Verisk

3Q2018 Earnings Presentation

October 30, 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 and Financial Highlights

- Organic constant currency revenue growth was 4.7%. Normalizing for the revenue associated with exceptional storm activity and a nonrecurring project in the prior year period, organic constant currency revenue would have grown 7.5%.
- Revenue growth driven by continued Insurance strength and improvements in Energy & Specialized Markets and Financial Services.
- Organic constant currency EBITDA growth was 1.6%, or 7.1% when normalized for exceptional storm activity and a nonrecurring project in the prior year period.
- Returned $102M of capital to shareholders through share repurchases and initiated another $50M of accelerated share repurchases for 4Q 2018.
- Significant investments made across all our segments including Geomni, telematics, and WoodMac 2.0 to fuel future growth.



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Financial Summary

(in $ millions, except per share amounts)	Three months ended September 30th		
	2018	2017	% change
Revenue	$ 599	$ 549	9.0%
Adjusted EBITDA	284	269	5.4%
Net Income	166	121	37.5%
Adjusted Net Income	182	139	30.4%
Diluted GAAP EPS	$0.99	$0.72	37.5%
Diluted Adjusted EPS	$1.08	$0.83	30.1%
Adjusted EBITDA margin	47.4%	49.0%	-164 bps
Free Cash Flow	171.6	121.0	41.8%

Subscription/Long-term Revenue



International Revenue



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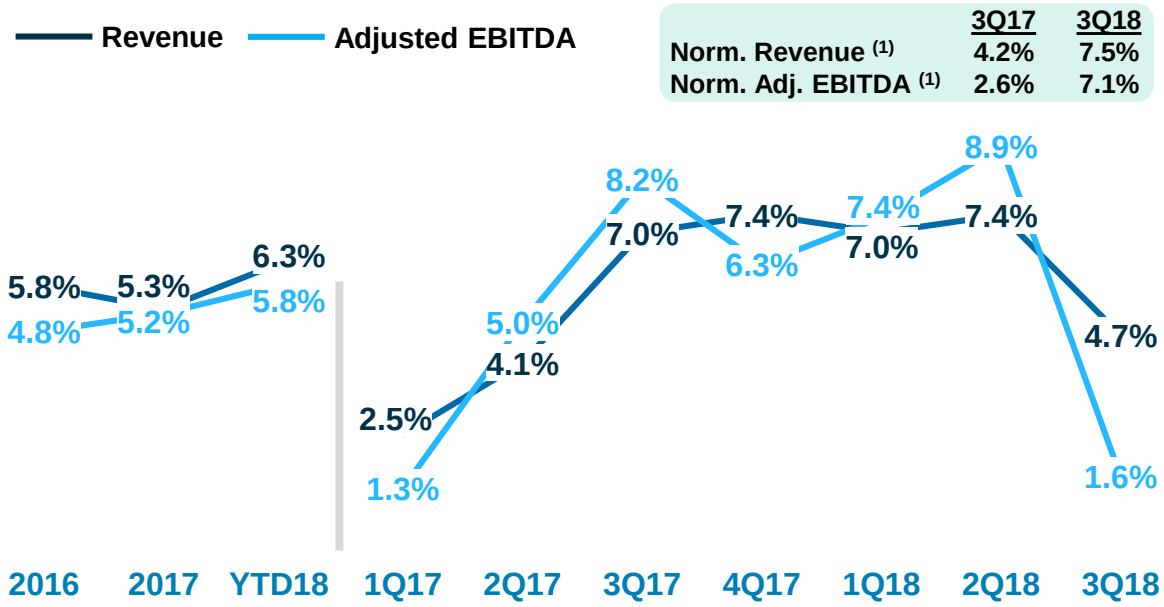
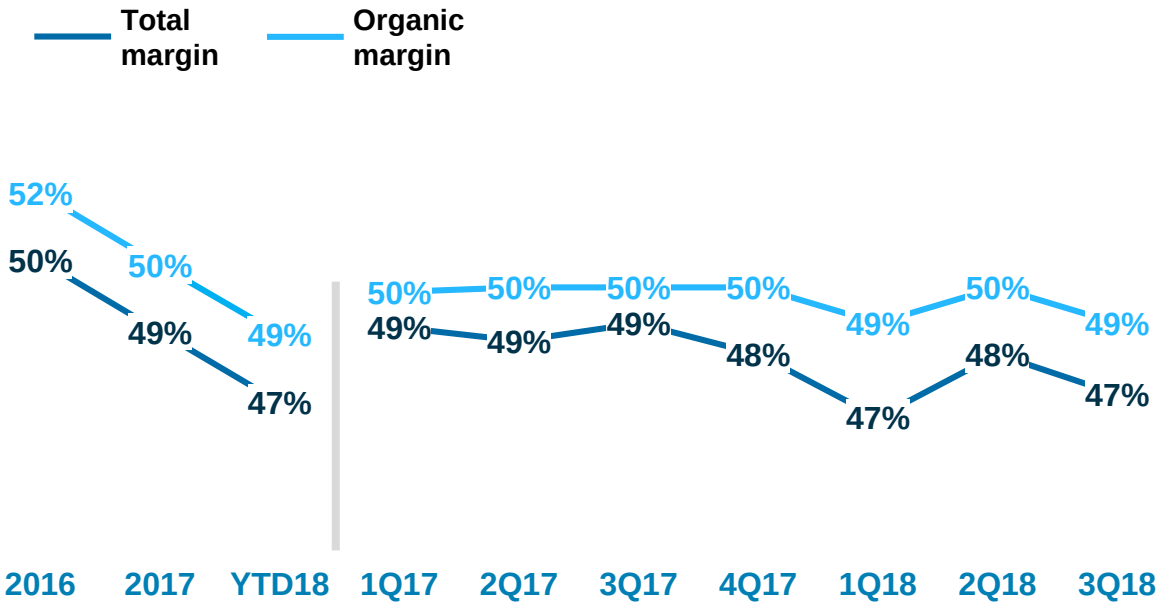
Organic Constant Currency Growth and Adjusted EBITDA Margins



