carriers to the Core Lines contributory data set. I'm wondering, to the extent you can share, were any of those among your top 10 or top 25 carrier relationships? And more broadly, as carriers deploy some of their own AI underwriting assistants and AI tools, have conversations changed around the value of continuing to contribute to Verisk's contributory data ecosystem.

Elizabeth Mann

Chief Financial Officer, Verisk Analytics, Inc.

A

We continue to see strength on the engagement of the contribution from carriers, both large and small. But I'm going to ask my colleague, Saurabh Khemka, to add some color to that.

Saurabh Khemka

President-Underwriting Solutions, Verisk Analytics, Inc.

A

Yeah, absolutely. As Elizabeth mentioned, we continue to see strong engagement with carriers, both large and small, on the value of contributing data to our industry data set. And we mentioned the E&S data set as a great example, where we have new contributions both from large and small carriers around a new data set because we're able to provide some benchmarks that they didn't have previously. So we continue to see that engagement. The four carriers that we mentioned are part of that overall 100 new contributors that we mentioned as we launched Reimagine. And they're just kind of flowing through our systems now.

Stacey Jill Brodbar

Senior Vice President, Finance & Investor Relations, Verisk Analytics, Inc.

A

Next question.

Operator: Your next question comes from the line of Andrew Nicholas with William Blair. Andrew, your call is open. Please go ahead.

Andrew Nicholas

Analyst, William Blair & Co. LLC

Q

Great. Thank you. Appreciate you taking my question. I wanted to go back to kind of like the channel conversation on the AI product front. Sounds like a lot of options here. You have kind of AI-native products that you're building yourself, maybe some co-development work and then potential partnerships with the frontier model providers.

I'm just curious, as you think about all those different paths, what is the – is there a difference in monetization potential between them? Is there any preference in terms of channel, taking into account scalability or pace of adoption or how much investment is required to get that off the ground? Just trying to figure out to the extent that one of those paths becomes a more common consumption of your assets, if that has any impact on the fundamentals. Thank you.

Lee M. Shavel

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

A

Yeah. Andrew, I think the most important aspect from our perspective is making certain that we are responding to what our clients' preferences are and needs. And each client is going to be different. There are some of our clients that are actively engaged with some of the frontier models. There are others that have been exploring those partnerships and have come to us in that one instance that we referred and selected us to be their partner in developing their underwriting agentic solution.

There are clients at a very high skill level that are developing their own AI applications and working with us to integrate our data into it. We have smaller companies that have been very engaged in utilizing the AI solutions that we've implemented into our products. So I think our primary focus is in making certain that we can be as responsive as possible to the variety of approaches and needs that our clients are taking.

I think from a scalability standpoint, I think each – we've been pleased so far that we've been able to adapt our data sets relatively easily into these AI applications. And one reason for that is that a lot of this investment has been made first in the natural standardization and of the migration of our data sets into the cloud, which has facilitated that access. We already provide standardization as a function of what we do. But thirdly, our ability to adapt prior to this to a more API-driven access to our data sets has facilitated our ability to tie that to MCP, or Model Context Protocol, applications that have been the primary channel for agentic applications and even large language models.

So we – I would not say at this stage that we see differentiation in the scalability of that opportunity. We do see a variety of applications that our clients or channels that they're pursuing. And our data fortunately has the flexibility to be easily adapted and applied to a wide range. And I wouldn't say that we see a preference at this stage.

Andrew Nicholas*Analyst, William Blair & Co. LLC*

Q

Very helpful.

Operator: Your next question comes from the line of Manav Patnaik with Barclays. Manav, your line is open. Please go ahead.

Manav Patnaik*Analyst, Barclays Capital, Inc.*

Q

Thank you. Good morning. Lee, you talked about, I think, what was noticeable to me at least, the more impactful innovation at a faster rate. And I'm just curious, like, how much of that gets absorbed as part of your value pricing strategy that you have as opposed to driving new incremental revenue? Because I guess, at Investor Day, you reiterated your long term. From the way you were describing this, it sounded like it could be incremental. So I'm just trying to parse that out, if that makes sense.

