Verisk

1Q2020 Earnings Presentation

May 5, 2020

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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, the potential impacts of the COVID-19 pandemic on our operations and financial performance, our expectation and ability to pay a 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 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.

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Business and Financial Highlights

- Normalizing for the $4 million revenue impact of the roof measurement injunction, organic constant currency (OCC) revenue grew 5.8% and OCC adjusted EBITDA grew 9.0%.
- All three verticals delivered top-line growth, led by Insurance.
- Declines in certain transactional revenues during the last two weeks of March related to COVID-19 had a modest impact on the quarter.
- Adjusted EBITDA margin of 46.1% was negatively impacted by a timing shift related to annual LTI grant; normalizing for the shift, adjusted EBITDA margin would have been 47.5%.
- Approximately $218 million of capital was returned to shareholders through share repurchases and dividends.
- Currently $595 million of undrawn capacity on revolver and no meaningful maturities until May 2021.



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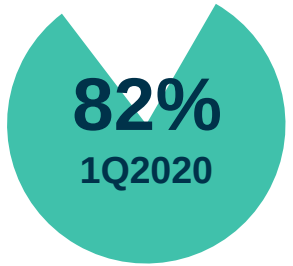
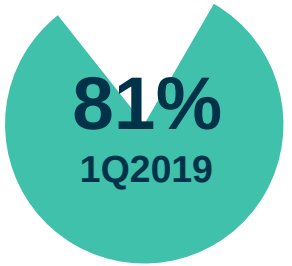
Financial Summary

	Three months ended March 31		
	2020	2019	% change
Revenue	$690M	$625M	10.4%
Net income	172	134	27.8
Adjusted net income	194	171	13.6
Adjusted EBITDA	318	292	9.0
Adjusted EBITDA margin	46.1%	46.7%	-59 bps
Diluted GAAP EPS	$1.04	$0.81	28.4
Diluted adjusted EPS	$1.17	$1.03	13.6
Free cash flow	310	321	-3.5

