Verisk

2Q2019 Earnings Presentation

July 30, 2019

SERVE | ADD VALUE | INNOVATE

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

Other factors that could materially affect actual results, levels of activity, performance, or achievements can be found in 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, organic constant currency adjusted EBITDA, adjusted EBITDA, adjusted net income, 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 (OCC) revenue grew 7.2%, driven by continued Insurance strength and improvements in Financial Services
- OCC adjusted EBITDA growth was 5.2%, or 7.3% when normalized for the timing shift related to the expensing of stock-based compensation
- Adjusted EBITDA margin of 46.6% was negatively impacted by the acceleration of stock-based compensation and losses from foreign currency translation; normalizing for these items, adjusted EBITDA margins would have been flattish
- Continued investments in new innovations across all segments to fuel future growth, including remote imagery and Lens (WM 2.0)
- Returned more than $90M of capital to shareholders through share repurchases and dividends



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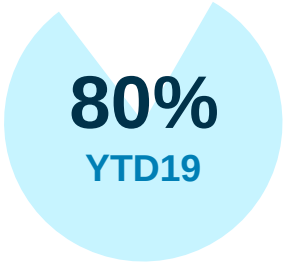
Financial Summary

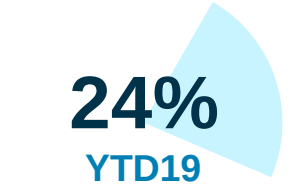
	Three months ended June 30		
	2019	2018	% change
Revenue	$653M	$601M	8.5%
Adjusted EBITDA	304	288	5.7
Adjusted EBITDA margin	46.6%	47.9%	-125 bps
Net income	150	153	-2.0
Adjusted net income	184	177	4.1
Free cash flow	153	151	1.5
Diluted GAAP EPS	$0.90	$0.91	-1.1
Diluted adjusted EPS	$1.10	$1.05	4.8

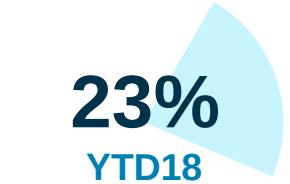
Subscription/Long-term Revenue





International Revenue





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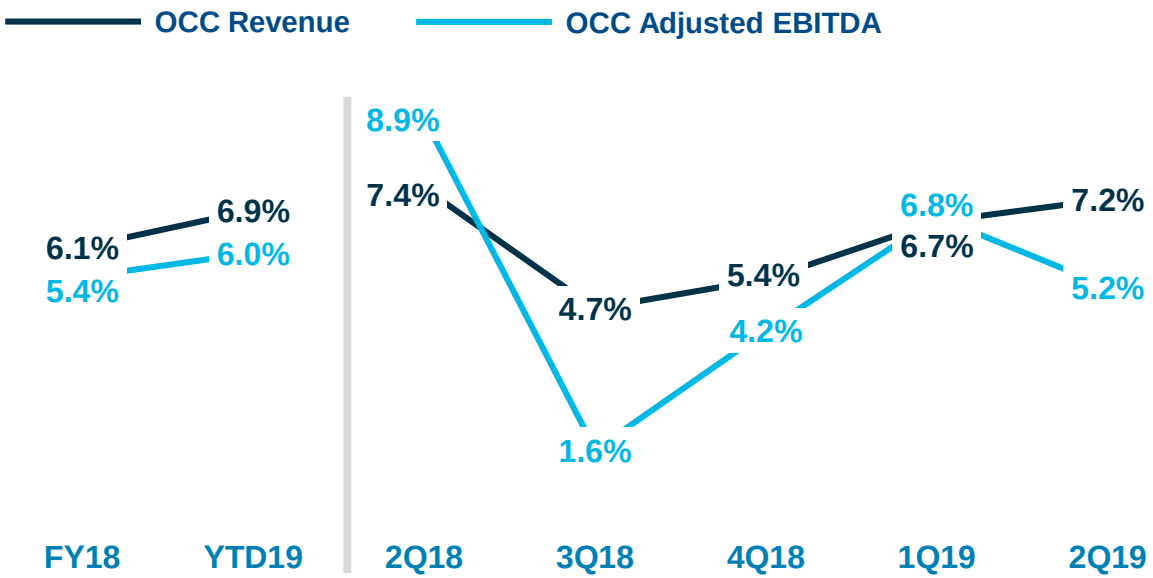
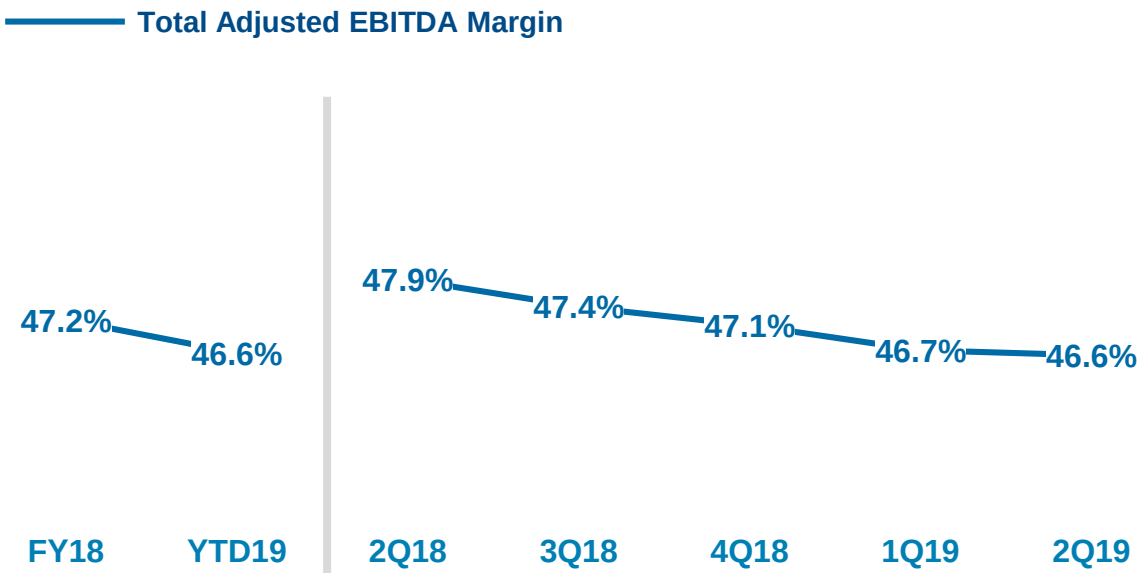
Organic Constant Currency Growth and Adjusted EBITDA Margins