Highlights

- Organic constant currency revenue growth was 7.5%, when normalized for $8 million in storm-related and $6 million in nonrecurring project revenues in 3Q17.
- Organic constant currency adjusted EBITDA growth was 7.1 when normalized for $8 million in storm-related and $6 million in nonrecurring project revenues in 3Q17.



Highlights

- 3Q18 organic constant currency adjusted EBITDA margin was 48.5%, consistent with the 48.7% margin in the prior year period when normalized for $8 million in storm-related and $6 million in nonrecurring project revenues in 3Q17.
- 2018 total margins are adjusted for acquisition-related earnout expense.

1. Normalized for revenue associated with the exceptional storm activity and a nonrecurring project in 3Q 2017.

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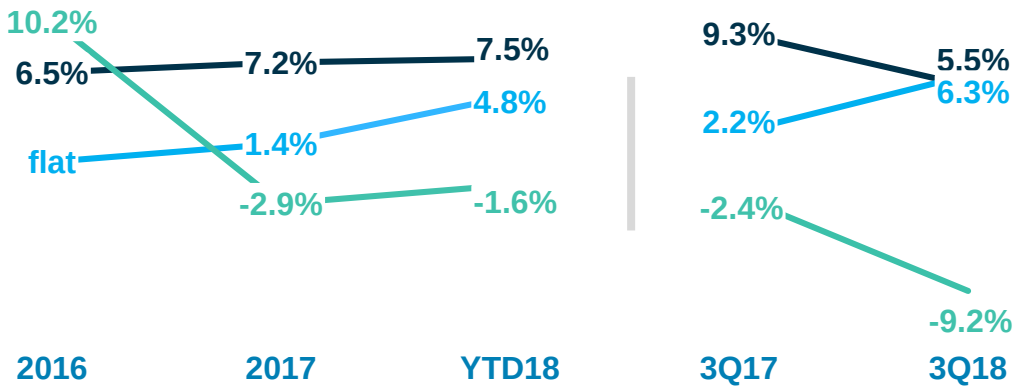
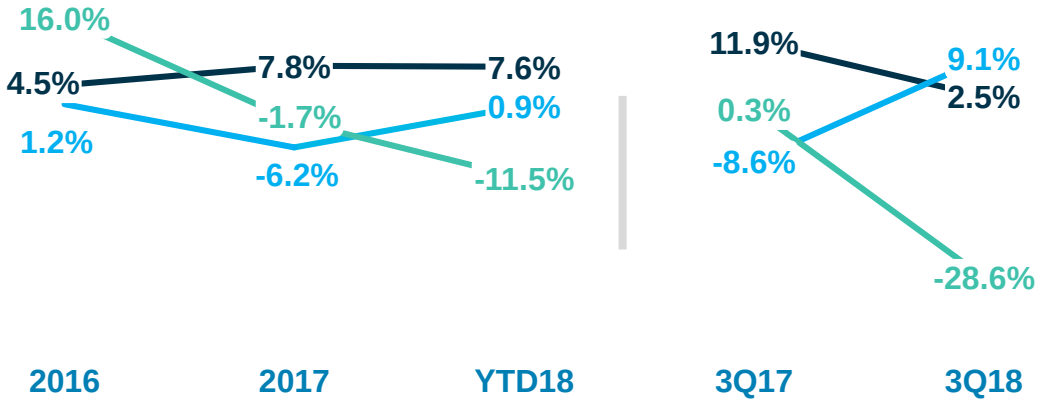
Segment Trends

