Verisk

1Q2018 Earnings Presentation

May 01, 2018

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Forward Looking Statements, Safe Harbor & Non-GAAP Financial Measures

Forward-Looking Statements

This release contains forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “target,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements. Other factors that could materially affect actual results, levels of activity, performance, or achievements can be found in Verisk’s quarterly reports on Form 10-Q, annual reports on Form 10-K, and current reports on Form 8-K filed with the Securities and Exchange Commission. If any of these risks or uncertainties materialize or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement in this release reflects our current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.

Notes Regarding the Use of Non-GAAP Financial Measures

The company has provided certain non-GAAP financial information as supplemental information regarding its operating results. These measures are not in accordance with, or an alternative for, U.S. GAAP and may be different from non-GAAP measures reported by other companies. The company believes that its presentation of non-GAAP measures, such as organic constant currency revenue, adjusted organic constant currency EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted net income from continuing operations, diluted adjusted EPS, and free cash flow, provides useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. In addition, the company’s management uses these measures for reviewing the financial results of the company and for budgeting and planning purposes.

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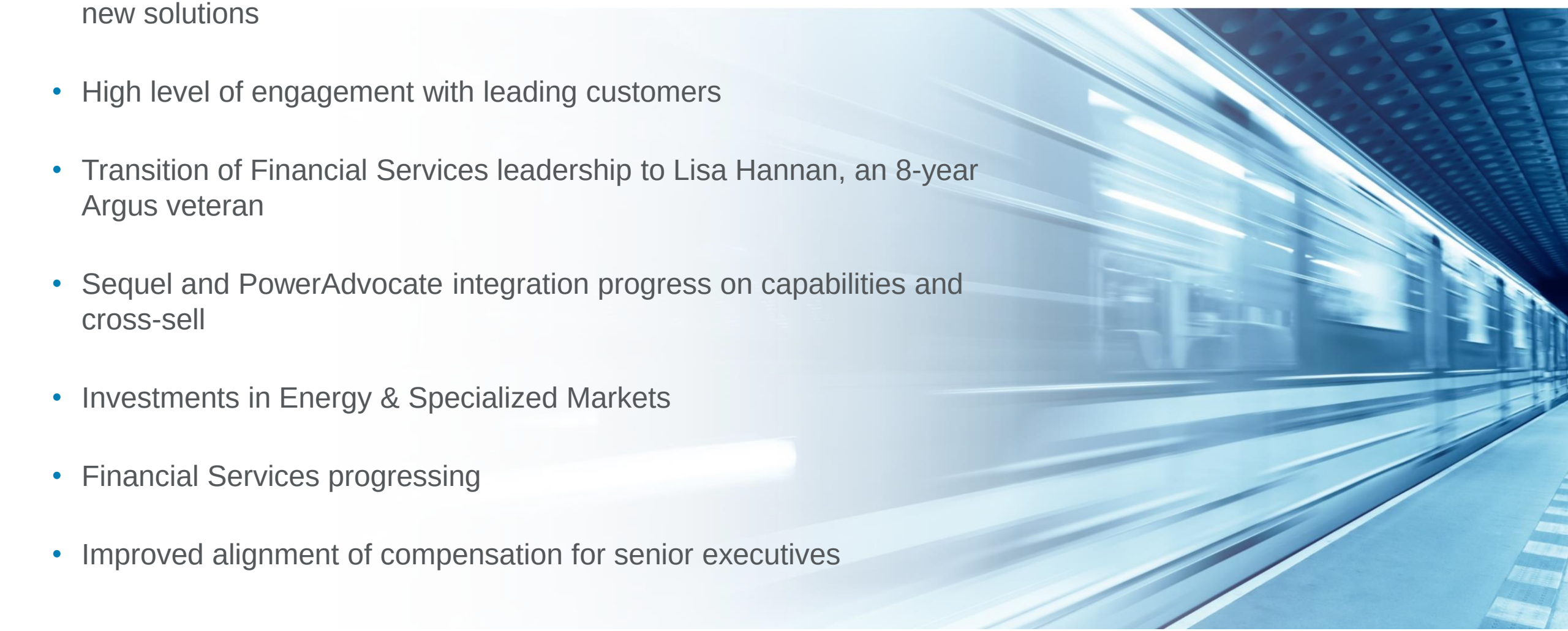
Business Highlights

- Strong organic revenue growth from new customers, cross-sell and new solutions
- High level of engagement with leading customers
- Transition of Financial Services leadership to Lisa Hannan, an 8-year Argus veteran
- Sequel and PowerAdvocate integration progress on capabilities and cross-sell
- Investments in Energy & Specialized Markets
- Financial Services progressing
- Improved alignment of compensation for senior executives



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Financial Summary

(in $ millions, except per share amounts)	Three months ended March 31st 2018	2017	% change
Revenue	$ 581	$ 503	16%
EBITDA	269	246	9
Net Income	133	109	22
Adj. Net Income	159	125	27
Diluted GAAP EPS	$0.79	$0.64	23
Diluted Adjusted EPS	$0.94	$0.74	27
EBITDA margin	46%	49%	-260 bps
Free Cash Flow	$ 284	$ 287	-1%