Highlights

- OCC revenue grew 7.2%, a sequential improvement, driven by continued Insurance strength and improvements in Financial Services
- OCC adjusted EBITDA growth was 5.2%, including a $6 million headwind from the accelerated expensing of stock-based compensation and investments in breakout opportunities



Highlights

- 2Q19 adjusted EBITDA margin was 46.6%, down year-over-year primarily due to the acceleration of stock-based compensation which decreased margins by about 1%
- Significant investment in future growth opportunities, including remote imagery and Lens (WM 2.0)

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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, and 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

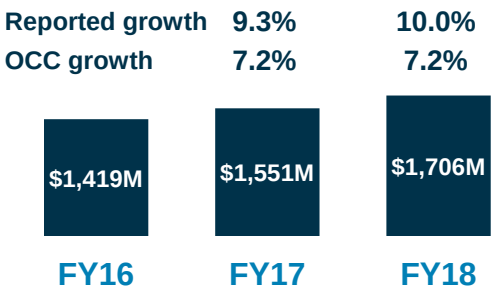
Claims Solutions

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

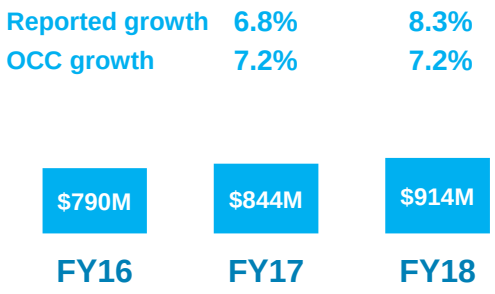
Xactware — Loss quantification and repair cost estimating for professionals involved in all phases of building and repair

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

Historical Performance



Revenue



Adjusted EBITDA

Contribution



YTD19 Revenue



YTD19 Adjusted EBITDA

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Insurance Quarterly Performance

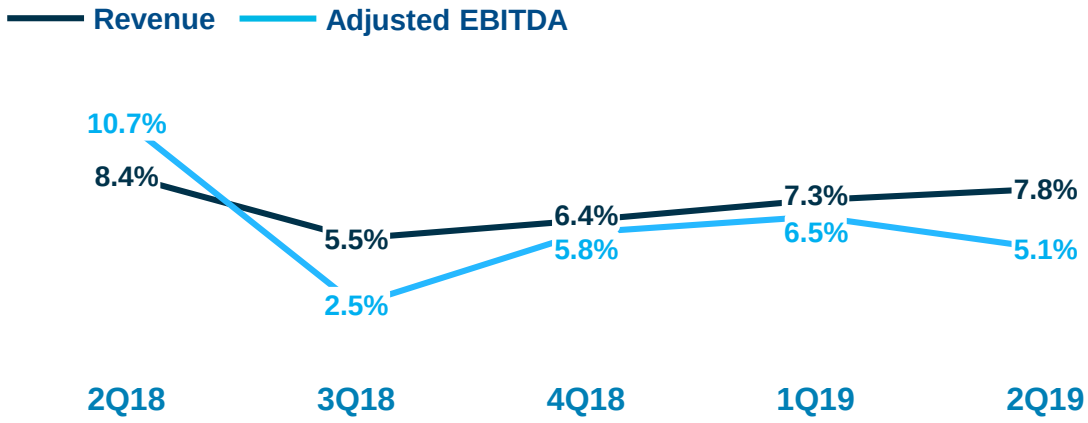
Financials

	2Q19	2Q18	% change Reported	% change OCC
UW & rating	$312M	$289M	8.1%	7.1%
Claims	156	140	11.2	9.0
Revenue	**469**	**429**	**9.1**	**7.8**
Adjusted EBITDA	**248**	**234**	**6.2**	**5.1**
Total margin	53.0%	54.4%		

