

# Verisk Analytics

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

## Forward-Looking Statements

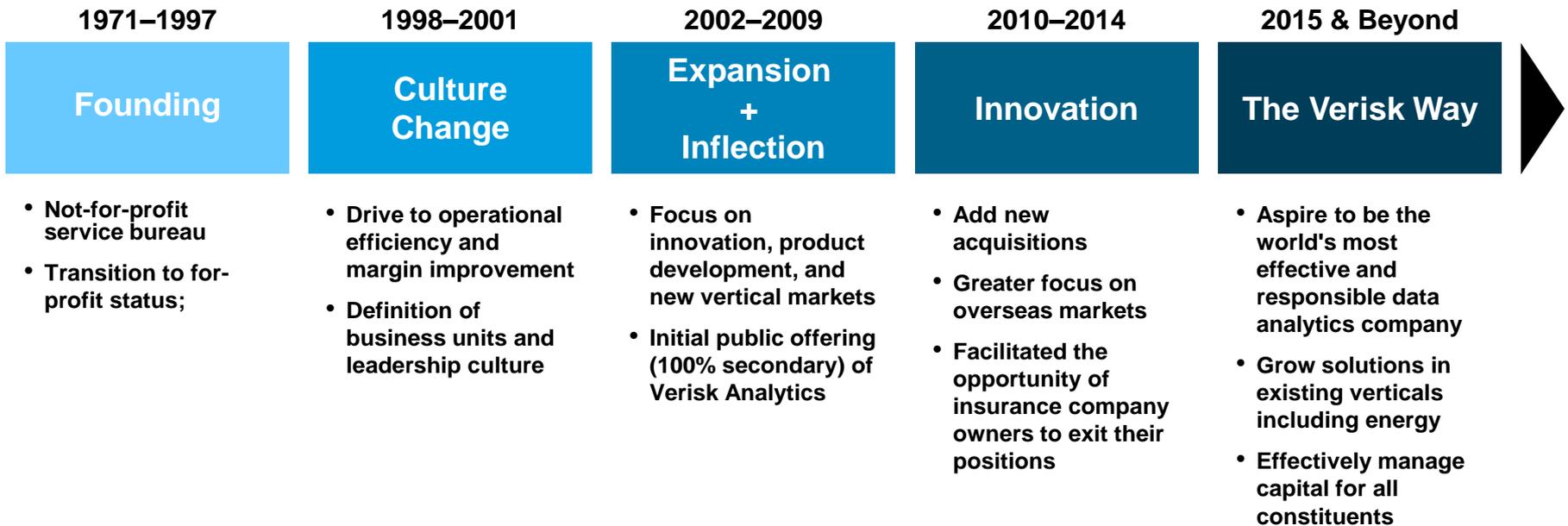
This presentation contains forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially 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 presentation 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, 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 EBITDA, EBITDA margin, and unlevered 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.



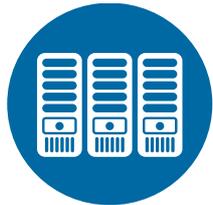
# History of Growth and Innovation





# How Do We Achieve Leading End-Market Positions?

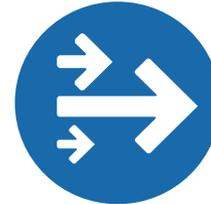
## The Four Distinctives in The Verisk Way



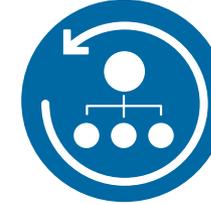
Unique Data Assets



Deep Domain Expertise

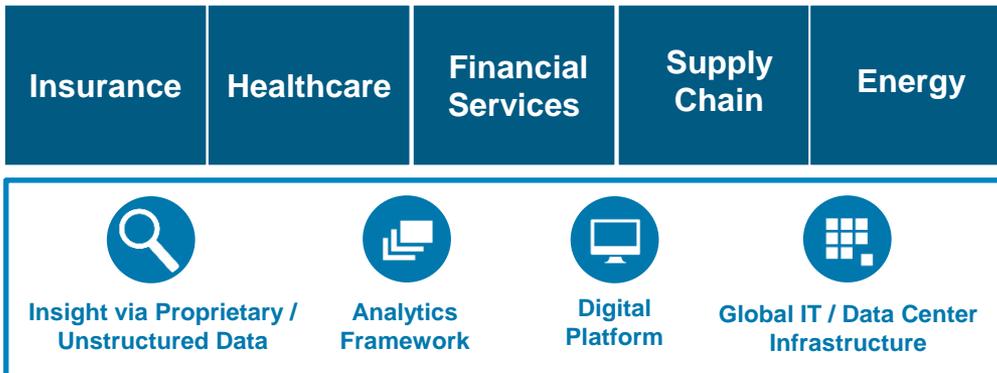


First-Mover Advantage



Embedded in Customer Workflows

## Multiple Thick Verticals, Enabled



## Thematically Focused

- Pricing and Underwriting
- Preventing Fraud and Abuse
- Asset and Risk Selection
- Portfolio and Financial Optimization
- Compliance



## Vertical Big Data

**19B** 17.9 billion records in commercial and personal lines

- Over 1,800 insurers provide data
- Almost 3 billion records submitted each year