Insurance Energy Financial

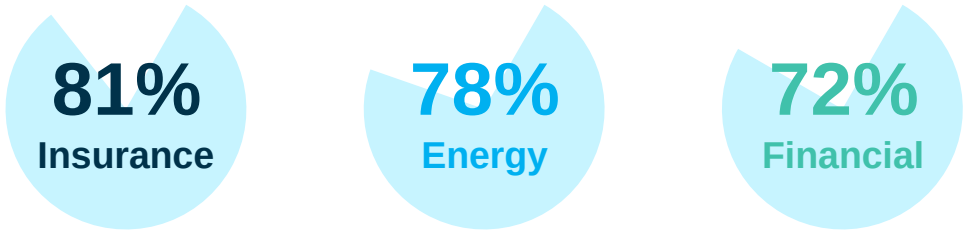
Organic Constant Currency Revenue Growth



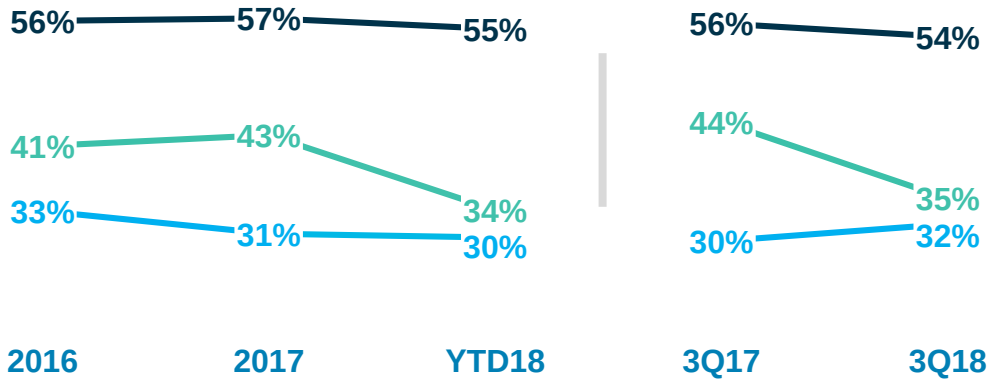
Organic Constant Currency Adjusted EBITDA Growth



YTD18, % Subscription/Long-term Contracts



Organic Adjusted EBITDA Margins (1)



1. Restates 3Q17 margin to include businesses that became organic in 3Q18.

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Segments

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Insurance

Industry-leading data analytics and insights

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

Claims Solutions

ISO 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

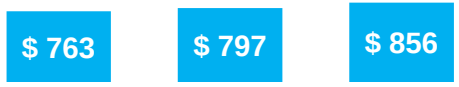
Historical Performance (in $ millions)

	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

71% of total Verisk
YTD18 Revenue

81% of total Verisk
YTD18 Adjusted EBITDA

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Insurance Quarterly Performance