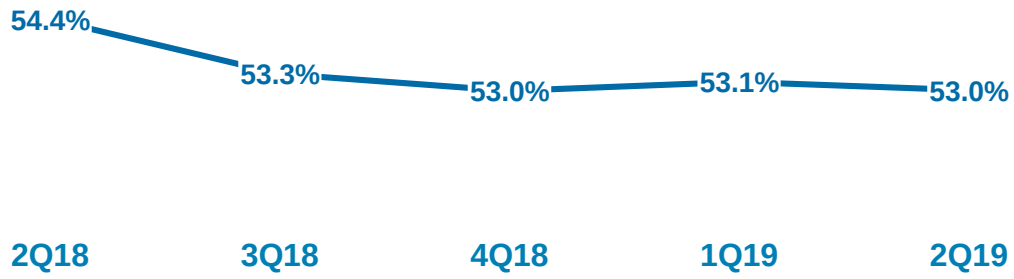
Business Highlights

- UW & rating growth was broad-based with strong performance in both personal and commercial lines
  - Solid contributions from sales of new innovative solutions, including LightSpeed Auto
- Claims growth was driven by claims analytics, remote imagery, and repair cost estimating solutions
- Total adjusted EBITDA margin declined to 53.0%, reflecting the impact of the timing shift of stock-based compensation and investments in remote imagery and international expansion

Organic Constant Currency Growth



Total Adjusted EBITDA Margin



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Energy and Specialized Markets

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

Energy

Wood Mackenzie

Energy and natural resources solutions across Research & Analytics and Advisory Services

Providing engaging digital platforms and tools to support objective decision making for the oil and gas, metals and mining, chemicals, subsurface, and power and renewables industries

Power Advocate

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

Specialized Markets

aer

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

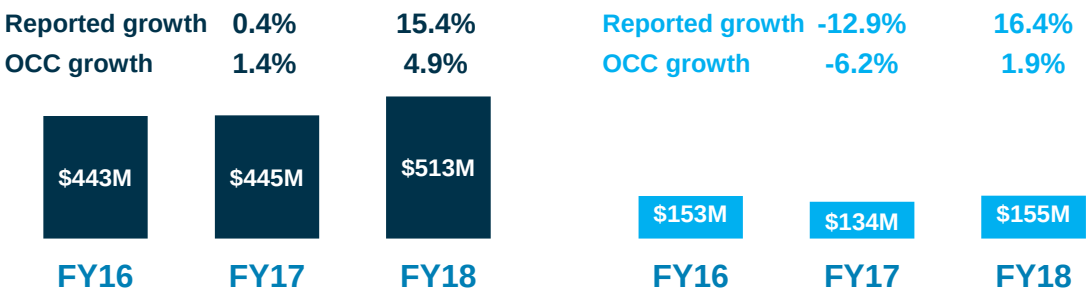
Verisk Maplecroft

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

Verisk 3E

Supports compliance with global environmental health and safety requirements

Historical Performance



Revenue | **Adjusted EBITDA**

Contribution



YTD19 Revenue | **YTD19 Adjusted EBITDA**

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Energy and Specialized Markets Quarterly Performance