Subscription/Long-Term Revenue





International Revenue





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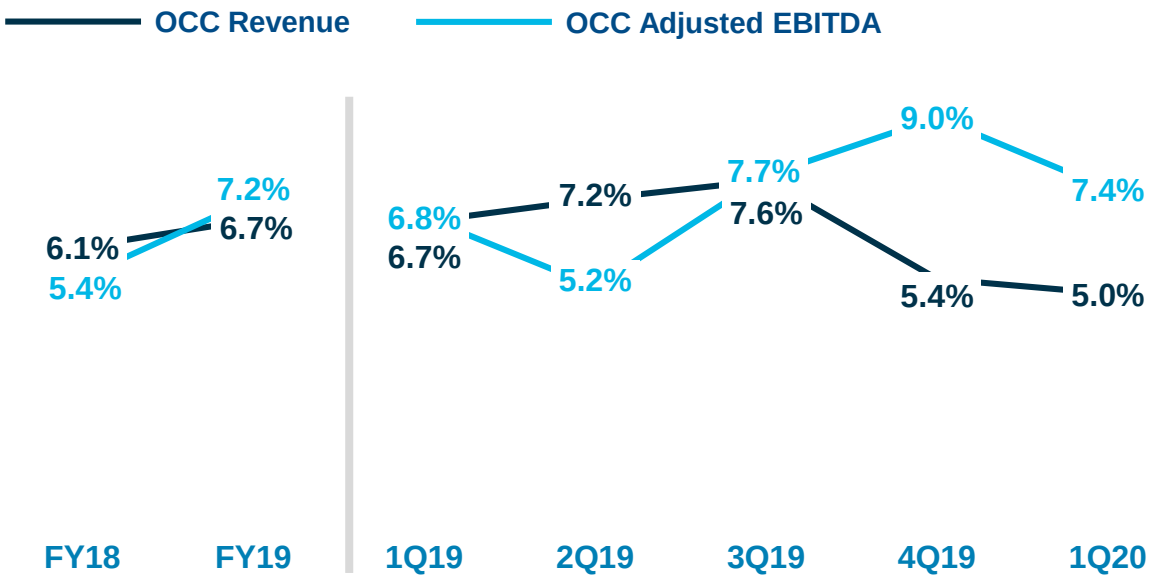
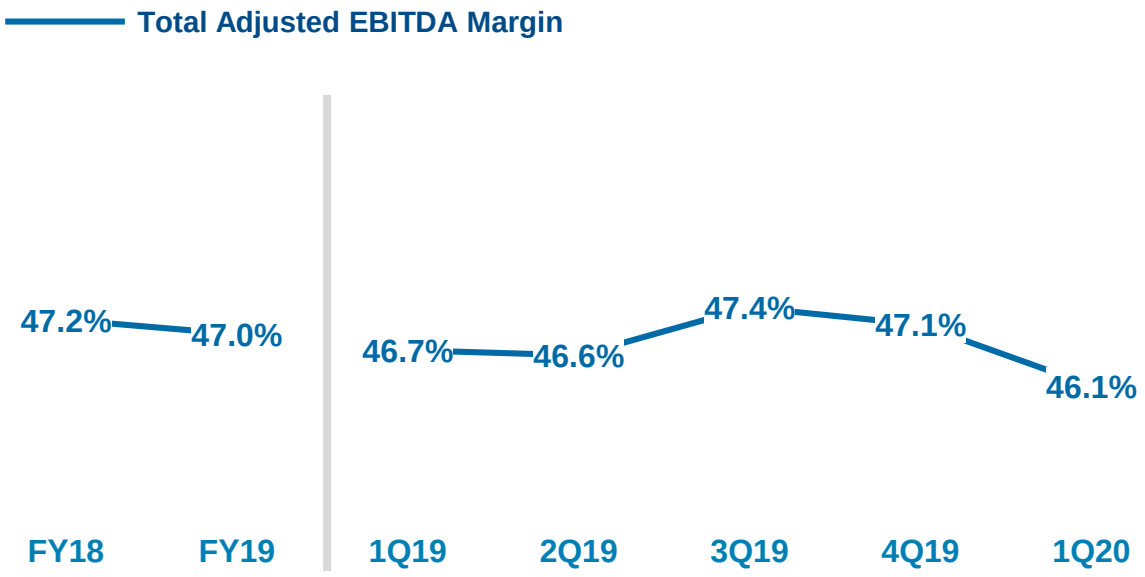
Organic Constant Currency Growth and Adjusted EBITDA Margins



Highlights

- OCC revenue grew 5.0%, driven by strength in Insurance.
  - Normalizing for the impact of the injunction, OCC revenues increased 5.8% in 1Q20.
- OCC adjusted EBITDA growth was 7.4%, including a $10 million headwind from the timing shift of the annual LTI grant into 1Q20.



Highlights

- Total adjusted EBITDA margin of 46.1% was negatively impacted by the timing shift of the annual LTI grant into 1Q20.
- Normalizing for this shift, total adjusted EBITDA margins would have expanded to 47.5%, reflecting strong operating leverage.

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Segments

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Insurance

Industry-leading data analytics and insights

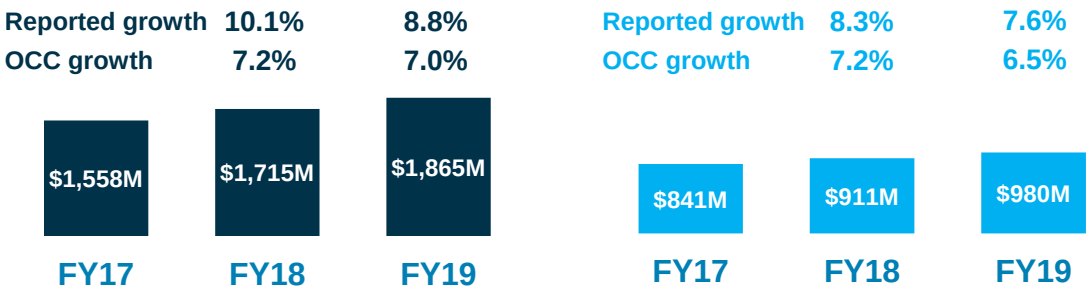
Underwriting & Rating Solutions

ISO	Industry-standard insurance programs, property-specific underwriting & rating info, and underwriting solutions
AIR	Catastrophe and extreme event models and data 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	Advanced analytic geospatial solutions enabling a detailed, data-driven perspective for residential and commercial properties