Financials

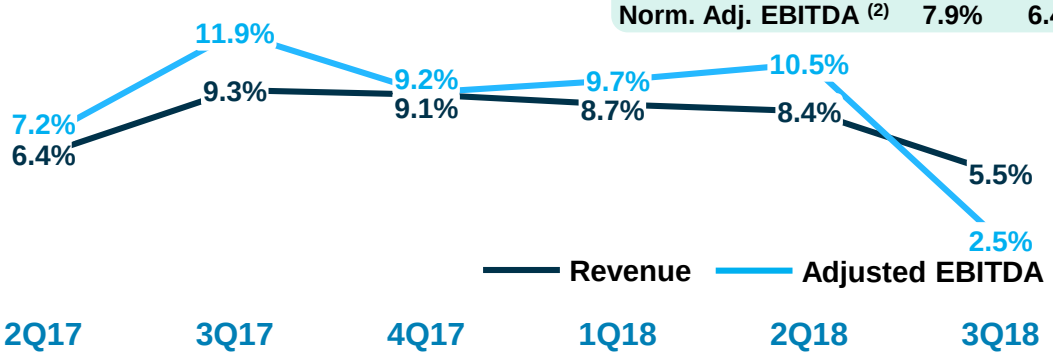
(in $ millions)	3Q18	3Q17	% change Reported	% change Organic	% change Organic CC
UW & Rating	$ 285.1	$ 261.8	8.9%	6.3%	6.3%
Claims	142.6	134.2	6.3	4.0	4.0
Revenue	**427.7**	**396.0**	**8.0**	**5.5**	**5.5**
Adjusted EBITDA	**228.0**	**218.5**	**4.4**	**2.3**	**2.5**
reported margin	53%	55%			
organic margin [1]	54	56			

Business Highlights

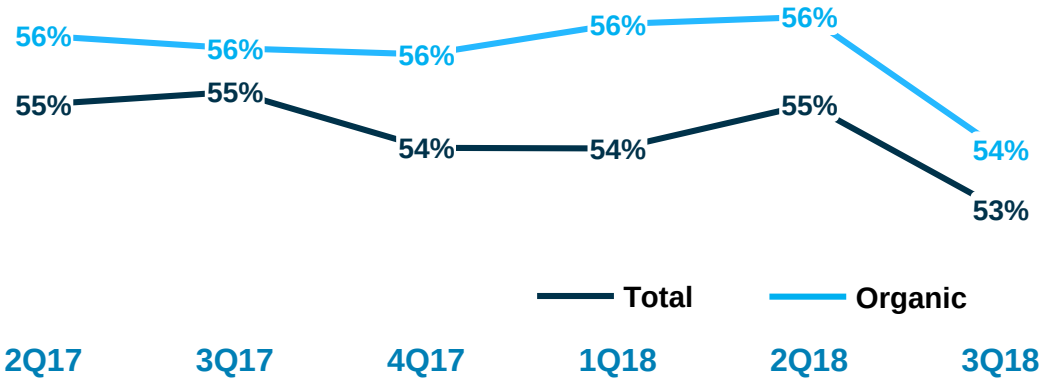
- Organic constant currency growth was 7.7% and adjusted EBITDA growth was 6.4%, when normalized for $8 million in storm related revenues in 3Q17.
- Solid performance across both UW & Rating and Claims.
- Organic margins reflect investment in our breakout solutions which will fuel future growth.

Organic Constant Currency Growth

	3Q17	3Q18
Norm. Revenue [2]	7.1%	7.7%
Norm. Adj. EBITDA [2]	7.9%	6.4%



Adjusted EBITDA Margin



1. *Restates prior year margin to include businesses that became organic in current year period.*
2. *Normalized for $8 million in revenue associated with the exceptional storm activity in 3Q 2017.*

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Energy and Specialized Markets

Unique insight on the world's energy resources and intelligent compliance solutions