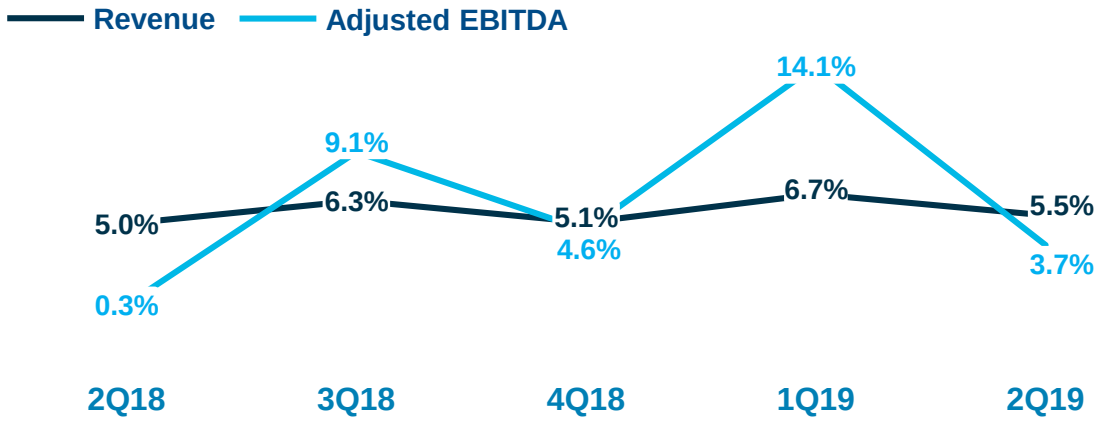
Financials

	2Q19	2Q18	% change Reported	% change OCC
Revenue	**$140M**	**$130M**	**7.6%**	**5.5%**
Adjusted EBITDA	**42**	**41**	**1.3**	**3.7**
Total margin	29.9%	31.8%		

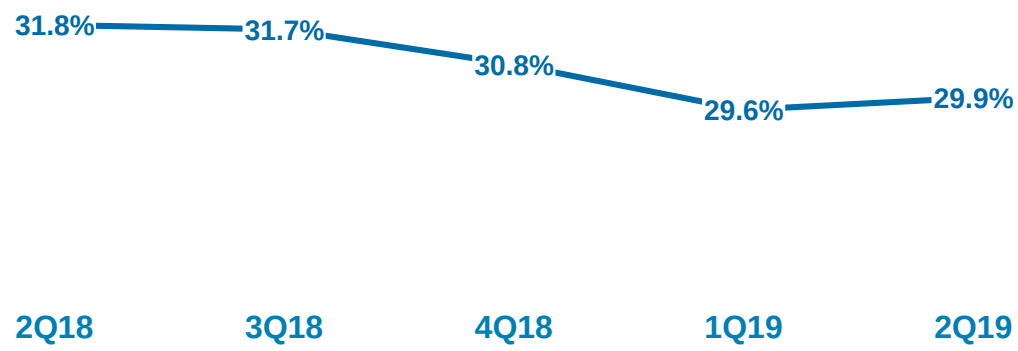
Business Highlights

- OCC revenue growth driven by market and cost intelligence solutions and core research revenues
  - Growth in breakouts including Subsurface, Chemicals, and Power & Renewables remains solid
- Total adjusted EBITDA margin declined to 29.9%, reflecting headwinds from foreign currency translation, acceleration of stock-based compensation, and investments in breakout opportunities

Organic Constant Currency Growth



Total Adjusted EBITDA Margin



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Financial Services

Big data, predictive analytics, and insights

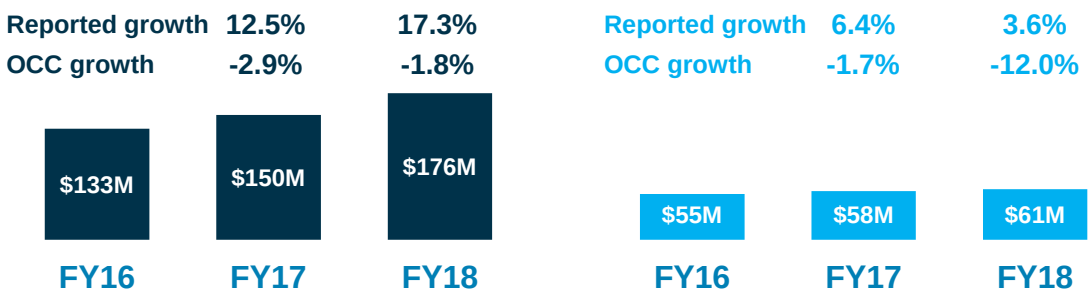
Portfolio Analytics, Regulatory Data Management, and Marketing

Verisk Financial | Argus	Solutions for financial institutions, including competitive benchmarking, decisioning algorithms, and advisory services, and data management platforms
Verisk Financial | Fintellix	Regulatory reporting solutions for the banking sector and data management platforms
Verisk Financial | Marketview	Consumer spending analysis and insights

Credit Risk Management, Fraud, and Abuse

Verisk Financial | LCI	Risk management tools associated with bankruptcy management and debt collection
Verisk Financial | G2	Solutions detecting illicit, fraudulent, and noncompliant merchant activity for e-commerce and payments companies
Verisk Financial | Retail Solutions	Systems and services to help retailers prevent loss, manage risk, and ensure compliance with laws and regulations

Historical Performance



Revenue **Adjusted EBITDA**

Contribution

7% of total Verisk — **YTD19 Revenue**

5% of total Verisk — **YTD19 Adjusted EBITDA**

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Financial Services Quarterly Performance