Historical Performance



1Q2020



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Insurance Quarterly Performance

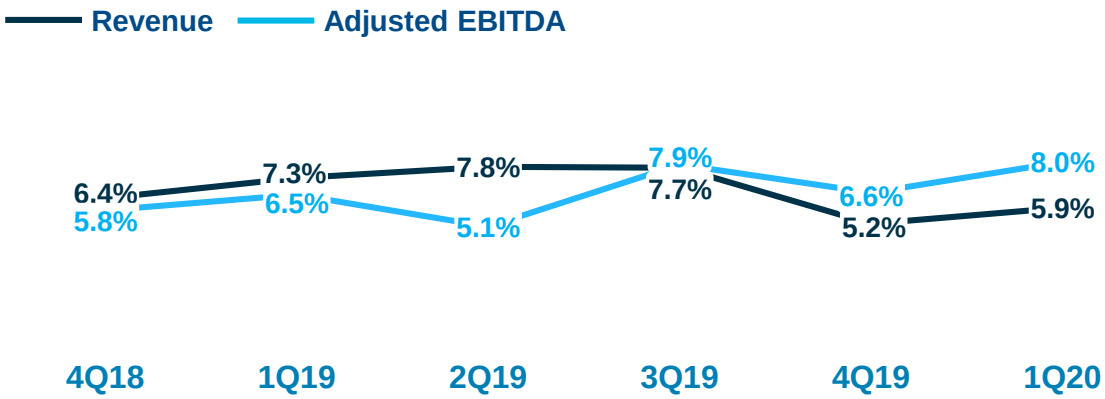
Financials

	1Q20	1Q19	% change Reported	% change OCC
UW & rating	$344M	$306M	12.5%	8.4%
Claims	145	148	-1.6	0.4
Revenue	**489**	**454**	**7.9**	**5.9**
Adjusted EBITDA	**257**	**239**	**7.5**	**8.0**
Total margin	52.4%	52.7%		

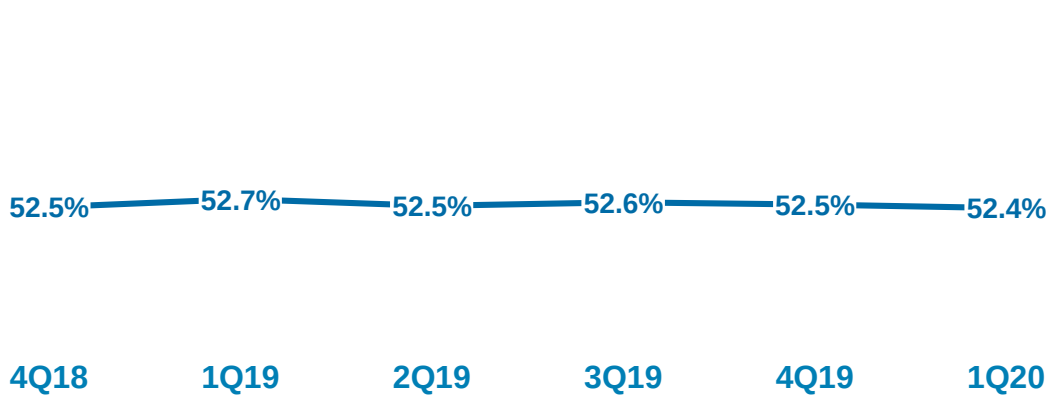
Business Highlights

- UW & rating growth accelerated in the quarter to 8.4% and was broad-based across both personal and commercial lines.
  - Industry-standard programs and catastrophe modeling solutions delivered solid growth.
- Normalized for the impact of the injunction, Claims delivered 3.6% OCC growth.
  - Subscription growth remained solid, but transactional revenue growth experienced a slowdown at the end of the quarter related to COVID-19.
- Total adjusted EBITDA margin for the Insurance segment declined 21 bps, including a headwind from the impact of the timing shift of LTI annual grant.