**35** 35 years of VIN auto information

**3.6M+** Detailed information on over 3.6 million commercial buildings and 6.4 million businesses

**1B+** Insurance fraud database with more than 1 billion claims

- Used by >90% of the P&C industry

**5M** Approximately 5 million annual claim assignments for property losses

- Used by 22 of the top 25 insurers

**90+** Models covering natural hazards in over 90 countries

**1 in 3** Verisk Health's technology solutions presently impact 1 in 3 American lives

**4.5M+** More than 4.5 million Safety Data Sheets (SDSs) covering hazardous chemicals in the supply chain

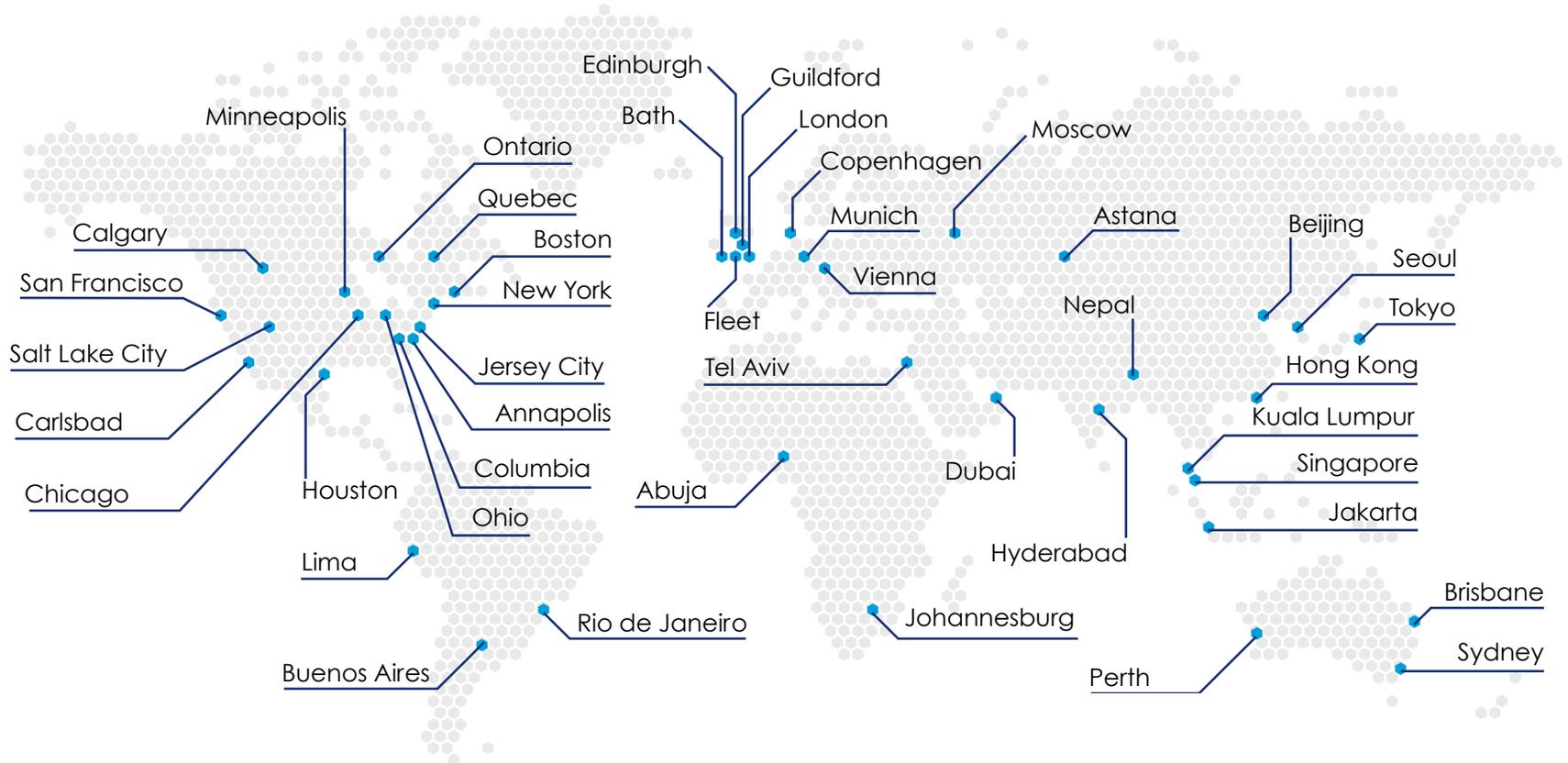
**1.6B** Depersonalized information on 1.6 billion credit and debit card accounts