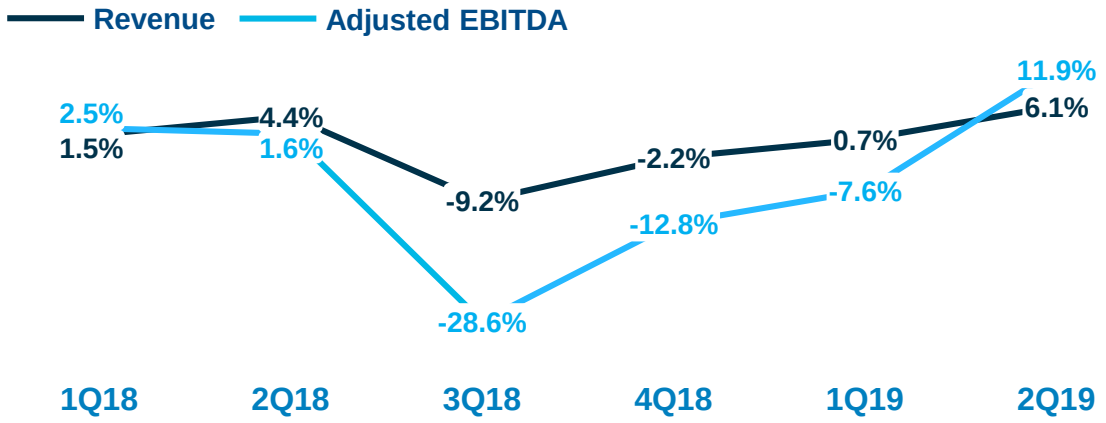
Financials

	2Q19	2Q18	% change Reported	% change OCC
Revenue	**$44M**	**$42M**	**5.5%**	**6.1%**
Adjusted EBITDA	**14**	**13**	**10.8**	**11.9**
Total margin	31.9%	30.3%		

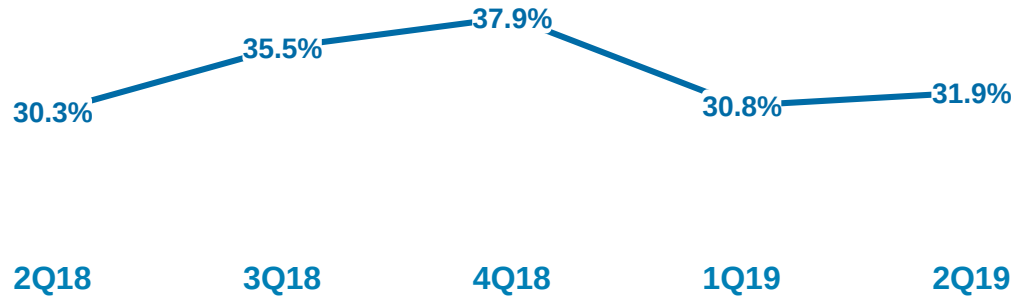
Business Highlights

- OCC revenue growth of 6.1% was driven by strength in portfolio management and spend-informed analytics
- All solutions sets within Financial Services delivered sequential improvement
- Total adjusted EBITDA margin expanded to 31.9%, reflecting strong cost discipline and leverage on the improved sales

Organic Constant Currency Growth



Total Adjusted EBITDA Margin



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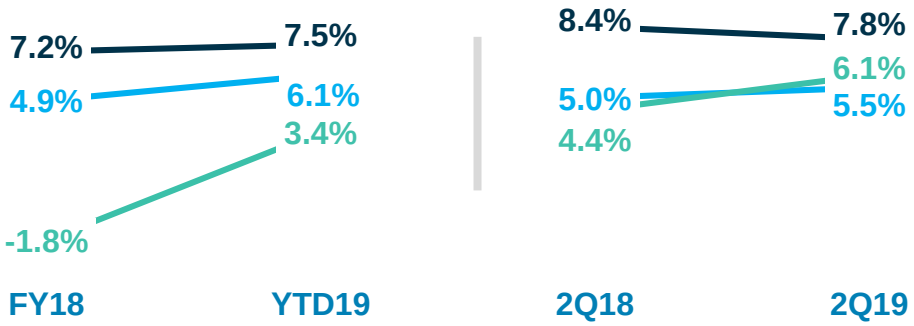
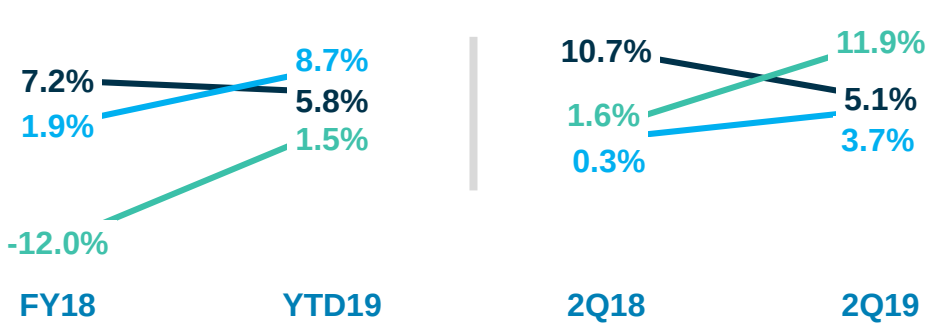
Segment Trends