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

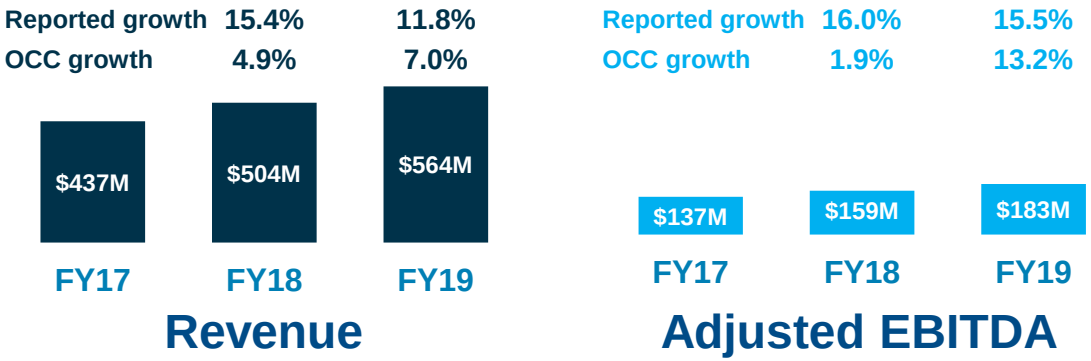
Verisk 3E

Supports compliance with global environmental health and safety requirements

aer

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

Historical Performance



1Q2020



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Energy and Specialized Markets Quarterly Performance

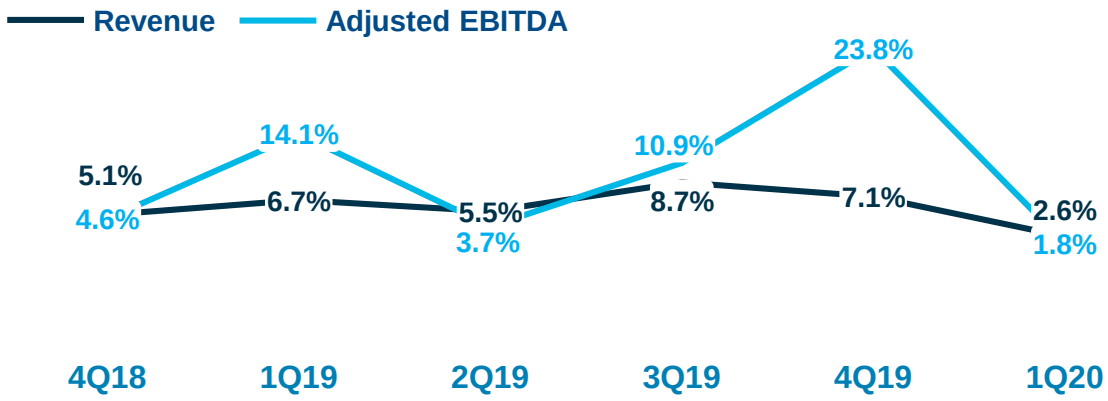
Financials

	1Q20	1Q19	% change Reported	% change OCC
Revenue	**$160M**	**$128M**	**24.6%**	**2.6%**
Adjusted EBITDA	**50**	**40**	**26.3**	**1.8**
Total margin	31.4%	30.9%		

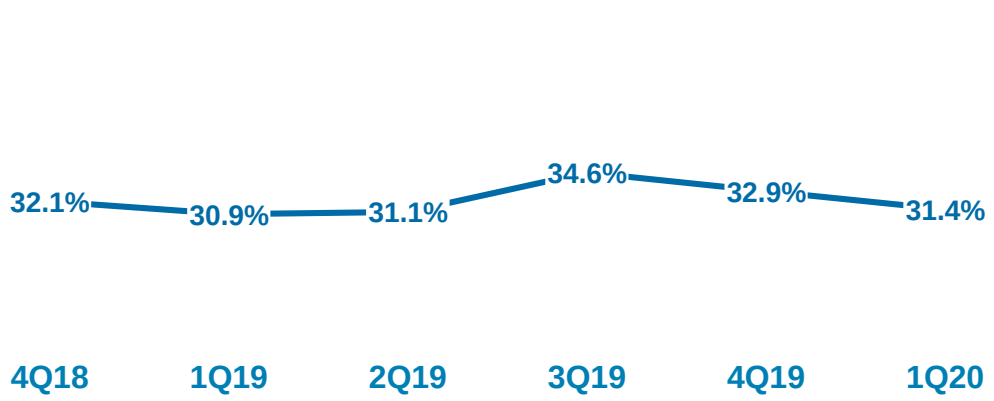
Business Highlights

- OCC revenue increased 2.6%, driven by growth in core research and environmental health and safety service solutions.
  - Our breakout solutions, including the energy transition practice and chemicals, experienced solid growth.
- Total adjusted EBITDA margin expanded to 31.4%, reflecting cost discipline, offset in part by continued investment in breakouts and a headwind from the timing shift of annual LTI grant.