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

A

Yes. Manav, I would say that the greater balance of that is applied to developing new revenue opportunities for us because those innovations are creating a distinctively incremental level of value that may not have occurred before. And when we were talking about, for instance, aerial imagery, those are new analytics that provide lift or improved outcomes to our clients that they otherwise wouldn't have had access to before.

So if we think of it as something that is separate and additional to the loss cost data or the ProMetrix data or the 360Value data on restoration costs, these are new applications that provide incremental value. Similarly, the Digital Media Forensics is while providing an anti-fraud solution, this is something that is being applied to those digital images. So it's a similar model, but it is something that is incremental to the overall purpose. So I would say the significant majority of that focus is in developing new sources of revenue rather than just enhancing the existing value of what we already have.

Operator: Your next question comes from the line of Jeff Silber with BMO Capital Markets. Jeff, your line is open. Please go ahead.

Jeffrey M. Silber*Analyst, BMO Capital Markets Corp.*

Q

Thanks so much. You talked a bit earlier regarding contract renewal and embedding the different aspects of AI into the negotiation. I'm just curious, I know from a market perspective, we've seen, I guess, what you called in the past normalization of net written premium growth. But your clients are still under a lot of pressure focusing on profitability. Are you seeing any changes, either pushback on price increases or lengthening of sales cycles because of that specific item, and how are you addressing that?

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

A

Jeff, I'd have to say we aren't seeing that in – that's not the primary driver. And in fact, notwithstanding some of the net written premium softness, I do think that the profitability that we've seen in terms of significantly improved combined ratios for the industry is creating a level of profitability that, on the one hand, creates I think an opportunity for them to invest a little bit more heavily in technology, coming at a time where there is more demand for data and analytics and AI to be applied to it.

And I think, generally, the market has been or our client set, the industry, has been leaning into technology, naturally AI. And with the recognition that clean, structured, accessible data sets are going to be important to that, I think that has been a dimension that has supported our contract negotiations and renewals with them.

And the fact that we have our largest clients in a variety of recent renewals over the past 12 months, who have recommitted to long multiyear contracts, I think, is a demonstration of the importance of that data and its value even in this industry of technological change and adaptation, as well as a softening premium market. These dynamics, the adoption and the utilization of technology, in many ways supersede the year-to-year fluctuations in the overall market.

Operator: Your next question comes from the line of Henry Hayden with Rothschild & Co Redburn. Henry, your line is open. Please go ahead.

Henry Hayden

Analyst, Rothschild & Co Redburn

Q

Yeah. Morning, everyone. Thanks for taking our questions. We were hoping for an update on the cross-sell environment that you're seeing, specifically as it relates to how adoption of digital modules from existing solution upgrades is trending. Are you seeing an acceleration in uptake as you sort of work through the client base? And what's the current state of penetration of that? Thanks.

Elizabeth Mann

Chief Financial Officer, Verisk Analytics, Inc.

A

Yes. Thanks for the question, Henry. We are seeing a strong environment with a lot of interest and engagement in our new products. We talked about the engagement that we saw from clients at VIC and the pretty active pipeline of trials, POCs engagement and new subscriptions on the new products. So we continue to be happy about the cross-sell opportunity and enthused to provide that value to the clients.

Lee M. Shavel

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

A

And, Henry, if I could add a dimension to that. I think there are two levels that this is operating for us. One is, because of a better strategic dialogue that we've had with our clients that has improved, we have seen improved in individual product cross-sells as we're better able to speak to the strategic value or the return on investment of our products at that strategic level.

But the second dimension is that our clients have been more engaged in working with us to understand how we can integrate data sets and product functionality across that, and so building and working towards more enterprise-oriented solutions that tie our products together to meet some of their specific goals. And I think we're excited about the opportunities of doing more of that across the industry.

Henry Hayden

Analyst, Rothschild & Co Redburn

Q

Great. Thank you.

Operator: Your next question comes from the line of Curtis Nagle with Bank of America. Curtis, your line is open. Please go ahead.

Curtis Nagle

Analyst, BofA Securities, Inc.