Insurance Energy Financial

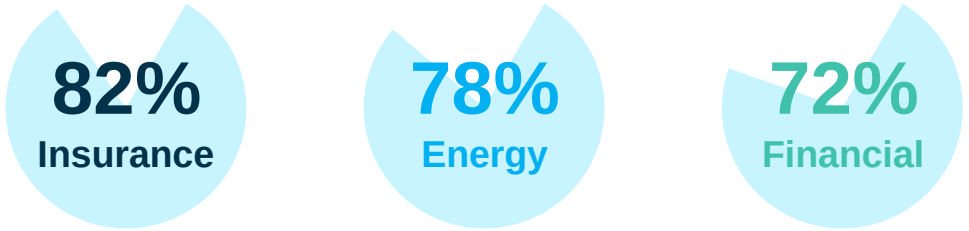
Organic Constant Currency Revenue Growth



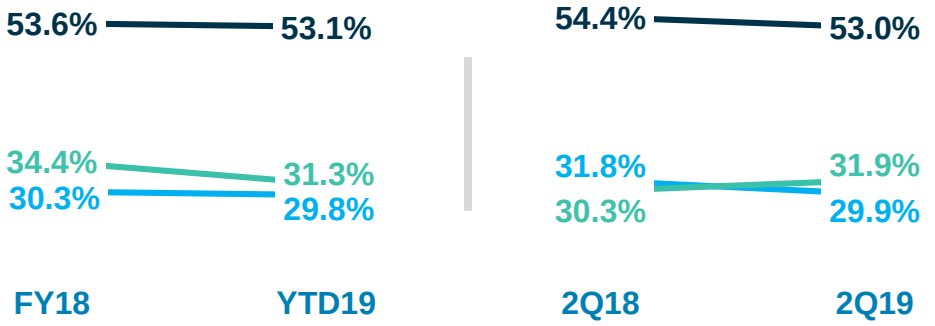
Organic Constant Currency Adjusted EBITDA Growth



YTD2019, % Subscription/Long-Term Contracts



Total Adjusted EBITDA Margins



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Cash Flow and Capital

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Cash Flow Utilization

(in $ millions)	2017	2018	YTD19	2Q18	2Q19
Net cash provided by operating activities	$744M	$934M	$566M	$207M	$200M
Capital expenditures	(184)	(231)	(92)	(56)	(47)
Free cash flow (FCF)	560	703	474	151	153
Acquisitions, net of cash acquired	(915)	(153)	(69)	(46)	—
Proceeds from sale of sub, and settlement of related note	—	121	—	—	—
Net debt (repayments) borrowings	615	(300)	(201)	—	(101)
Repurchases of common stock	(276)	(439)	(125)	(143)	(50)
Dividends paid	—	—	(82)	—	(41)

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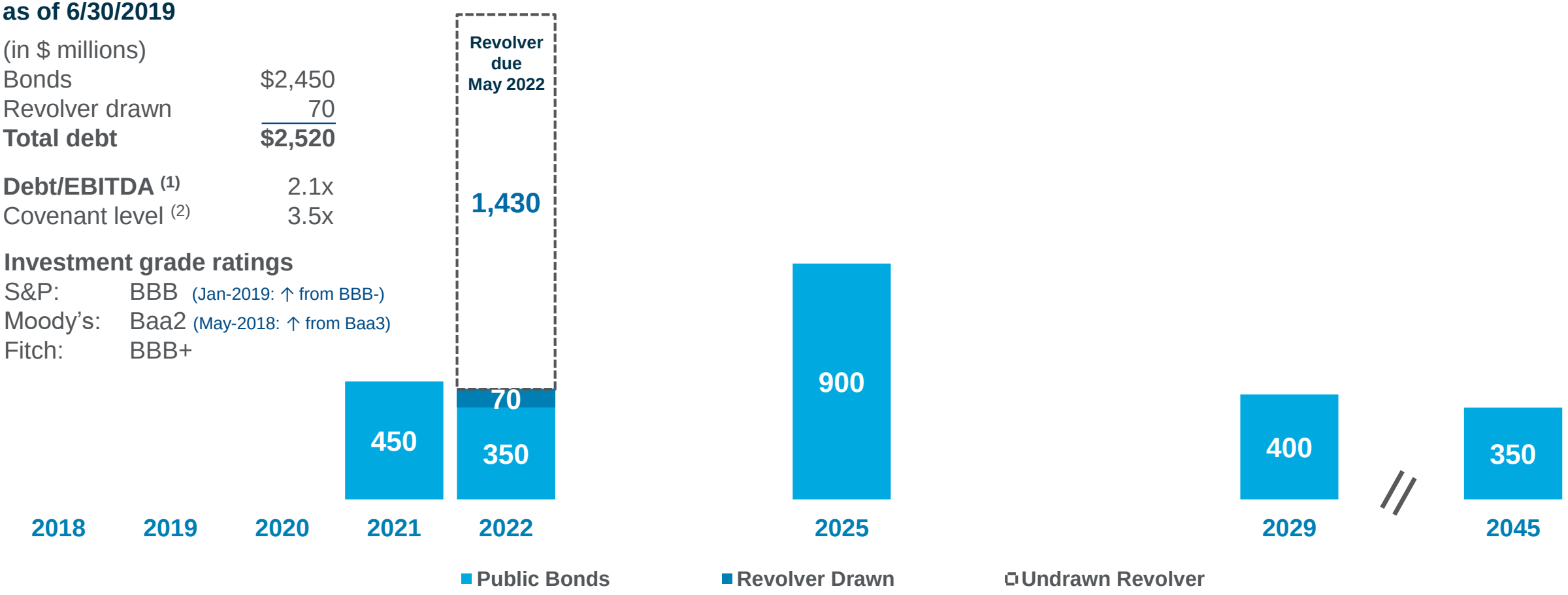
Capital Structure