Solutions

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

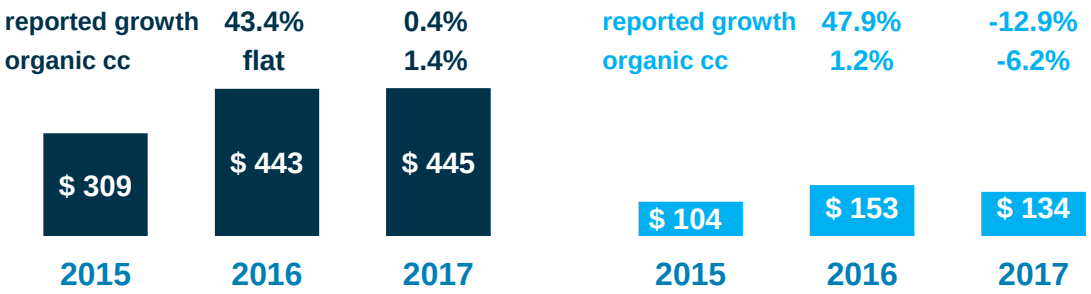
aer — Improving our understanding of global environment to enable better decision making in response to weather and climate-related risk

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)



Contribution



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Energy & Specialized Markets Quarterly Performance

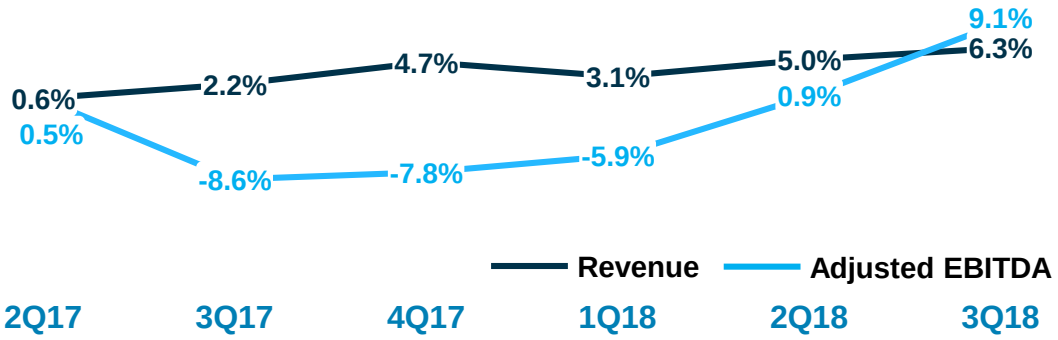
Financials

(in $ millions)	3Q18	3Q17	% change Reported	% change Organic	% change Organic CC
Revenue	**$ 127.7**	**$ 111.4**	**14.6%**	**6.6%**	**6.3%**
Adjusted EBITDA	**40.4**	**33.2**	**21.8**	**13.8**	**9.1**
reported margin	32%	30%			
organic margin [1]	32	30			

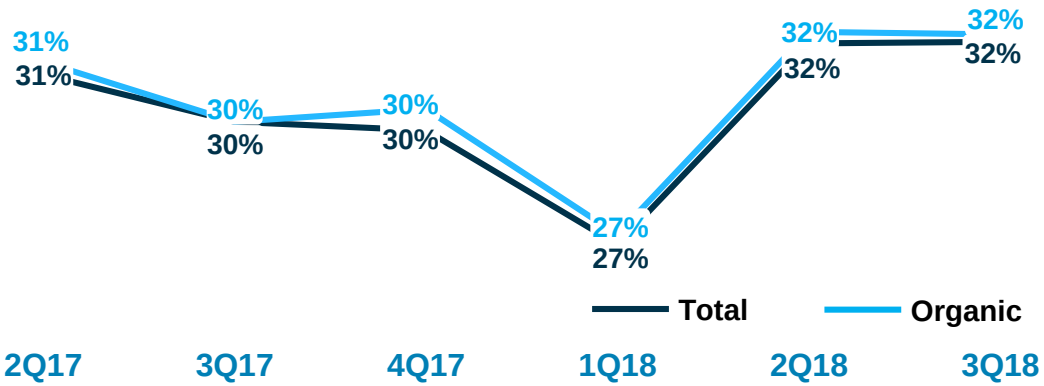
Business Highlights

- Organic revenue growth driven by WoodMac consulting and research as well as environmental health and safety.
- WoodMac research growth improved sequentially despite headwind from global investment banking client that substantially reduced its presence in the industry.
- Continued investment in WM 2.0, subsurface, chemicals power & renewables and analytics.