Highlights

- Revenue growth driven by organic Insurance growth, recent acquisitions and favorable FX environment
- EBITDA growth from organic operating leverage and recent acquisitions, partially offset by investment
- EBITDA margin reflects impact of acquisitions and investment
- Net income and diluted EPS growth from strong organic performance with lift from lower tax rate
- FCF growth impacted by investment in remote sensing capabilities and software development

1Q2018 Revenue Composition



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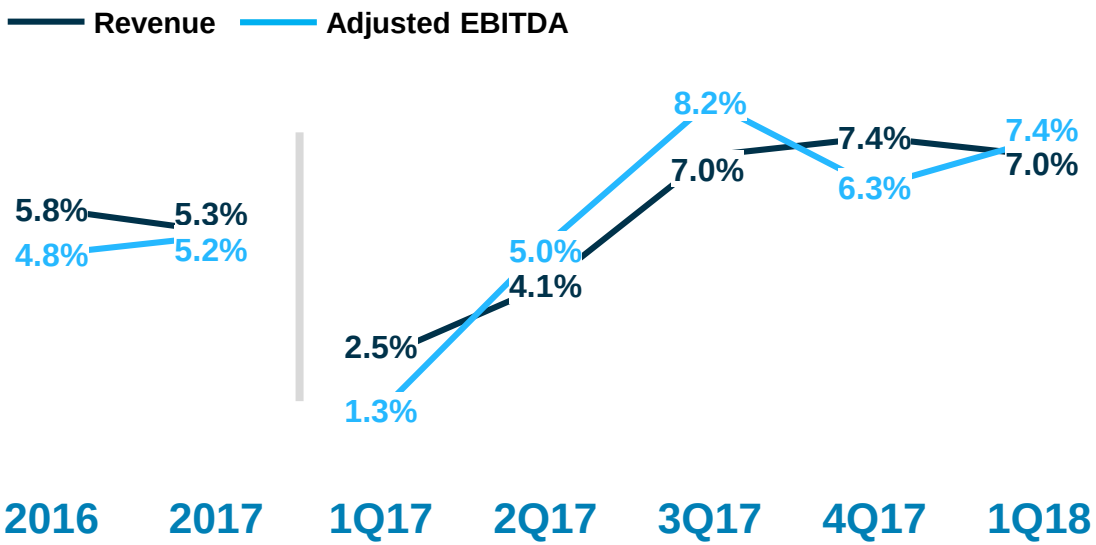
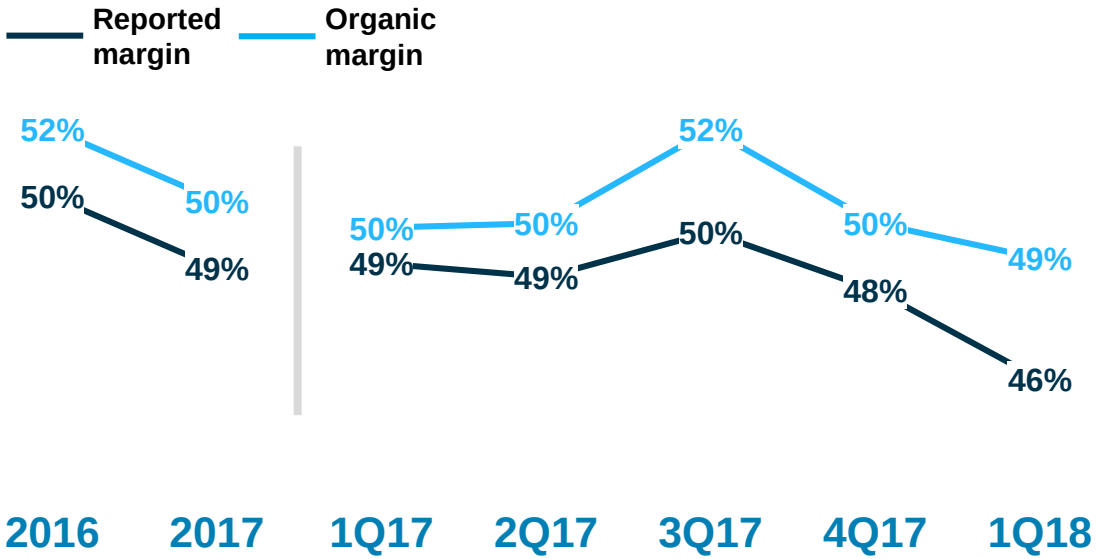
Organic Constant Currency Growth and Adjusted EBITDA Margins



Highlights

- Organic revenue growth at or over 7% for three consecutive quarters
- Organic constant currency EBITDA growth ahead of revenue growth in the current quarter, even with investment in internal opportunities
- Insurance segment of particular strength, especially Claims solutions



Highlights

- Stated margin impacted by acquisitions and non-recurring earn-out for a 2017 acquisition
- Organic margin improved for both the Insurance and Financial Services segments
- Energy & Specialized Markets organic margin declined from increased investment in breakout opportunities