Q

Great. Just maybe a relatively straightforward one for me. Just in terms of the shape of the year in growth, what is the expected contribution from the new Core Lines Reimagine modules that you're continuing to feather in versus, say, just the impact of some of the easier comps in the second half of the year?

Elizabeth Mann

Chief Financial Officer, Verisk Analytics, Inc.

A

Thanks. Yeah. I think it depends on how you look at it. So from a year-over-year comparison, that will be driven – the improvement over the balance of the year will be driven by the easier year-over-year comps. But as we said, we expect a steady build in reported revenue. The forms, rules and loss cost business as our largest business will be contributing to that. And I think we mentioned it as a driver of subscription growth in this first quarter. So, that will persist. But all of our businesses are showing pretty strong subscription outcome. So, that will build over the course of the year.

Curtis Nagle

Analyst, BofA Securities, Inc.

Q

Okay. Thank you. Appreciate it.

Operator: Your next question comes from the line of Kelsey Zhu with Autonomous. Kelsey, your line is open. Please go ahead.

Kelsey Zhu

Analyst, Autonomous Research US LP

Q

Good morning, and thanks for taking my question. Just circling back to AI, where do you see as the biggest margin or top line opportunity brought by your own AI investment? And any thoughts around sizing that top line margin upside from AI would be really helpful. I know you've talked about aerial imagery, digital forensics, but any other incremental revenue or cost opportunities you want to highlight here that weren't previously available in the pre-AI world? Thanks a lot.

Elizabeth Mann

Chief Financial Officer, Verisk Analytics, Inc.

A

Yeah. Thanks, Kelsey. We've been talking about the AI opportunity and our new products, and we see that continuing to build. From a material impact standpoint, we haven't sized it on the top line. We still continue to think of it as a long-term opportunity.

On the margin, we do see – we are seeing the benefit of efficiency and productivity on our software development teams, on our data ingestion and others. We're also, at the same time, investing in the new technology and in our data to build the AI-ready and the MCP solutions that we're excited about. So I would say, for the time being, we see it as a push on the margin and is embedded in our guide of gradual margin expansion for the year.

Lee M. Shavel

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

A

Yeah. And, Kelsey, perhaps to add another dimension to this and just ask – answering it broadly because there are a lot of applications. But I think if we think about where it can be most impactful and we look at what the industry is trying to achieve, one of their top objectives is increasing productivity, whether it's for an underwriter or an agent or a claims professional, and that's where I think we can accelerate and support that productivity objective.

It's an area where in other parts of our business, when we have been able to demonstrate productivity improvement, for instance, with a claims adjuster or a claims estimator, that demonstrates real value for them because they can accomplish more faster. That becomes a clear path to value realization and our ability to participate in that value realization.

So I think if we think about that broader – on that broader opportunity, if we can support that activity, applying our data to it, integrating those data sets, and we're improving that productivity for that client, then I think that supports value realization in terms of the longer-term contracts that we enter into and demonstrating value, in a similar fashion to what we've also been able to realize, demonstrated by the stronger subscription growth that we've been able to achieve because of our Core Lines Reimagine initiative. That was digitizing a lot of the data, improving their access. We've heard it directly and indirectly that that's improved productivity. And I think AI will be an extension, potentially an acceleration of that opportunity, which then supports our ability to capture value through that method.

So that's a very broad answer, but I think that captures what we see as the primary opportunity for monetization on our front.

Kelsey Zhu

Analyst, Autonomous Research US LP

Q

Super helpful. Thanks a lot.

Operator: Your next question comes from the line of Alex Kramm with UBS. Alex, your line is open. Please go ahead.

Alex Kramm

Analyst, UBS Investment Bank

Q

Yeah, thanks. Hey. Good morning, everyone. Lee, you mentioned this, I think underwriting platform that you're developing with one client. I'm not sure to what degree that was disclosed already. But can you maybe flesh out what exactly you're doing there? And obviously, like the revenue model there, is this just a one-off with one client or is this becoming more of an industry utility over time? And are there opportunities to do something similar with other clients obviously?