**7P** Our data centers hold about 7 petabytes – 7,000,000 gigabytes – of data

**55M+** Energy data points in the global energy, chemicals, and metals & mining industries



# Global Platform



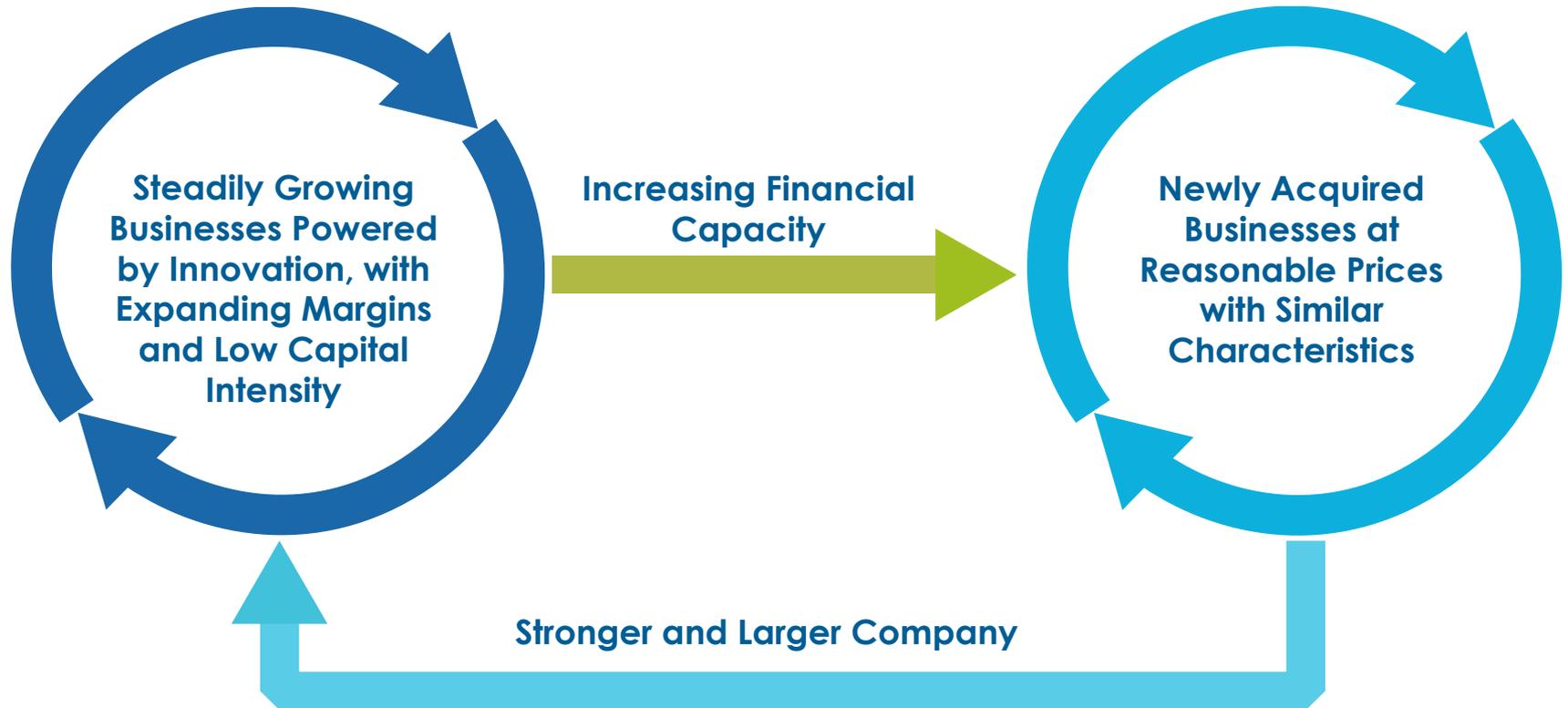


## Attractive Business Model

- **Recurring revenue stream and high barriers to entry**
  - 75% of total revenue is subscription and long-term contracts
  - Extremely high customer retention
  - Majority of revenue is prepaid quarterly or annually
  - Long-standing and deep relationships with our customers
  - Deeply embedded in our customers' critical decision-making processes
- **High incremental margins on existing businesses**
  - Business model is “build once, sell many times”
  - Very little incremental cost to add a new customer
  - *Our business is not service or capital intensive*
- **Diverse client base and revenue contribution**
  - 4 primary verticals with strong underlying demand factors
  - Largest customer accounts for about 2% of revenues
  - Top 10 customers account for about 16% of revenues



# The Verisk Formula





## The Verisk Formula (continued)



### We can continue to drive strong organic growth

- Stay close to our distinctives
- Moderate levels of transactions and services
- Innovate effectively
- Globalize effectively
- Expand channels



### Balanced expectations for M&A spend



### Strong balance sheet

- Committed to 2.5x leverage by end 2016
- Maintain investment grade



### Return capital to shareholders



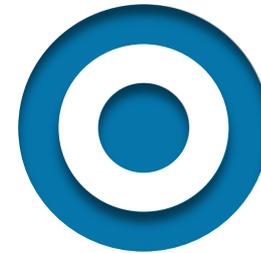
# Discipline and Execution

## 1. Discipline



- **Drive operating leverage and scale in existing businesses**
- **Embrace innovation and investment**
  - Strategic fit
  - Long-term economic return
  - Rigorously monitor the performance of investments

## 2. Execution



- **Hear the voice of the customer**
- **Commit to quality and continuous improvement**
- **Focus on timeliness, accuracy, and delivering value**



## Verisk Strength Built on P&C foundation

- **Unique data sets, enhanced over time, have enabled growth into more decision processes at our customers**
  - Since 1971, our P&C business has served as the industry standard
  - Leveraging long-standing relationships with innovation and new solutions has enabled strong growth: 7.9% over past 5 years
- **Template for how we develop new verticals at Verisk**
  - First mover creates competitive advantage
  - Become the “must-have” solutions for clients to make strategic decisions about their day-to-day business
  - Build once, sell many times
- **Financial model for P&C solutions sets the standard**
  - High percentage of subscription revenue
  - Limited customer concentration
  - Scalable with low capex requirements



# Insurance: Industry-Leading Analytics Solutions



## Risk Assessment

Industry-Standard Insurance Programs

Property Information

Underwriting Solutions



## Decision Analytics

Claims Adjudication and Fraud Detection Solutions

Catastrophe Modeling

Property Damage Claims Estimating



## Competitive Advantage

Extensive time-series data and coverage language in >200M policies

Comprehensive database of 3.6M commercial buildings & ratings on ~47,000 fire protection areas

Comprehensive industry-standard information

Industry database totaling 1 billion claims

Advanced science, advanced software platform covering 90 countries

100M structural estimation price points and integrated network

## Primary Competitors

Internal

Internal



Internal



**Certain competitors offer point solutions that compete with Verisk, but no other firm provides the same depth of solutions and analytics**



## Wood Mackenzie: An Overview

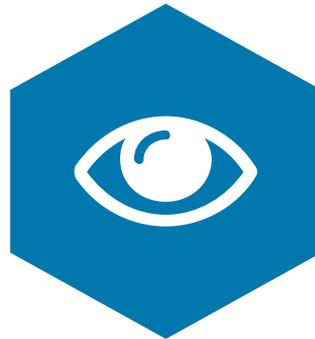
### What do we do?



Provide leading commercial intelligence to the global energy, chemicals, and metals & mining industries

Industries are complex and capital-intensive

### How do we win?



Differentiated value proposition built on proprietary information, analysis, insight, and advice over 40 years

Embedded in customer workflows

High-performing workforce

### How have we grown?



Strong financial record

Subscription-based business with industry-leading renewal rates

Diversified solution set and customer base

### What will drive future growth?



Large and diverse addressable market

Multiple channels for growth

Undersold and undermarketed

Verisk and Wood Mackenzie stronger together



## We have developed unrivaled breadth and depth in our assets coverage

### Upstream Data

- **30,000** oil & gas fields (assets)
- **52,000** blocks
- **55+** million data points

### Valuation

- **5,500+** commercial upstream valuations
- **1,300+** technical upstream valuations
- **1,200+** mines (coal)
- **300+** assets (iron ore)
- **200+** plants (steel)