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Segments

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Segment Mapping

Key Solutions	Previous Segmentation: Decision Analytics	Previous Segmentation: Risk Assessment	New Segmentation: Insurance	New Segmentation: Energy & Spec. Mrkts.	New Segmentation: Financial Services
ISO Solutions		A	F		
Underwriting	C	B	F		
Claims Analytics	C		G		
AIR Worldwide	C		F		
Xactware	C		G		
Geomni	C		G		
Sequel	C		F		
AER	D			●	
Verisk 3E	D			●	
Verisk Maplecroft	D			●	
Wood Mackenzie	D			●	
PowerAdvocate	D			●	
Argus	E				●

Revenue Categories		
A. Industry-standard	D. DA-Energy & Spec. Mrkts.	F. Underwriting & rating
B. Property-specific	E. DA-Financial Services	G. Claims
C. DA-Insurance		

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Segment Growth Summary

	Three months ended March 31st			
	Insurance	Energy & Spec. Mrkts.	Financial Services	Verisk
Revenue growth:				
Reported	12.5%	18.1%	46.2%	15.6%
Organic	8.8	8.4	2.1	8.3
Organic constant currency	8.7	3.1	1.5	7.0
EBITDA growth:				
Reported	9.9%	6.0%	9.8%	9.4%
Organic	9.7	(1.3)	3.9	8.0
Organic constant currency	9.7	(5.9)	5.1	7.4
EBITDA margin				
Reported	54%	27%	26%	46%
Organic	56	27	36	49

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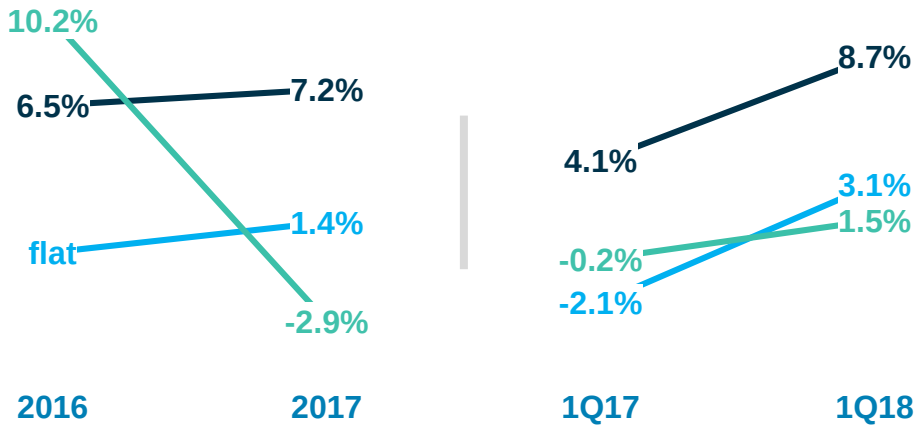
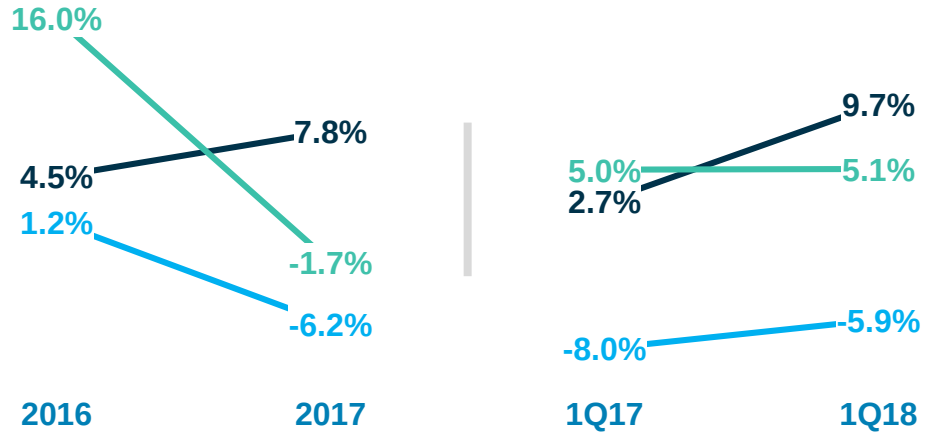
Segment Trends

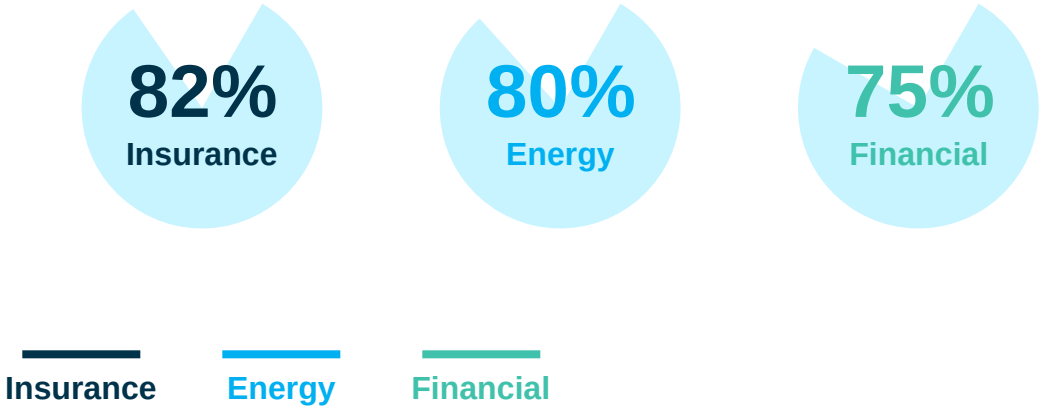
Organic Constant Currency Revenue Growth