Organic Constant Currency Growth



Total Adjusted EBITDA Margin



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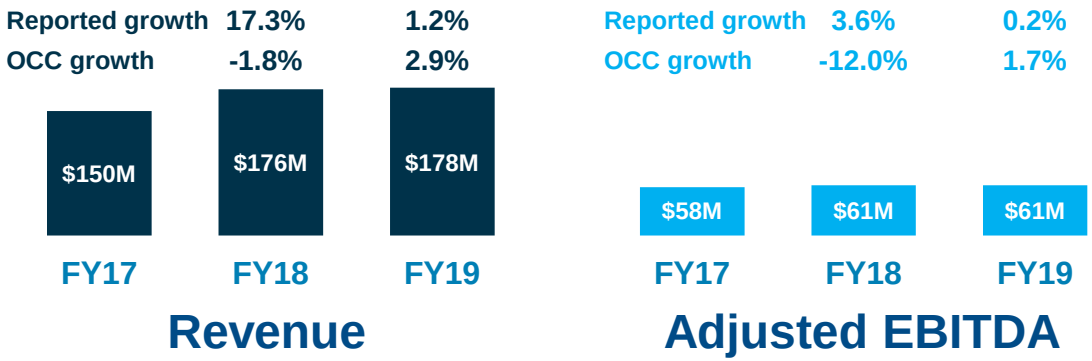
Financial Services

Big data, predictive analytics, and insights

Argus Portfolio Management	Solutions for financial institutions, including competitive benchmarking, decisioning algorithms, and advisory services, and data management platforms
Management Information & Regulatory Reporting	MIS solutions and regulatory reporting solutions for the banking sector
Fraud & Credit Risk Management	Tools for bankruptcy management and debt collection, and solutions to detect fraud and illicit or noncompliant merchant activity for e-commerce and payments companies
Spend-Informed Analytics	Consumer spending analysis and insights, including marketing targeting models and campaign measurement tools

Historical Performance



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Financial Services Quarterly Performance

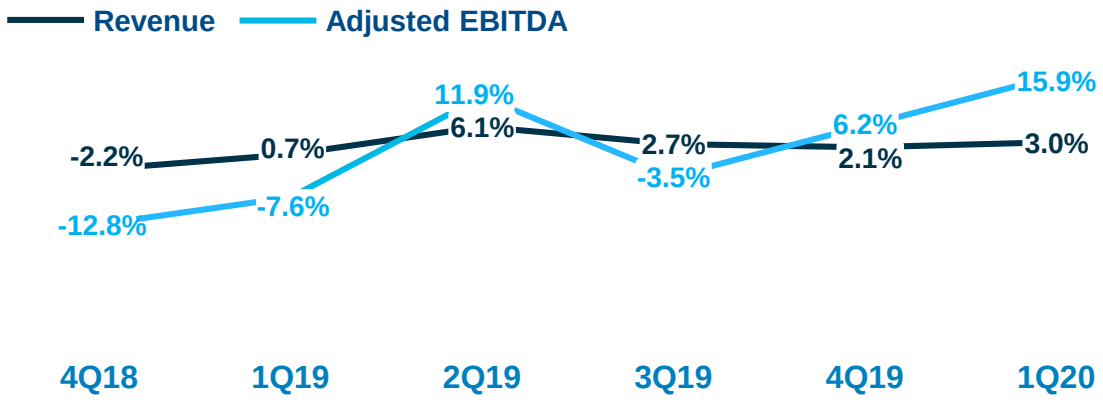
Financials

	1Q20	1Q19	% change Reported	% change OCC
Revenue	**$40M**	**$43M**	**-6.4%**	**3.0%**
Adjusted EBITDA	**11**	**13**	**-16.0**	**15.9**
Total margin	27.6%	30.8%		