### Plus...

- **500+** exploration basins
- **200** unconventional plays (uncon play service)
- **300+** LNG regasification terminals
- **105** LNG liquefaction projects
- **200+** plays/sub plays (N. American company/play tool)

We are the reference source for commercial intelligence across the natural resource value chain

Our clients are active in highly complex and capital-intensive industries and need our help



# Competitors operate across all of Wood Mackenzie's commercial information market; we aim to be the leader in each vertical

<p><b>Energy</b></p>  	<p>GlobalData»</p> 	 	  
<p><b>Metals &amp; Mining</b></p>   	    		
<p><b>Chemicals</b></p>  	    	  	
<p><b>Front-runners/ leaders</b></p>	<p><b>Established global</b></p>	<p><b>Established regional</b></p>	<p><b>New entrants</b></p>



# Healthcare: Addressing Our Clients' Challenges

Increasingly Complex Regulatory Environment	Greater Need for Cost Containment	Shift to Value-Based Healthcare
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## Our Solutions

### Revenue



Solutions to align patient risk with appropriate reimbursement

### Payment



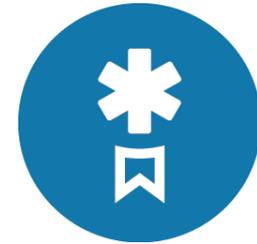
Solutions to ensure accurate payments and identify and eliminate fraud, waste, and abuse

### Population



Analytics and reporting solutions to identify clinical and financial risk and drive performance improvement

### Quality



Solutions to drive compliant revenue, achieve regulatory reporting needs, and improve quality

## Competitors





## Financial Services: Leading Provider of Data Analytic Solutions for Banks and Their Regulators



At the foundation of our value-creating solutions...

- Unique and Proprietary Consortia Datasets
- Deep Domain Expertise in Analytics and Banking
- Big-Data Technology Platform that is Scaled and Secure



## Financial Services: Providing Valuable and Differentiated Solutions Built on Unique Data Assets

	Description	Argus*	Credit Bureaus	Payment Networks	Payment Processors
Transaction Data	POS & online transaction detail (merchant, location, amount, date)	✓		✓	
Account Data	Credit card, deposits, checking, and money-market account performance	✓			
Product Attributes	Features including pricing, value propositions, pricing, promo detail	✓			
Account-level P&L	Revenue and cost details, including finance charges, fees, losses, opex	✓			✓
Customer behavior	Usage details including spend, fraud, channel, payment, etc.	✓		✓	✓
Platform Coverage	Networks (Visa, MC, Amex, etc.) and Processors (TSYS, FirstData, etc.)	✓	✓		
Wallet Views	Complete consumer view (share-of-wallet) across issuers and instruments	✓	✓		

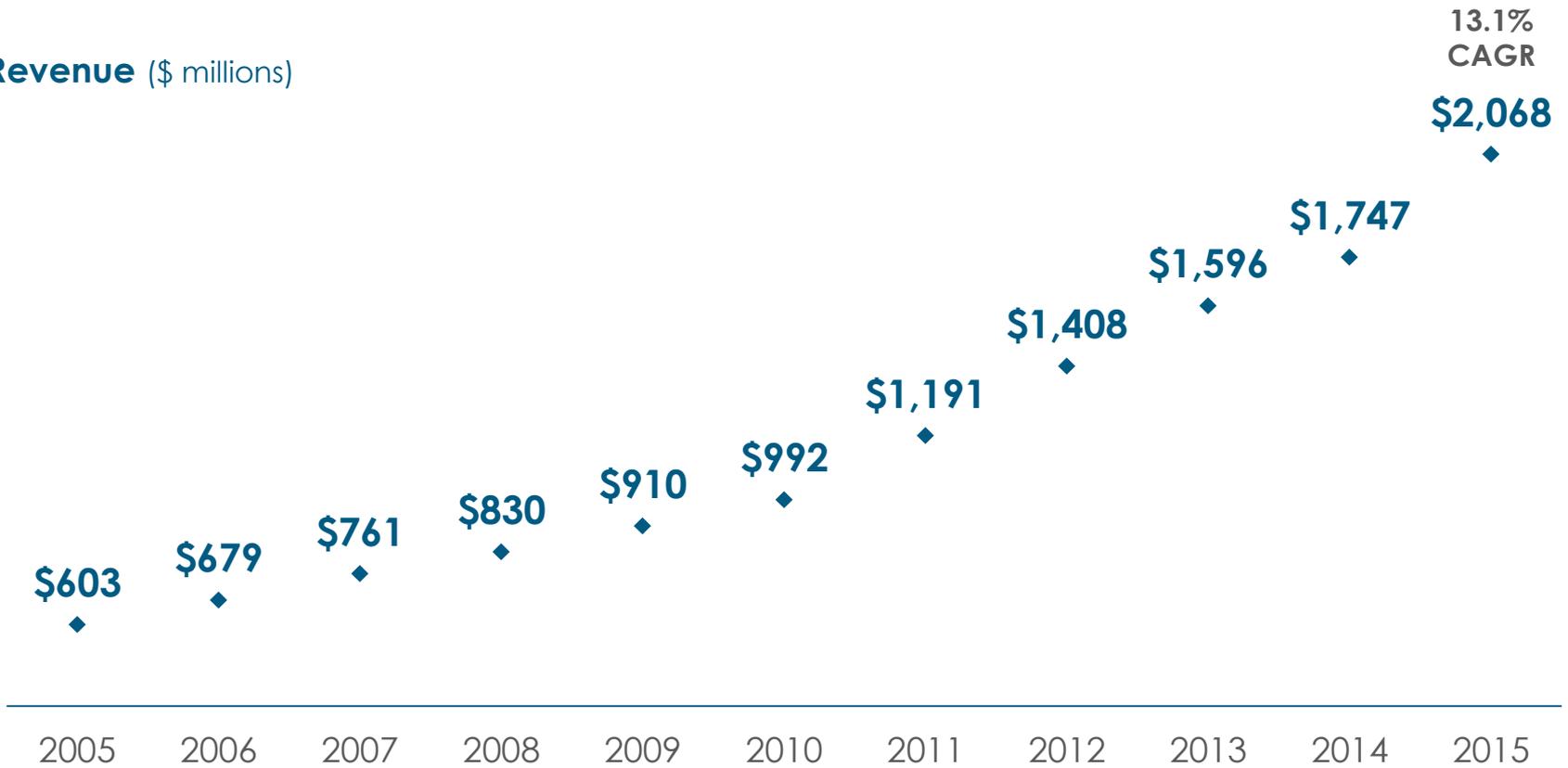
Data from more than **1.3Bn** accounts from **over 50 banks** and more than **5Bn** transactions/month  
 Argus has a data warehouse for more than **2.2 petabytes**

\* Some Argus data assets have been developed in partnership with non-Verisk institutions.