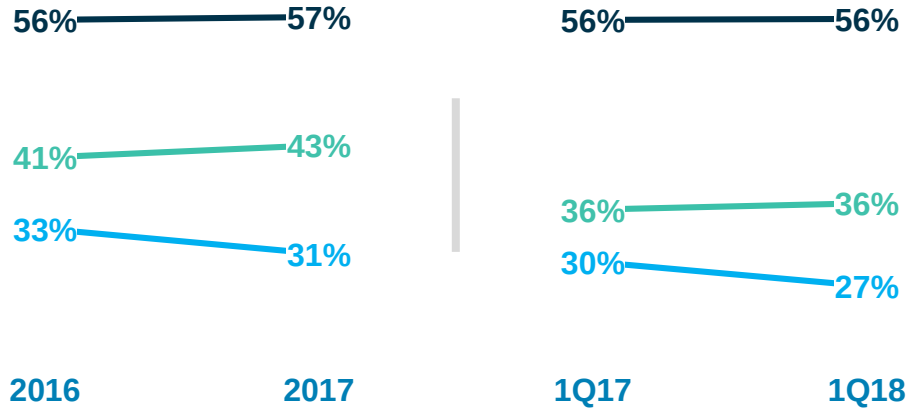
Organic Constant Currency Adjusted EBITDA Growth



1Q18, % Subscription/Long-term Contracts



Organic Adjusted EBITDA Margins



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Insurance Overview

Underwriting & Rating Solutions

ISO
Industry-standard insurance programs
Property-specific underwriting & rating info
Underwriting solutions

AIR
Catastrophe and extreme event models covering natural and man-made risks such as terrorism

sequel
Integrated suite of software that provides full end-to-end management of all insurance and reinsurance business

Claims Solutions

Claims Analytics
Integrated analytics solutions for improving claims outcomes at every step of the process and fighting fraud

Xactware
Loss quantification and repair cost estimating for professionals involved in all phases of building and repair

Geomni
Multitier, multispectral aerial imagery, dimensions, and structure history for residential and commercial roofs/properties

Historical Performance (in $ millions)

	2015	2016	2017
reported growth	6.6%	9.3%	
organic cc	6.5%	7.2%	



Revenue

	2015	2016	2017
reported growth	4.4%	7.5%	
organic cc	4.5%	7.8%	



Adjusted EBITDA

Contribution



2017 Revenue



2017 EBITDA

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Insurance Quarterly Performance

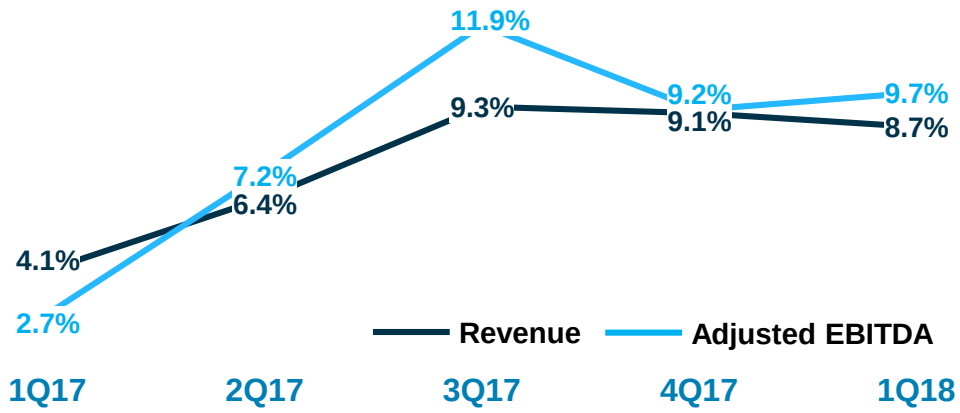
Financials

(in $ millions)	1Q18	1Q17	% change Reported	% change Organic	% change Organic constant FX
UW & Rating	$ 280.6	$ 253.2	10.8%	6.9%	6.9%
Claims	132.0	113.7	16.1	13.0	12.6
Revenue	**412.6**	**366.9**	**12.5**	**8.8**	**8.7**
EBITDA	**224.0**	**203.8**	**9.9**	**9.7**	**9.7**
reported margin	54%	56%			
organic margin	56	56			