as of 6/30/2019

(in $ millions)	
Bonds	$2,450
Revolver drawn	70
Total debt	**$2,520**
Debt/EBITDA (1)	2.1x
Covenant level (2)	3.5x

Investment grade ratings

S&P:	BBB (Jan-2019: ↑ from BBB-)
Moody's:	Baa2 (May-2018: ↑ from Baa3)
Fitch:	BBB+



Notes: 1. Per bank covenant. Leverage based on reported (face) EBITDA is 2.2x.
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 and improving ROIC

- 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/or Non-GAAP Reconciliations

Verisk

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Non-GAAP Reconciliations

Specified Metrics

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 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, for budgeting and planning purposes, and for evaluating the performance of senior management.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Expenses

EBITDA represents GAAP net income adjusted for (i) depreciation and amortization of fixed assets; (ii) amortization of intangible assets; (iii) interest expense; and (iv) provision for income taxes. Adjusted EBITDA represents EBITDA adjusted for acquisition-related costs (earn-outs) and nonrecurring gain and interest income on the subordinated promissory note. Adjusted EBITDA expenses represent adjusted EBITDA net of revenues. The company believes these measures are useful and meaningful because they allow for greater transparency regarding the company's operating performance and facilitate period-to-period comparison.

Adjusted Net Income and Diluted Adjusted EPS

Adjusted net income represents GAAP net income adjusted for (i) amortization of intangible assets, net of tax; (ii) acquisition-related costs (earn-outs), net of tax; and (iii) nonrecurring gain and interest income on the subordinated promissory note, net of tax. Diluted adjusted EPS represents adjusted net income divided by weighted average diluted shares. The company believes these measures are useful and meaningful because they allow evaluation of the after-tax profitability of the company's results excluding the after-tax effect of acquisition-related costs and nonrecurring items.

Free Cash Flow

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

Organic Constant Currency (OCC)

The company's operating results, such as but not limited to revenue and adjusted EBITDA, reported in U.S. dollars are affected by foreign currency exchange rate fluctuations because the underlying foreign currencies in which it transacts change in value over time compared with the U.S. dollar; accordingly, it presents certain constant currency financial information to assess how the company performed excluding the impact of foreign currency exchange rate fluctuations. The company calculates constant currency by translating comparable prior-year-period results at the currency exchange rates used in the current period. The company defines organic as operating results excluding the effect of recent acquisitions and dispositions that have occurred over the past year. An acquisition is included as organic at the beginning of the calendar quarter that occurs subsequent to the one-year anniversary of the acquisition date. Once an acquisition is included in its current-period organic base, its comparable prior-year-period operating results are also included to calculate organic growth. The organic presentation enables investors to assess the growth of the business without the impact of recent acquisitions for which there is no prior-year comparison. A disposition's results are removed from all prior periods presented to allow for comparability. The company believes organic constant currency is a useful and meaningful measure to enhance investors' understanding of the continuing operating performance of its business and to facilitate the comparison of period-to-period performance because it excludes the impact of foreign exchange rate movements, acquisitions and dispositions.