# Verisk: Strong Track Record of Top-Line Growth

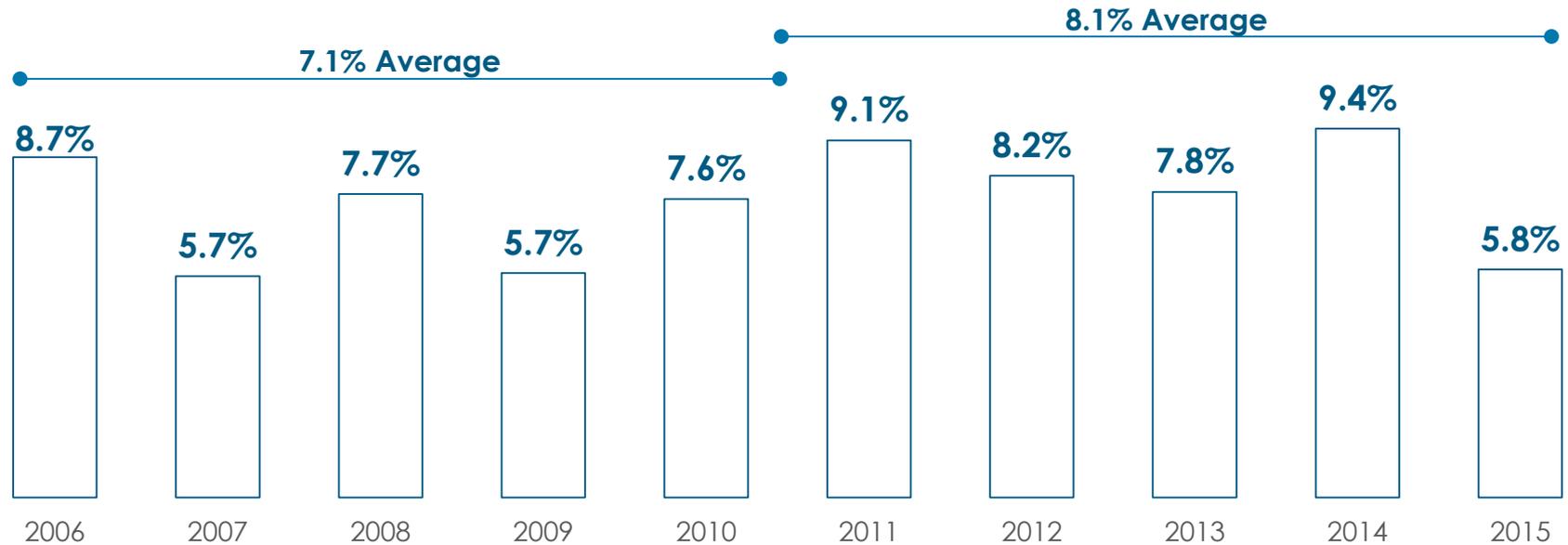
Revenue (\$ millions)



Note: From continuing operations



## Organic Revenue Growth



### Key Drivers:

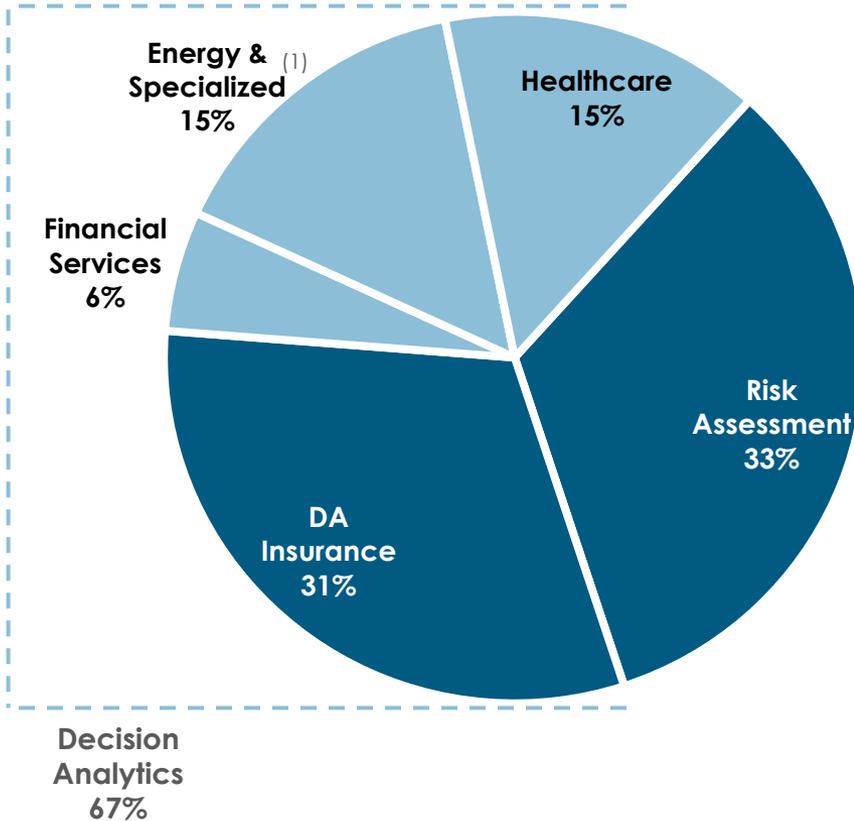
- Organic growth is a measure of our vitality
- Robust innovation agenda has spurred stronger organic growth
- Growth has become more consistent

Note: Excludes mortgage. Organic growth includes businesses owned for a full year or more at measurement.