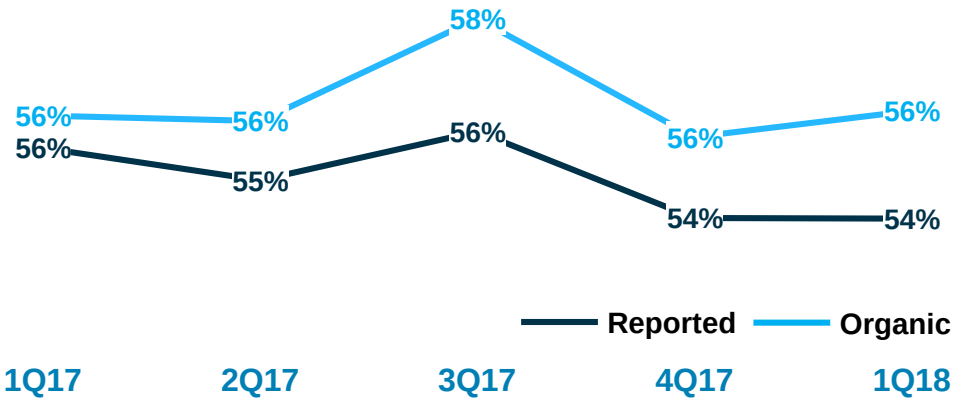
Business Highlights

- Underwriting & rating organic growth across extreme event modeling, personal lines underwriting and industry standard programs
- Strong organic growth for all Claims solutions
- Organic margin, partially offset by investments in Geomni and IoT (Internet of Things), reflects operating leverage of Insurance solutions

Organic Constant Currency Growth



EBITDA Margin



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Energy & Specialized Markets Overview

Solutions

Wood Mackenzie — Research, consulting and data analytics for the global energy, chemicals, and metals and mining industries

aer — Improving our understanding of global environment to enable better decision making in response to weather and climate-related risk

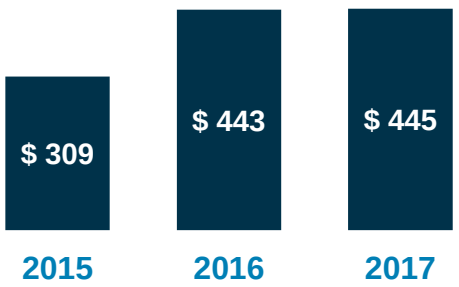
Verisk 3E — Supports compliance with global Environmental Health and Safety requirements

Verisk Maplecroft — Country risk data including information on terrorism, conflict, civil unrest, corruption, human rights violations, and natural hazards

PowerAdvocate — Spend and cost data from millions of transactions across thousands of services, materials, and equipment categories

Historical Performance (in $ millions)

	2015	2016	2017
reported growth	43.4%	0.4%	
organic cc	flat	1.4%	



Revenue

	2015	2016	2017
reported growth	47.9%	-12.9%	
organic cc	1.2%	-6.2%	



Adjusted EBITDA

Contribution



2017 Revenue



2017 EBITDA

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Energy & Specialized Markets Performance

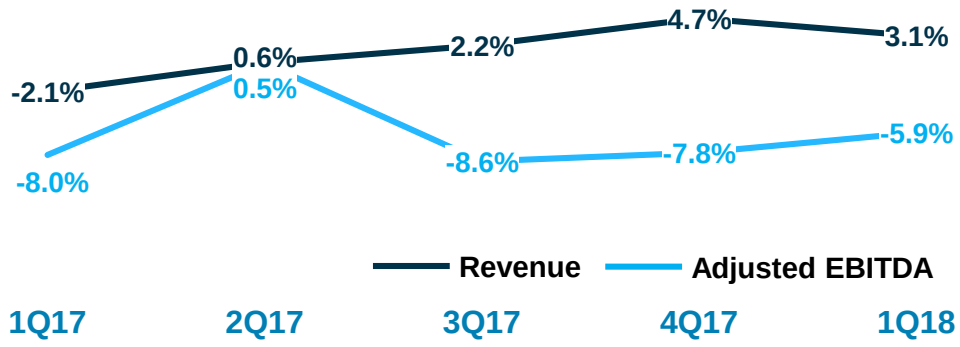
Financials

(in $ millions)	1Q18	1Q17	% change Reported	% change Organic	% change Organic constant FX
Revenue	**$ 125.5**	**$ 106.3**	**18.1%**	**8.4%**	**3.1%**
EBITDA	**33.6**	**31.7**	**6.0**	**(1.3)**	**(5.9)**
reported margin	27%	30%			
organic margin	27	30			