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Non-GAAP Reconciliations

Segment Results and EBITDA | Current and Prior-Year Period

Segment Results Summary and Adjusted EBITDA Reconciliation	2Q19			2Q18		
	Insurance	E&SM	FS	Insurance	E&SM	FS
Revenues	$468.5M	$139.8M	$44.3M	$429.4M	$129.9M	$42.0M
Revenues from acquisitions	(7.2)	(5.8)	—	(0.4)	—	—
Organic revenues	**461.3**	**134.0**	**44.3**	**429.0**	**129.9**	**42.0**
EBITDA	243.6	39.4	14.1	236.3	41.2	13.0
Acquisition-related costs (earn-out)	4.6	2.4	—	—	0.3	—
Interest income on subordinated promissory note receivable	—	—	—	(2.6)	(0.2)	(0.3)
Adjusted EBITDA	**248.2**	**41.8**	**14.1**	**233.7**	**41.3**	**12.7**
Adjusted EBITDA from acquisitions	(2.1)	(2.5)	—	0.4	—	—
Organic adjusted EBITDA	**246.1**	**39.3**	**14.1**	**234.1**	**41.3**	**12.7**

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Non-GAAP Reconciliations

Segment Results and EBITDA | Current and Prior-Year Period

Segment Results Summary and Adjusted EBITDA Reconciliation	YTD19			YTD18		
	Insurance	E&SM	FS	Insurance	E&SM	FS
Revenues	$919.7M	$270.6M	$87.3M	$842.1M	$255.4M	$85.0M
Revenues from acquisitions	(17.3)	(5.8)	—	(0.9)	—	—
Organic revenues	**902.4**	**264.8**	**87.3**	**841.2**	**255.4**	**85.0**
EBITDA	476.0	75.5	27.4	460.3	74.8	24.2
Acquisition-related costs (earn-out)	12.0	5.0	—	—	0.5	3.5
Interest income on subordinated promissory note receivable	—	—	—	(5.1)	(0.4)	(0.6)
Adjusted EBITDA	**488.0**	**80.5**	**27.4**	**455.2**	**74.9**	**27.1**
Adjusted EBITDA from acquisitions	(6.2)	(1.5)	—	0.4	—	—
Organic adjusted EBITDA	**481.8**	**79.0**	**27.4**	**455.6**	**74.9**	**27.1**

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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	YTD19	YTD18	2Q19	2Q18
Net income	$284.8M	$286.5M	$150.4M	$153.5M
plus: Amortization of intangible assets	66.9	65.2	33.6	32.0
less: Tax effect on amortization of intangible assets	(14.1)	(13.7)	(7.0)	(6.7)
plus: Acquisition-related liabilities (earn-out) and related interests	17.6	4.0	7.1	0.3
less: Income tax effect on acquisition-related costs (earn-out)	(0.7)	(1.3)	(0.3)	(0.1)
less: Interest income on subordinated promissory note receivable	—	(6.1)	—	(3.1)
plus: Income tax effect on interest income on subordinated promissory note receivable	—	1.4	—	0.7
Adjusted net income	**354.5**	**336.0**	**183.8**	**176.6**
Diluted EPS	**$1.71**	**$1.70**	**$0.90**	**$0.91**
Diluted adjusted EPS	**$2.13**	**$1.99**	**$1.10**	**$1.05**
Weighted average diluted shares outstanding	166.6	168.8	166.7	168.7

Free Cash Flow	YTD19	YTD18	2Q19	2Q18
Net cash provided by operating activities	$566.4M	$534.2M	$200.3M	$207.3M
less: Capital expenditures	(92.1)	(99.3)	(46.9)	(56.1)
Free cash flow	**474.3**	**434.9**	**153.4**	**151.2**

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Non-GAAP Reconciliations

Adjusted EBITDA | Historical Full-Year Periods

Segment Adjusted EBITDA Reconciliation	2018	2017	2016
Insurance Segment – EBITDA	$932.2M	$855.8M	$779.2M
Insurance Segment – Acquisition-related costs (earn-out)	0.8	0.2	—
Insurance Segment – Gain and interest income on subordinated promissory note receivable	17.2	11.6	6.5
Insurance Segment – Nonrecurring ESOP charge	—	—	(18.8)
Insurance Segment – Gain on sale of equity investments	—	—	1.5
Insurance Segment – Adjusted EBITDA	**914.2**	**844.0**	**790.0**
Energy and Specialized Markets Segment – EBITDA	154.4	133.6	151.2
Energy and Specialized Markets Segment – Acquisition-related costs (earn-out)	(2.4)	—	—
Energy and Specialized Markets Segment – Gain and interest income on subordinated promissory note receivable	1.4	—	—
Energy and Specialized Markets Segment – Nonrecurring severance charges	—	—	(2.1)
Energy and Specialized Markets Segment – Adjusted EBITDA	**155.4**	**133.6**	**153.3**
Financial Services Segment – EBITDA	58.9	58.4	54.9
Financial Services Segment – Acquisition-related costs (earn-out)	(3.5)	—	—
Financial Services Segment – Gain and interest income on subordinated promissory note receivable	1.8	—	—
Financial Services Segment – Adjusted EBITDA	**60.6**	**58.4**	**54.9**

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