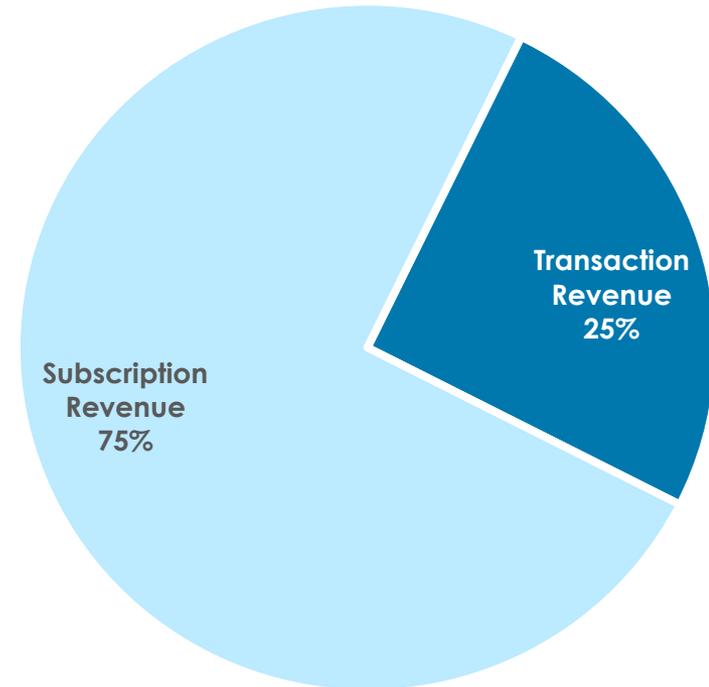


# Diverse, High Recurring Revenue Sources

FY2015 Revenue Distribution



FY2015 YTD Subscription Base



Note: 1. Energy & Specialized was about 20% of 4Q2015 total Verisk revenue.



# Verisk's Differentiated Financial Model

## Fiscal Year

### Strong, Stable Revenue Growth...

(\$ millions), (organic revenue growth)

<b>1,596</b>	<b>1,747</b>	<b>2,068</b>
<b>8.5%</b>	<b>9.4%</b>	<b>7.4%</b> <sup>(1)</sup>
2013	2014	2015

### and Leading Margins <sup>(2)</sup> Power EPS

(% EBITDA/Revenue), (\$ Earnings per Share)

<b>46.7%</b>	<b>46.0%</b>	<b>47.4%</b>
<b>\$2.21</b>	<b>\$2.40</b>	<b>\$3.09</b>
2013	2014	2015

### Low Capital Intensity...

(as reported, CapEx as a % of Revenue)

<b>9.1%</b>		
	<b>8.4%</b>	
		<b>8.0%</b>
2013	2014	2015

### Enables Strong Free Cash Flow

(Cash from OPs less CapEx, as reported \$ millions)

		<b>458</b>
<b>361</b>	<b>343</b>	
2013	2014	2015

Note: 1. Adjusted for Healthcare pass-through revenue.

2. 2015 EBITDA excl' 3Q15 warrant gain; Adj. EPS and EBITDA excl' 2Q15 1x WoodMac acquisition related items.



# Strong Capital Structure to Support Growth

as of 12/31/2015

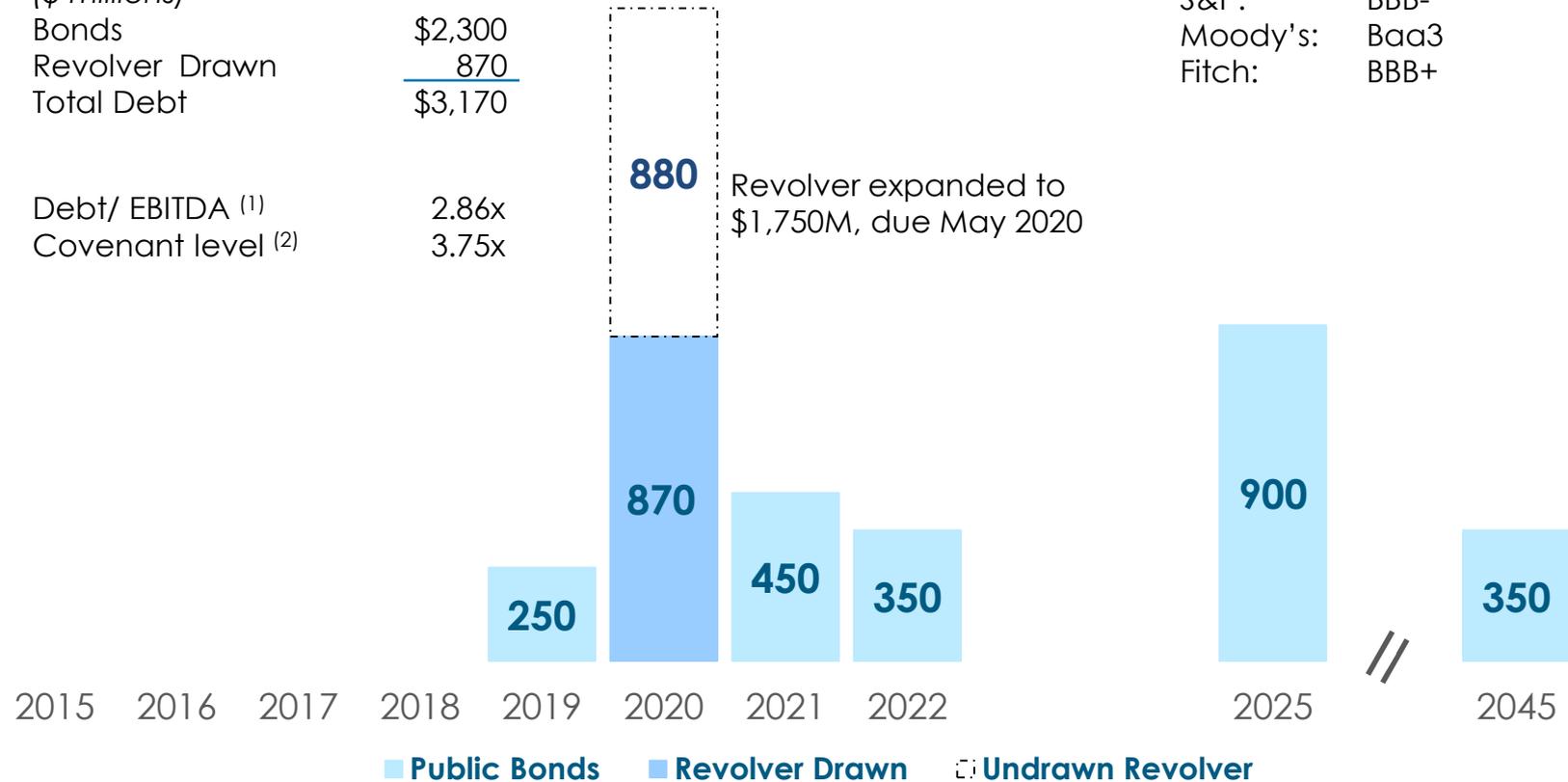
(\$ millions)