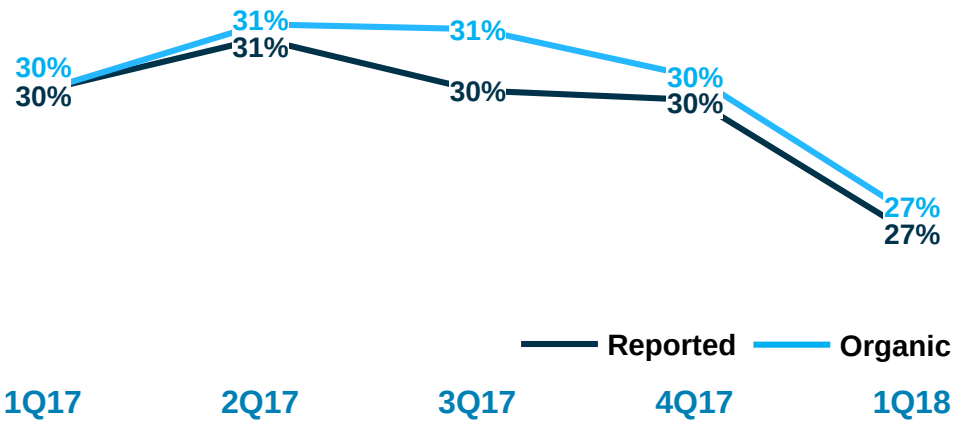
Business Highlights

- Organic revenue growth driven by consulting and breakout initiatives as the energy end market continues to stabilize
- Continued investment in subsurface, chemicals and power & renewables analytics
- Solid organic revenue and EBITDA growth at 3E driven by regulatory solutions

Organic Constant Currency Growth



EBITDA Margin



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Financial Services Overview

Solutions

ARGUS — Solutions for financial institutions including competitive benchmarking, decisioning algorithms, customized analytic services and data management platforms

Verisk Retail — Systems and services to help retailers prevent loss, manage risk, and ensure compliance with laws and regulations

G2 — Solutions detecting illicit, fraudulent, and non-compliant merchant activity for the payment sector

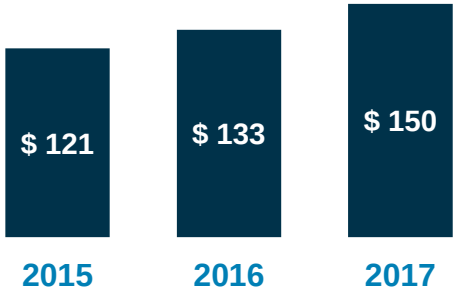
FINTELLIX — Analytics, risk, and compliance solutions for the banking sector enabling agility in risk and regulatory reporting practices

LCI — Risk management tools associated with regulation, bankruptcy charge-off, and debt collection to banks

marketview — Consumer spending analysis and insights across the retail, hospitality, property, and government sectors in New Zealand

Historical Performance (in $ millions)

	2015	2016	2017
reported growth	9.9%	12.5%	
organic cc	10.2%	-2.9%	



Revenue

	2015	2016	2017
reported growth	15.2%	6.4%	
organic cc	16.0%	-1.7%	



Adjusted EBITDA

Contribution



of total Verisk

2017 Revenue



of total Verisk

2017 EBITDA

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Financial Services Performance

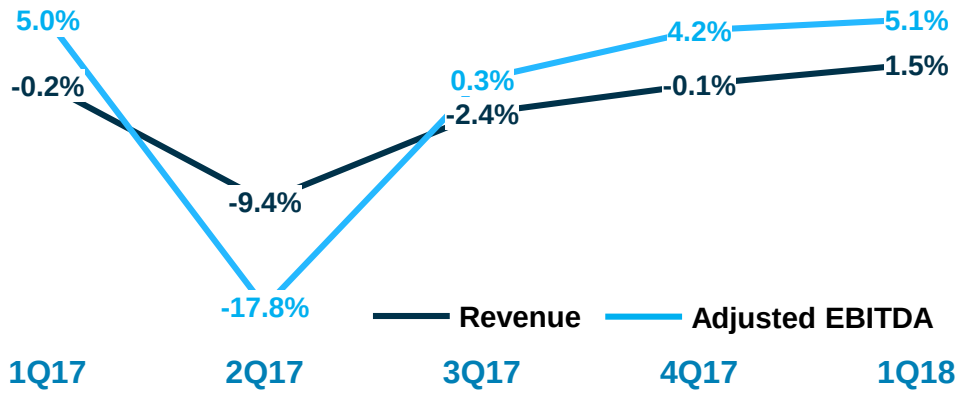
Financials

(in $ millions)	1Q18	1Q17	% change Reported	% change Organic	% change Organic constant FX
Revenue	**$ 43.1**	**$ 29.4**	**46.2%**	**2.1%**	**1.5%**
EBITDA	**11.2**	**10.2**	**9.8**	**3.9**	**5.1**
reported margin	26%	35%			
organic margin	36	36			

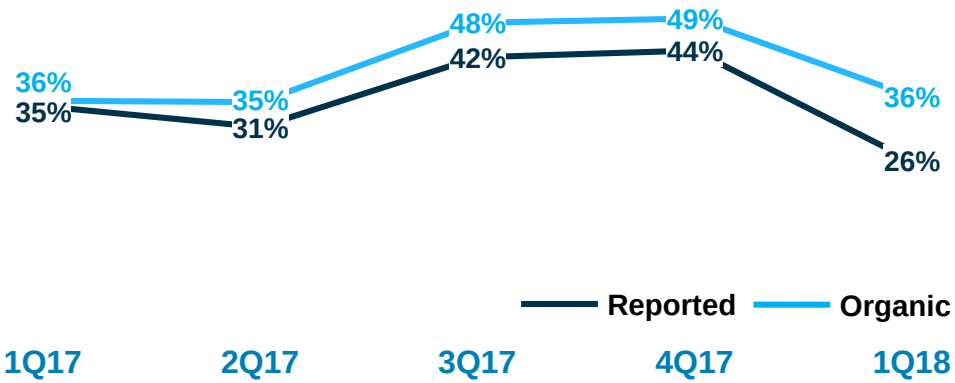
Business Highlights

- Continued progress in recovering from 2017 contract transitions; momentum picked up in the later part of the quarter for Analytic Services
- Strong organic revenue growth for media effectiveness
- Seasonality from nature of high-ticket data management sales
- Reported EBITDA margin impacted by non-recurring $3.5M Fintellix earn-out