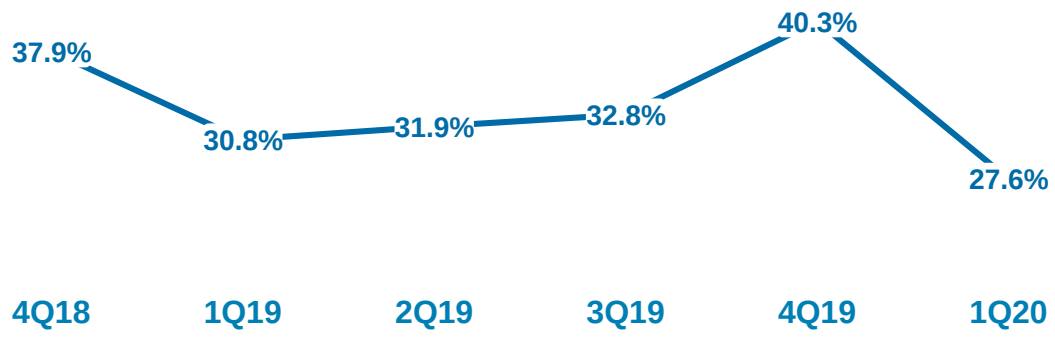
Business Highlights

- OCC revenue grew 3.0%, resulting primarily from increases in management information and regulatory reporting and fraud and credit risk management, offset in part by declines in portfolio management and spend-informed analytics.
- Total adjusted EBITDA margin declined as a result of certain portfolio transactions which closed in the quarter and the headwind from the timing shift of annual LTI grant.

Organic Constant Currency Growth



Total Adjusted EBITDA Margin



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Cash Flow and Capital

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Cash Flow Utilization

(in $ millions)	2017	2018	2019	1Q19	1Q20
Net cash provided by operating activities	$744M	$934M	$956M	$366M	$363M
Capital expenditures	(184)	(231)	(217)	(45)	(53)
Free cash flow (FCF)	560	703	740	321	310
Acquisitions, net of cash acquired	(915)	(153)	(704)	(69)	(64)
Proceeds from sale of assets and settlement of related note	—	121	2	—	23
Net debt (repayments) borrowings	615	(300)	450	(100)	(55)
Repurchases of common stock	(276)	(439)	(300)	(75)	(174)
Dividends paid	—	—	(164)	(41)	(44)

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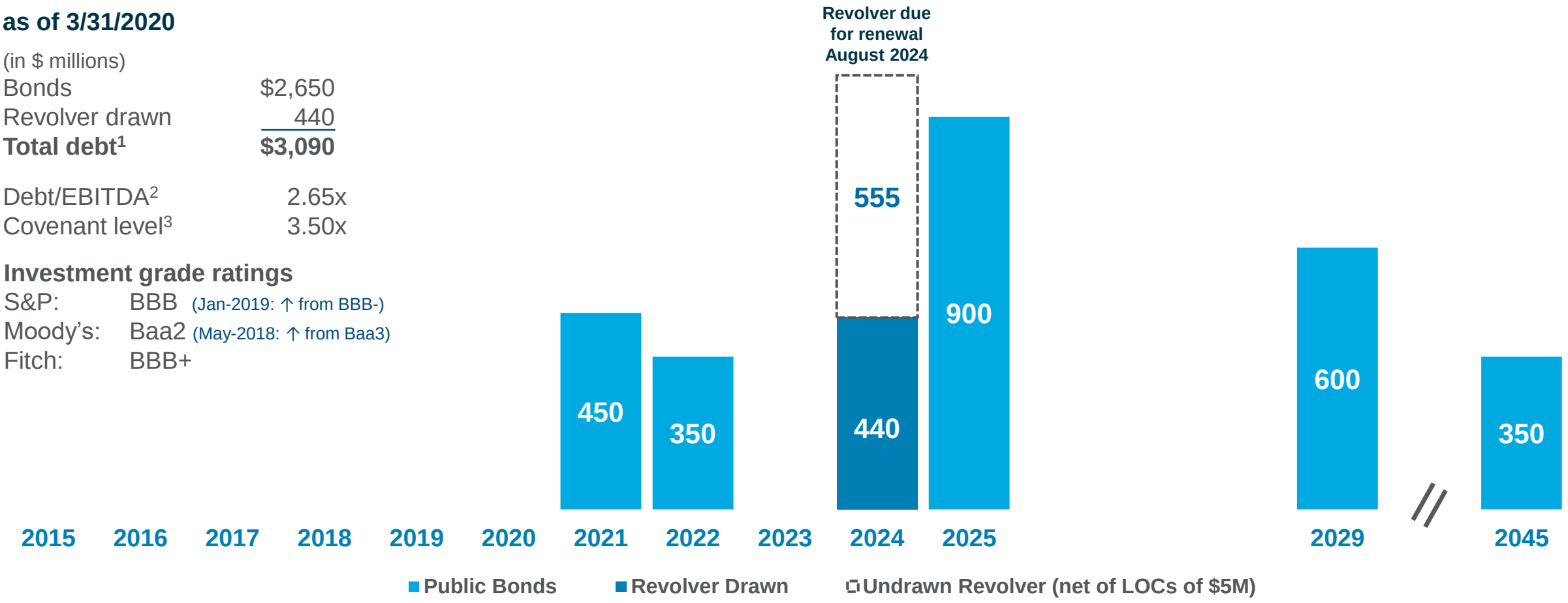
Capital Structure