Bonds	\$2,300
Revolver Drawn	<u>870</u>
Total Debt	\$3,170

Debt/ EBITDA <sup>(1)</sup>	2.86x
Covenant level <sup>(2)</sup>	3.75x

### Investment Grade Ratings

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



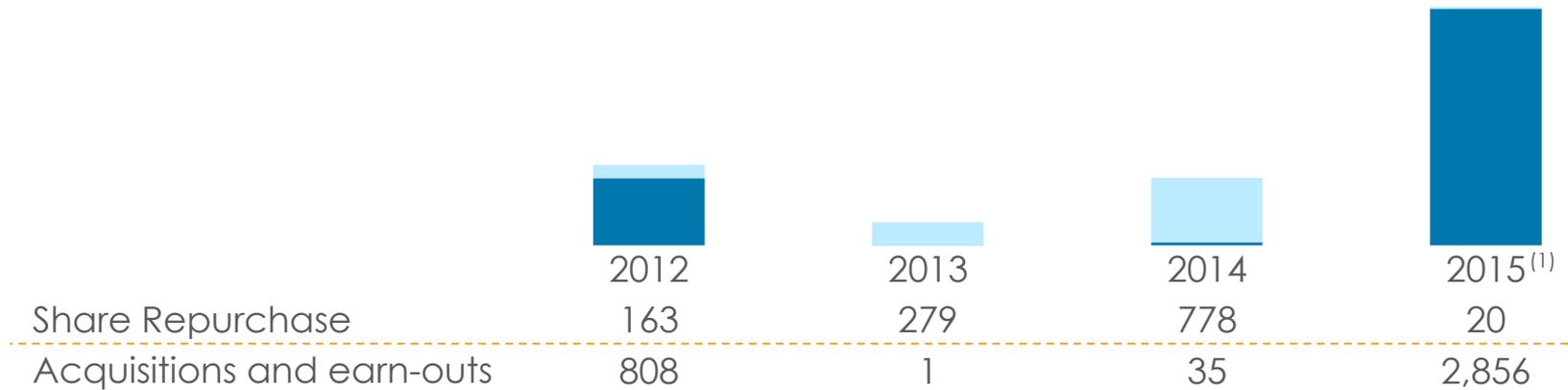
Note: 1. Per debt covenant.

2. Steps down to 3.50x at the end of the fourth fiscal quarter following the acquisition of Wood Mackenzie.

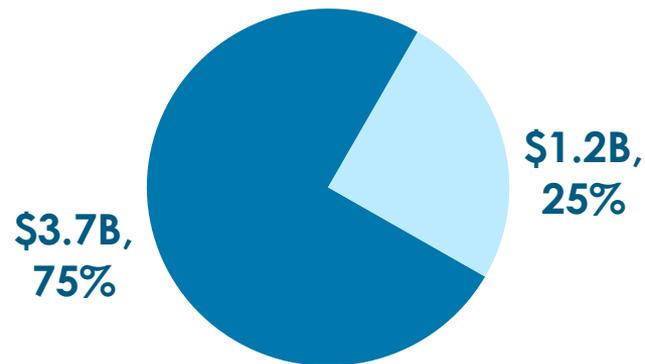


# Verisk: Disciplined Capital Allocation

■ Acquisitions and earn-outs  
■ Share Repurchase  
(\$ millions)



Cumulative Capital Allocation, \$ billions <sup>(2)</sup>



Note: 1. 2015 acquisition amount is net of currency hedges.  
2. 2012 through December 2015.