Organic Constant Currency Growth



EBITDA Margin



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Cash Flow and Capital

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Cash Flow Utilization

(in $ millions)	2015	2016 (1)	2017	2017 1Q-YTD	2018 1Q-YTD
Net cash provided by operating activities	$ 591M	$ 656M	$ 744M	$318M	$ 327M
Capital expenditures	(139)	(146)	(184)	(31)	(43)
Free cash flow (FCF)	452	510	560	289	284
Acquisitions, net of cash acquired and gain on hedge	(2,856)	(74)	(915)	(76)	(22)
Proceeds from sale of sub	--	715	--	--	--
Net debt financing	1,710	(771)	615	(100)	(235)
Repurchases of common stock (2)	(20)	(327)	(276)	(99)	(36)
Free cash flow conversion, FCF-to-Adjusted EBITDA	49%	51%	53%	117%	106%

Notes: 1. 2016 net cash provided by operating activities and free cash flow are normalized for $100M of taxes paid related to the divestiture of the healthcare business.
2. $40 million of share repurchases in 1Q2018 with $4M cash out the door post quarter end.

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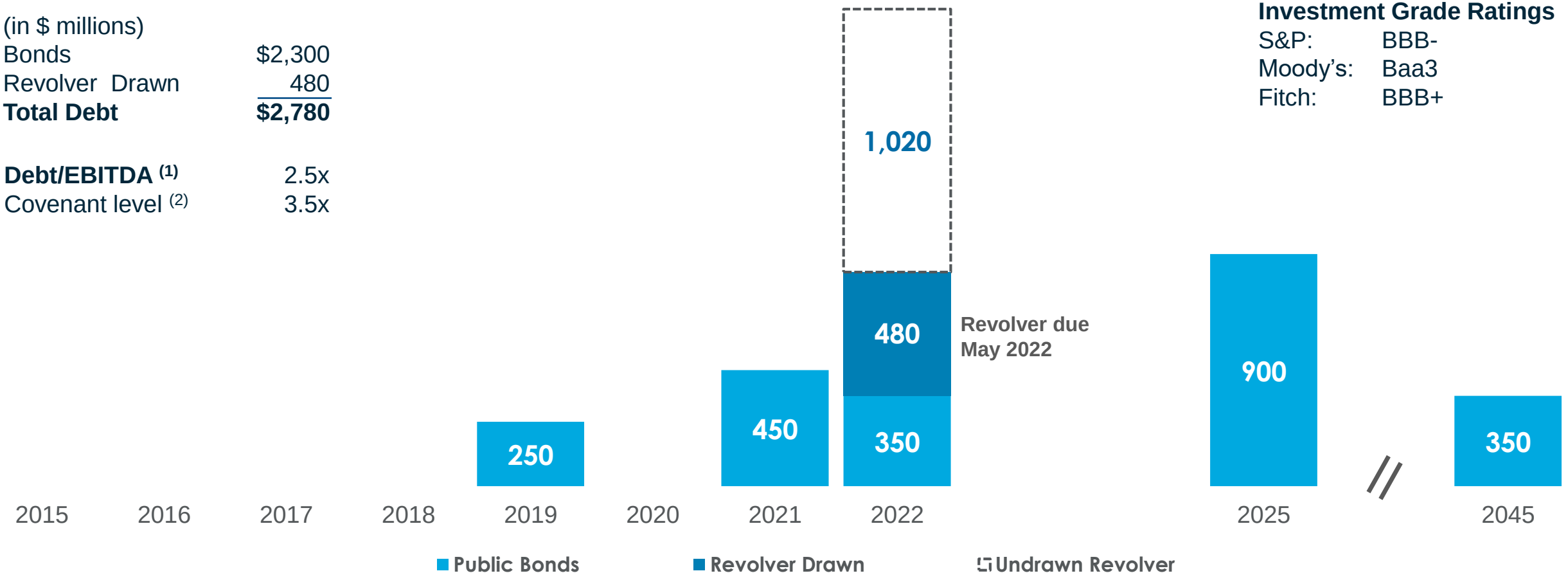
Capital Structure

as of 03/31/2018

(in $ millions)	
Bonds	$2,300
Revolver Drawn	480
Total Debt	**$2,780**
Debt/EBITDA (1)	2.5x
Covenant level (2)	3.5x

Investment Grade Ratings

S&P:	BBB-
Moody's:	Baa3
Fitch:	BBB+



Notes: 1. Per bank covenant. Leverage based on reported (face) EBITDA is 2.6x.
2. At Verisk's election, covenant may increase to 4.0x for a period of up to 12 months twice in facility life.