as of 3/31/2020

(in $ millions)	
Bonds	$2,650
Revolver drawn	440
Total debt[1]	**$3,090**
Debt/EBITDA[2]	2.65x
Covenant level[3]	3.50x

Investment grade ratings

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



Notes: 1. Total debt excludes finance lease liabilities
2. Per bank covenant; leverage based on reported (face) EBITDA is 2.90x.
3. At Verisk's election, covenant may increase once to 4.25x and once to 4.00x for a period of up to 12 months twice in the facility life. The second step-up in the leverage covenant level can occur only if actual leverage is <3.00x at two consecutive quarter ends after the occurrence of the first step-up.

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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
- Target leverage of 2–3x



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Appendix:

Supplemental Slides and/or Non-GAAP Reconciliations

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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), gain/loss from dispositions (which include businesses held for sale), nonrecurring gain/loss, 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; (iii) gain/loss from dispositions (which include businesses held for sale), net of tax; (iv) nonrecurring gain/loss, net of tax; and (v) 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 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 (which include businesses held for sale) 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. A disposition (which includes a business held for sale) is excluded from organic at the beginning of the calendar quarter in which the disposition occurs (or when a business meets the held-for-sale criteria under U.S. GAAP). Once a disposition is excluded from its current-period organic base, its comparable prior-year-period operating results are also excluded 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	1Q20 Insurance	1Q20 E&SM	1Q20 FS	1Q19 Insurance	1Q19 E&SM	1Q19 FS
Revenues	$489.4M	$160.1M	$40.3M	$453.6M	$128.4M	$43.0M
Revenues from acquisitions and dispositions	(17.8)	(28.9)	(1.7)	(7.6)	—	(5.4)
Organic revenues	**471.6**	**131.2**	**38.6**	**446.0**	**128.4**	**37.6**
EBITDA	272.4	50.2	14.7	231.3	37.2	13.3
Acquisition-related costs (earn-outs)	0.1	—	—	7.5	2.5	—
Gain from dispositions	(15.9)	—	(3.5)	—	—	—
Adjusted EBITDA	**256.6**	**50.2**	**11.2**	**238.8**	**39.7**	**13.3**
Adjusted EBITDA from acquisitions and dispositions	0.8	(8.6)	(0.2)	0.5	1.1	(3.5)
Organic adjusted EBITDA	**257.4**	**41.6**	**11.0**	**239.3**	**40.8**	**9.8**