Lee M. Shavel

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

A

Yes, Alex. So this is a – it is a one-off specific to this customer, but I think it's indicative of our client's broad objectives to think about how they can restructure their processes and integrate different data sets.

And so specifically, as we discussed in the call, the project is to work with them on restructuring, reimagining their underwriting process, integrating a range of our data sets, as well as agentic technologies that we are providing on the underwriting side, to be able to improve the efficiency and the effectiveness of that underwriting process.

And that came after an RFP of a large number of potential clients, some from the technology side, some from the software side, some from the AI side. But it was our familiarity with the process, our data governance elements, and their comfort with our knowledge and expertise on it that drove it.

So it is specific to the needs of that client and what their objectives are. And that's, I think, a reflection of the stronger strategic dialogue that we've had with a variety of our clients, as well as our expertise. But I would also describe it as something that we're hearing from a range of our clients and something that I could see us doing with a much larger number of our clients.

Alex Kramm

Analyst, UBS Investment Bank

Q

Very helpful. Thank you.

Operator: Your next question comes from the line of Jason Haas with Wells Fargo. Jason, your line is open. Please go ahead.

Jason Haas

Analyst, Wells Fargo Securities LLC

Q

Hey. Good morning, and thanks for taking my question. Can you talk about the moat around your underwriting data analytics solutions business and what prevents your competitors or largest customers from using AI to recreate this data? And I know there's a lot that goes into it, but curious if you could talk about some of the major data that's in there and the defensibility? Thank you.

Lee M. Shavel

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

A

Yes. Jason, I'm going to hand this over to my colleague, Saurabh Khemka, who runs all of our underwriting businesses, to address that.

Saurabh Khemka

President-Underwriting Solutions, Verisk Analytics, Inc.

A

Yeah, Jason. So let me talk about a few things. First, a lot of our data sets are proprietary to us, whether it's contributory or self-sourced. So that is an element of moat. The second, what we do with the data is analytics that are normalization or looking at data across our platforms, which is, again, something that is unique to us. The third thing I would say is our experience and our focus on risk segmentation. So, taking that data and creating analytics that drive greater lift and greater segmentation for our clients is a differentiator for us. I mean, we've talked about aerial imagery today. We went from roof age to roof condition to specific wind and hail perils, and now looking at remaining life for a roof. These are all new segmentation.

And then finally, we are the trusted provider. So when we think about how we standardize and the scale at which we standardize when we go to regulators, we're able to offer our turnkey solution to our customers, which is a filed analytic that they can use very easily. So that describes it at broader ways kind of the moat that we have.

Jason Haas

Analyst, Wells Fargo Securities LLC



Great. Thank you.

Operator: Your next question comes from Scott Wurtzel with Wolfe Research. Scott, your line is open. Please go ahead.

Scott Wurtzel

Analyst, Wolfe Research LLC



Great. Good morning, guys. Thank you for taking my question. Apologies if I had missed this earlier, but just wondering if you can talk about the sustainability of the subscription OCC revenue growth. I know it decelerated a little bit to 7%, but just wondering if you can talk about if we can see a sustainable growth in that high-single-digit range. Thanks.

Elizabeth Mann

Chief Financial Officer, Verisk Analytics, Inc.



Yeah. Thanks for the question, Scott. We do continue to see sustainability of that subscription growth rate. We talked about the fact that we had double digits in the year-ago cycle, and that level may not itself be sustainable. But where we are is amply continuing and continues to be strong as we talked about some of the subscription outcomes we saw in the first quarter, not just in one business, not only in our forms, rules and loss cost business, which continues to see the benefit and strong retention, and even extending terms and improved pricing based on Core Lines Reimagine, but also strong subscription growth across our portfolio in the catastrophe and risk solutions business, in the property and restoration solutions business, as carriers continue to see the value and the AI enhancements driven on the solutions. So we really see strong engagement across our portfolio, and the investments that we're doing on those products driving good outcomes and good conversations with the clients.

Scott Wurtzel

Analyst, Wolfe Research LLC



Great. Thank you.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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