Organic Constant Currency Growth



Adjusted EBITDA Margin



1. Restates prior year margin to include businesses that became organic in current year period.

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Financial Services

Powerful information, analytics, and data management solutions

Solutions

ARGUS A Verisk Business
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

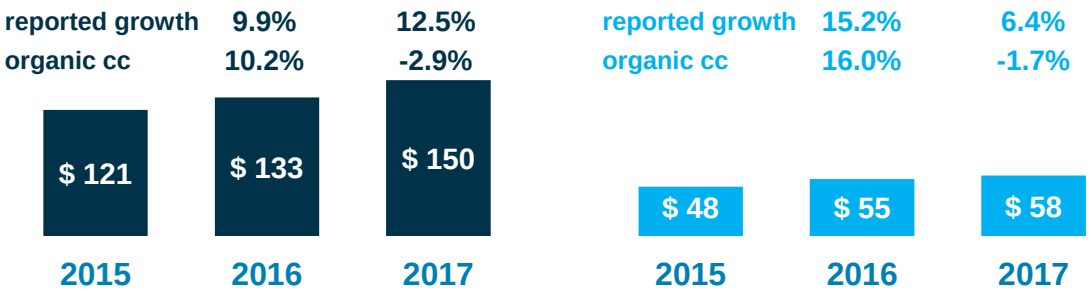
G2 Web Services A Verisk Business
Solutions detecting illicit, fraudulent, and non-compliant merchant activity for the payment sector

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

LCI A Verisk Business
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)



Contribution

7% of total Verisk
YTD18 Revenue

5% of total Verisk
YTD18 Adjusted EBITDA

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Financial Services Quarterly Performance

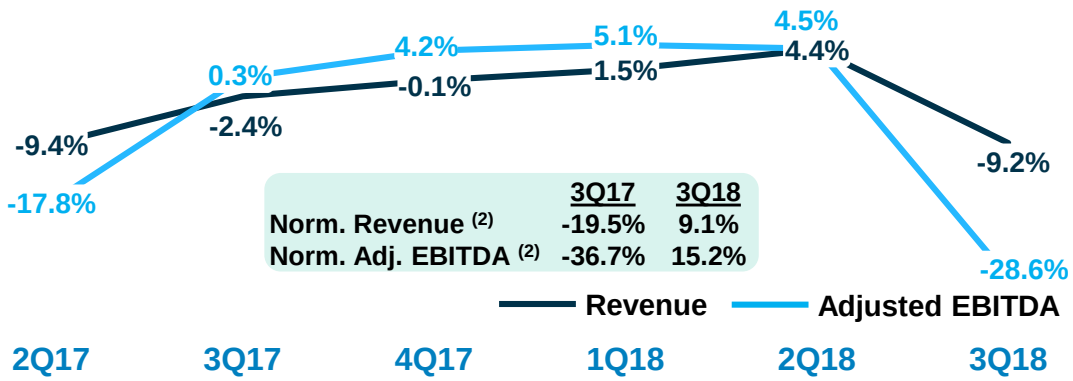
Financials

(in $ millions)	3Q18	3Q17	% change Reported	% change Organic	% change Organic CC
Revenue	**$ 43.3**	**$ 41.7**	**4.0%**	**(9.8)%**	**(9.2)%**
Adjusted EBITDA	**15.4**	**17.6**	**(12.9)**	**(28.6)**	**(28.6)**
reported margin	36%	42%			
organic margin [1]	35	44			