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Capital Management Philosophy

Focused on Value Creation

- Understand and optimize operating capital generation
- Identify internal and external investment opportunities
- Compare estimated returns on invested capital relative to risk-weighted WACC
- Compare operating cash flow growth and aggregate value creation opportunity
- Evaluate capital return alternatives
- Allocate capital to attractive return opportunities in excess of risk-adjusted WACC with highest value creation opportunity
- Determine capital return allocation



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Appendix:

Supplemental Slides and Non-GAAP Reconciliations

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Non-GAAP Reconciliations

Constant Currency Growth

Our operating results reported in U.S. dollars are affected by foreign currency exchange rate fluctuations because the underlying foreign currencies in which we transact change in value over time compared to the U.S. dollar; accordingly, we present certain constant currency financial information to provide a framework to assess how our businesses performed excluding the impact of foreign currency exchange rate fluctuations. We use the term “constant currency” to present results that have been adjusted to exclude foreign currency impact. Foreign currency impact represents the difference in results that are attributable to fluctuations in the currency exchange rates used to convert the results for businesses where the functional currency is not the U.S. dollar. This impact is calculated by translating comparable prior period year results at the currency exchange rates used in the current period, rather than the exchange rates in effect during the prior period.

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Non-GAAP Reconciliations

Segment Results Summary and EBITDA Reconciliation
(in $ millions)

	1Q18	1Q17	Change
Organic Insurance revenues	$398.5 M	$366.3 M	8.8 %
Organic Energy & Specialized Markets revenues	115.2	106.3	8.4
Organic Financial Services revenues	30.1	29.4	2.1
Revenues from acquisitions	37.4	0.6	n/a
Revenues	**581.2**	**502.6**	**15.6**
Organic Insurance EBITDA	224.3	204.6	9.7
Organic Energy & Specialized Markets EBITDA	31.3	31.7	(1.3)
Organic Financial Services revenues EBITDA	10.9	10.4	3.9
EBITDA from acquisitions	2.3	(1.0)	n/a
EBITDA	**268.8**	**245.7**	**9.4**
Depreciation and amortization of fixed assets	(40.5)	(33.8)	19.8
Amortization of intangible assets	(33.2)	(22.3)	49.1
Interest expense	(32.8)	(28.4)	15.4
Provision for income taxes	(29.3)	(52.4)	(44.1)
Net Income	**133.0**	**108.8**	**22.2**
Organic EBITDA margin	**49.0%**	**49.1%**	**--**
EBITDA margin	**46.3%**	**48.9%**	**--**
Net income margin	**22.9%**	**21.7%**	**--**

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Non-GAAP Reconciliations

Adjusted Net Income and EPS
(in $ millions expect EPS, shares in millions)

	1Q18	1Q17	Change
Net income	$133.0 M	$108.8 M	22.2 %
plus: Amortization of intangible assets	33.2	22.3	
less: tax effect on amortization of intangible assets	(6.9)	(5.8)	
Adjusted net income	**159.3**	**125.3**	**27.1**
Basic adjusted EPS	**$0.97**	**$0.75**	**29.3**
Diluted adjusted EPS	**$0.94**	**$0.74**	**27.0**
Weighted average shares outstanding			
Basic	165.0 M	166.4 M	
Diluted	169.0	170.2	

Free Cash Flow
(in $ millions)

	1Q18	1Q17	Change
Net cash provided by operating activities	$327.0 M	$317.9 M	2.9 %
less: Capital expenditures	(43.2)	(31.1)	38.9
Free cash flow	**283.8**	**286.8**	**(1.0)**

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Non-GAAP Reconciliations

Adjusted EBITDA
(in $ millions)

	2017	2016	2015
Income from continuing operations	$555.1 M	$451.5 M	$487.5 M
Interest expense	119.4	120.0	121.4
Provision for income taxes	135.9	202.2	196.6
Depreciation and amortization of fixed assets and intangible assets	237.4	211.6	167.0
less: Nonrecurring items related to the Wood Mackenzie acquisition	--	--	58.6
plus: Nonrecurring severance charges	--	2.1	--
plus: Nonrecurring ESOP charge	--	18.8	--
less: Gain on sale/exercise of equity investments/warrants	--	(1.5)	--
Adjusted EBITDA from continuing operations	**1,047.8**	**1,004.7**	**913.9**

Free Cash Flow
(in $ millions)

	2017	2016	2015
Net cash provided by operating activities	$743.5 M	$577.5 M	$663.8 M
less: Net cash provided by operating activities from discontinued operations	--	(21.4)	(73.2)
less: Capital expenditures	(183.5)	(156.5)	(166.1)
plus: Capital expenditures from discontinued operations	--	(10.6)	(27.4)
plus: taxes paid related to the sale of the healthcare business	--	99.9	0.0
Free cash flow	**560.0**	**510.1**	**451.9**

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