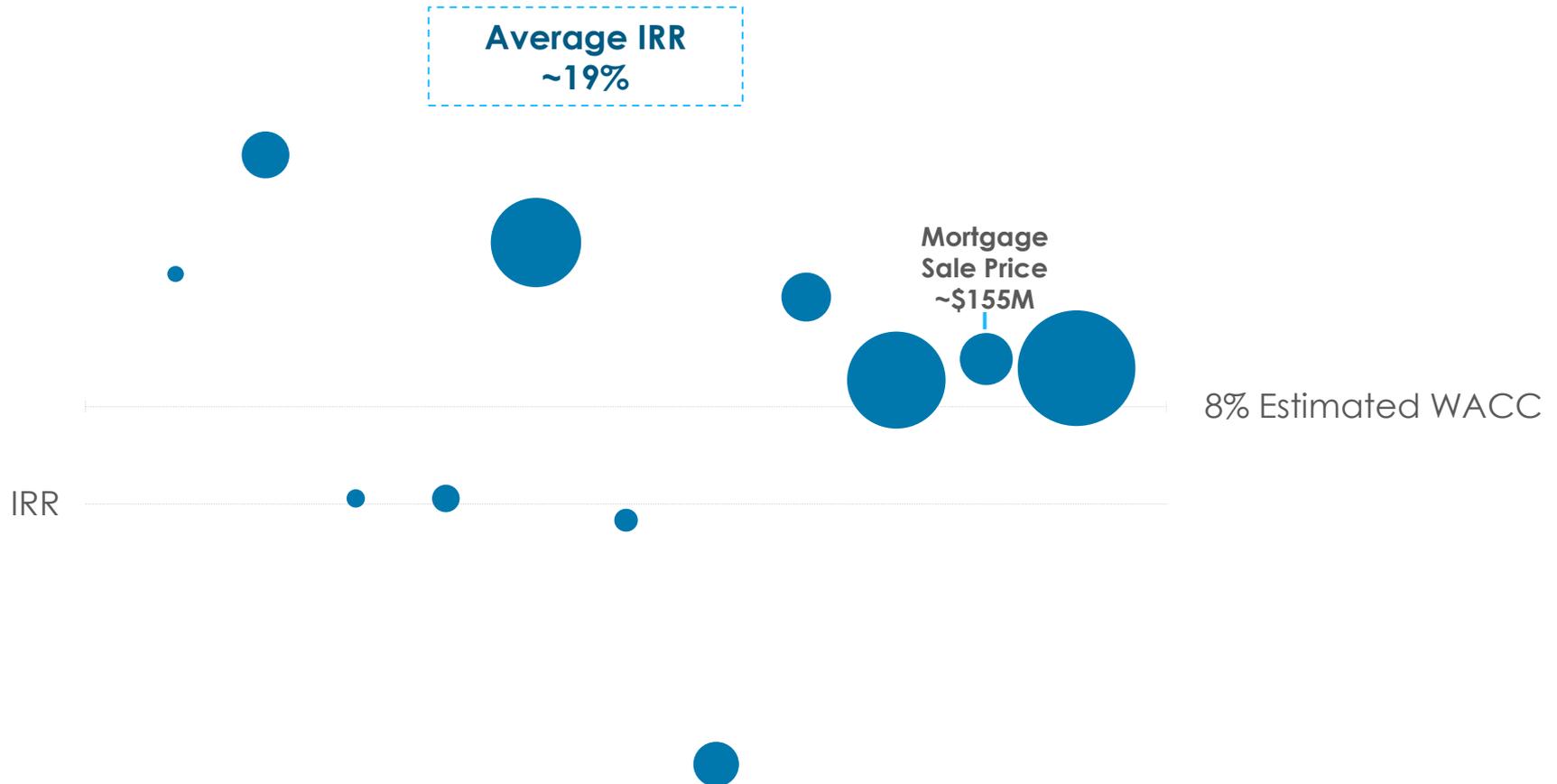


## M&A Has Been Effective

- **Driven by strategy**
- **Valuation discipline crucial**
- **Cash generation focused: 19% overall IRR**
  - 15% hurdle rate, adjusted for risk
  - Analysis benchmark for measuring IRR is unlevered
  - Assume conservative 10x terminal EBITDA multiple
- **Exceeded WACC for all deals of size**
  - Strong history of growth
  - Track record of margin expansion post closing



# Internal Rates of Return Demonstrate Shareholder Value Creation



## Methodology

- Size of bubble reflects purchase price
- IRR based on free cash flow and 10x terminal multiple methodology for all deals except Mortgage
- Some bubbles reflect aggregation of multiple acquisitions (e.g. Mortgage)



## Multiple Paths to Growth

- **Strong track record of BOTH organic revenue increases and effective M&A**
  - 8% historical organic revenue growth
  - 16% average acquisition revenue growth
- **Opportunities remain large and growing**
  - Executing on both organic and acquisitions to drive growth
- **Share repurchases remain valuable alternative for capital deployment**
  - Deployed \$1.6 billion over the past five years
- **Reasonable flexibility while deleveraging towards 2.5x Debt/EBITDA target**



## Conclusion

*The best benchmark for Verisk is Verisk.*

**Average<sup>1</sup> organic revenue growth over the past ten years has been about 8%**

- Our business is even better now than it was before
- We should be able to grow over time and on average in a way that is consistent with the past

**We have expanded EBITDA margins 450bps to the high 40s, an industry leading level**

- We will continue to invest in our business
- There is natural scale in what we do even at the current strong margin levels, as our incremental margins show

<sup>1</sup> Unweighted

# Questions?

Contact Investor Relations  
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david.e.cohen@verisk.com



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## Non-GAAP reconciliations

### Adjusted EBITDA (*\$ in millions*)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net Income	508	371	342
Depreciation and amortization of fixed assets and intangible assets	215	142	130
Interest expense	121	70	76
Provision for income taxes	210	220	196
Plus: Nonrecurring items related to the WoodMackenzie acquisition	(59)		
Adjusted EBITDA from continuing operations	995	803	745
Less: Gain on sale on warrants	16		
Adjusted EBITDA from continuing operations excluding gain on sale of warrants	980	803	745

Note: Numbers may not add due to rounding



## Non-GAAP reconciliations

### Adjusted EPS (*\$ in millions*)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Income from continuing operations	508	371	342
Plus: Amortization of intangibles	95	57	64
Less: Income tax effect on amortization of intangibles	26	22	24
Plus: Nonrecurring items related to the Wood Mackenzie acquisition	-45	—	—
Less: Income tax effect on one-time items related to the Wood Mackenzie acquisition	-11	—	—
Adjusted net income from continuing operations	520	406	382
Basic adjusted EPS from continuing operations	\$3.15	\$2.45	\$2.27
Diluted adjusted EPS from continuing operations	\$3.09	\$2.40	\$2.21
Weighted average shares outstanding (in millions)			
Basic	165	166	168
Diluted	169	169	172

Note: Numbers may not add due to rounding



## Non-GAAP reconciliations

### Free Cash Flow (*\$ in millions*)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net cash provided by operating activities	624	489	507
Capital expenditures	166	146	146
Free Cash Flow	458	343	361