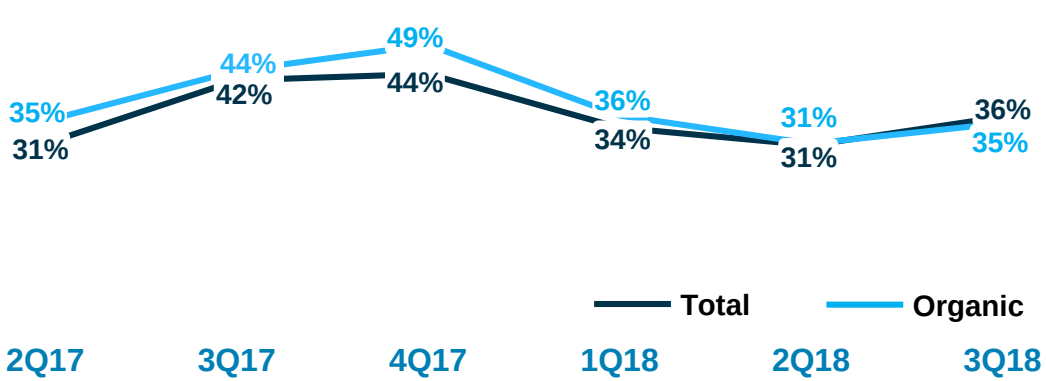
Business Highlights

- Organic constant currency growth was 9.1% and adjusted EBITDA growth was 15.2%, when normalized for $6 million in nonrecurring project revenue in 3Q17.
- Improved growth supported by solid performance in Portfolio Management solutions and Spend and Marketing solutions.

Organic Constant Currency Growth



Adjusted EBITDA Margin



1. *Restates prior year margin to include businesses that became organic in current year period.*
2. *Normalized for $6 million in revenue associated with a nonrecurring project in 3Q 2017.*

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Cash Flow and Capital

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Cash Flow Utilization

(in $ millions)	2015 (1)	2016 (1,2)	2017	2018 3Q-YTD	2017 3Q-QTD	2018 3Q-QTD
Net cash provided by operating activities	$ 591M	$ 656M	$ 744M	$ 761M	$162 M	$227 M
Capital expenditures	(139)	(146)	(184)	(155)	(41)	(55)
Free cash flow (FCF)	452	510	560	606	121	172
Acquisitions, net of cash acquired and gain on hedge	(2,856)	(74)	(915)	(68)	(583)	--
Proceeds from sale of sub and settlement of related note	--	715	--	121	--	121
Net debt financing	1,710	(771)	615	(430)	475	(195)
Repurchases of common stock	(20)	(327)	(276)	(282)	(10)	(103)

1. *2016 and 2015 net cash provided by operating activities and free cash flow exclude those activities related to the divesture of the healthcare business.*
2. *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.*

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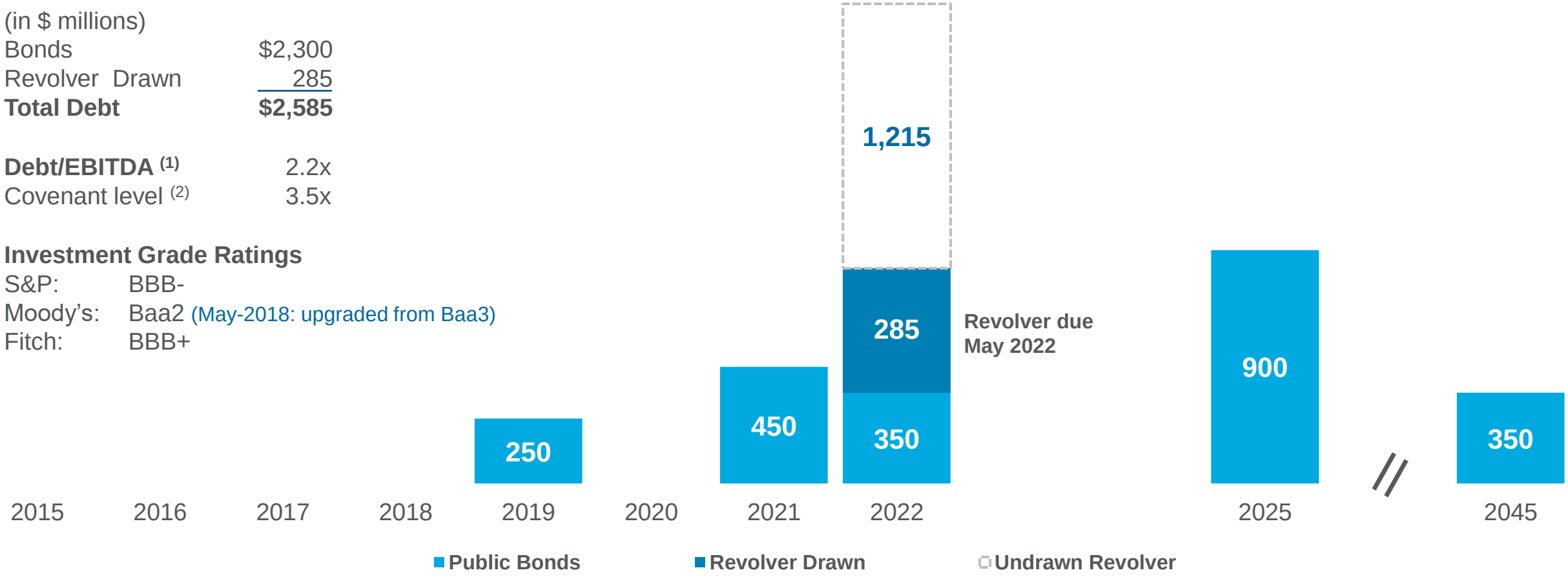
Capital Structure