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Non-GAAP Reconciliations

Segment Results and EBITDA | Current and Prior-Year Period

Segment Results Summary and Adjusted EBITDA Reconciliation	2019			2018		
	Insurance	E&SM	FS	Insurance	E&SM	FS
Revenues	$1,865.2M	$563.9M	$178.0M	$1,714.8M	$504.4M	$175.9M
Revenues from acquisitions and disposition	(43.2)	(32.8)	(0.1)	(9.1)	—	(2.2)
Organic revenues	**1,822.0**	**531.1**	**177.9**	**1,705.7**	**504.4**	**173.7**
EBITDA	823.3	141.2	54.4	929.1	157.5	58.9
Litigation reserve	125.0	—	—	—	—	—
Acquisition-related costs (earn-outs)	32.1	41.9	—	(0.8)	2.4	3.5
Loss from disposition	—	—	6.2	—	—	—
Realized gain and interest income on subordinated note receivable	—	—	—	(17.2)	(1.4)	(1.8)
Adjusted EBITDA	**980.4**	**183.1**	**60.6**	**911.1**	**158.5**	**60.6**
Adjusted EBITDA from acquisitions and disposition	(9.4)	(8.5)	0.6	0.4	—	—
Organic adjusted EBITDA	**971.0**	**174.6**	**61.2**	**911.5**	**158.5**	**60.6**

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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	2019	2018	1Q20	1Q19
Net income	$449.9M	$598.7M	$171.7M	$134.4
plus: Amortization of intangible assets	138.0	130.8	41.0	33.2
less: Tax effect on amortization of intangible assets	(29.0)	(27.5)	(9.0)	(6.9)
plus: Litigation reserve	125.0	—	—	—
less: Income tax effect on litigation reserve	(29.9)	—	—	—
plus: Acquisition-related liabilities (earn-outs) and related interests	75.1	6.4	0.1	10.5
less: Income tax effect on acquisition-related costs (earn-outs)	(4.7)	(1.2)	—	(0.5)
plus: Loss on disposition	6.2	—	—	—
less: Income tax effect on loss on sale of assets	(1.5)	—	—	—
less: Gain on dispositions	—	—	(19.4)	—
plus: Income tax effect on gain from dispositions	—	—	9.6	—
less: Realized gain and interest income on subordinated promissory note receivable	—	(20.4)	—	—
plus: Income tax effect on realized gain and interest income on subordinated promissory note receivable	—	4.8	—	—
Adjusted net income	**729.1**	**691.6**	**194.0**	**170.7**
Diluted EPS	**$2.70**	**$3.56**	**$1.04**	**$0.81**
Diluted adjusted EPS	**$4.38**	**$4.11**	**$1.17**	**$1.03**
Weighted-average diluted shares outstanding	166.6M	168.3M	165.7M	166.5M

Free Cash Flow	2019	2018	1Q20	1Q19
Net cash provided by operating activities	$956.3M	$934.4M	$362.6M	$366.1M
less: Capital expenditures	(216.8)	(231.0)	(52.9)	(45.2)
Free cash flow	**739.5**	**703.4**	**309.7**	**320.9**

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Non-GAAP Reconciliations

Adjusted EBITDA | Historical Full-Year Periods

Segment Adjusted EBITDA Reconciliation	2019	2018	2017
Insurance Segment – EBITDA	$823.3M	$929.1M	$852.7M
Insurance Segment – Acquisition-related costs (earn-outs)	32.1	(0.8)	(0.2)
Insurance Segment – Gain and interest income on subordinated promissory note receivable	—	(17.2)	(11.6)
Insurance Segment – Litigation reserve	125.0	—	—
Insurance Segment – Adjusted EBITDA	**980.4**	**911.1**	**840.9**
Energy and Specialized Markets Segment – EBITDA	$141.2	$157.5	$136.7
Energy and Specialized Markets Segment – Acquisition-related costs (earn-outs)	41.9	2.4	—
Energy and Specialized Markets Segment – Gain and interest income on subordinated promissory note receivable	—	(1.4)	—
Energy and Specialized Markets Segment – Adjusted EBITDA	**183.1**	**158.5**	**136.7**
Financial Services Segment – EBITDA	$54.4	$58.9	$58.4
Financial Services Segment – Acquisition-related costs (earn-outs)	—	3.5	—
Financial Services Segment – Gain and interest income on subordinated promissory note receivable	—	(1.8)	—
Financial Services Segment – Loss from disposition	6.2	—	—
Financial Services Segment – Adjusted EBITDA	**60.6**	**60.6**	**58.4**

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