as of 09/30/2018

(in $ millions)	
Bonds	$2,300
Revolver Drawn	285
Total Debt	**$2,585**
Debt/EBITDA (1)	2.2x
Covenant level (2)	3.5x

Investment Grade Ratings

S&P:	BBB-
Moody's:	Baa2 (May-2018: upgraded from Baa3)
Fitch:	BBB+



1. Per bank covenant. Leverage based on reported (face) EBITDA is 2.3x.
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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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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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 and EBITDA | Current and Prior Year Period

Segment Results Summary and EBITDA Reconciliation	3Q18	3Q17	Change
Organic Insurance revenues	$415.7	$394.0	5.5%
Organic Energy & Specialized Markets revenues	118.7	111.4	6.6%
Organic Financial Services revenues	32.5	36.0	-9.8%
Revenues from acquisitions	31.8	7.7	na
Revenues	**598.7**	**549.1**	**9.0%**
Organic Insurance EBITDA	225.6	220.4	2.3%
Organic Energy & Specialized Markets EBITDA	37.8	33.2	13.8%
Organic Financial Services revenues EBITDA	11.4	15.9	-28.6%
Adjusted EBITDA from acquisitions	9.0	-0.2	na
Adjusted EBITDA	**283.8**	**269.3**	**5.4%**
Depreciation and amortization of fixed assets	(39.5)	(33.8)	16.9%
Amortization of intangible assets	(33.2)	(27.5)	21.0%
Interest expense	(32.4)	(30.3)	6.6%
Provision for income taxes	(26.8)	(60.0)	-55.3%
Acquisition-related liabilities (earn-out)	(0.2)	na	na
Gain and interest income on subordinated promissory note receivable	14.3	3.0	380.1%
Net Income	**166.0**	**120.7**	**37.5%**
Organic constant currency adjustment EBITDA margin	**48.5%**	**50.0%**	
Organic EBITDA margin	**48.5%**	**49.8%**	
EBITDA margin	**47.4%**	**49.0%**	
Net income margin	**27.7%**	**22.0%**	

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Non-GAAP Reconciliations

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

Adjusted Net Income and EPS	3Q18	3Q17	Change
Net income	$166.0	$120.7	37.5%
plus: Amortization of intangible assets	33.2	27.5	
less: tax effect on amortization of intangible assets	(6.9)	(7.1)	
plus: Acquisition-related liabilities (earn-out)	0.2		
less: Interest income and gain on subordinated promissory note receivable	(14.3)	(3.0)	
less: Income tax effect on interest income and gain on subordinated promissory note receivable	3.3	1.1	
Adjusted net income	**181.5**	**139.2**	**30.4%**
Basic adjusted EPS	**$1.10**	**$0.85**	**29.4%**
Diluted adjusted EPS	**$1.08**	**$0.83**	**30.1%**
Weighted average shares outstanding			
Basic	164.8	164.6	
Diluted	168.2	168.0	

Free Cash Flow	3Q18	3Q17	Change
Net cash provided by operating activities	$226.8M	$162.3M	39.7%
less: Capital expenditures	(55.2)	(41.3)	33.7%
Free cash flow	171.6	121.0	41.8%

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Non-GAAP Reconciliations

Adjusted EBITDA and Free Cash Flow | Historical Full Year Periods

Adjusted EBITDA	2017	2016	2015
Income from continuing operations	$555.1M	$451.5M	$487.5M
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	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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