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# Verisk Analytics, Inc. (VRSK)

Q2 2022 Earnings Call

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**Mark V. Anquillare**

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**David J. Grover**

*Controller, Chief Accounting Officer & Interim Chief Financial Officer, Verisk Analytics, Inc.*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, everyone and welcome to the Verisk Second Quarter 2022 Earnings Results Conference Call. This call is being recorded. Currently, all participants are in a listen-only mode. After today's prepared remarks, we will conduct a question-and-answer session where we will limit participants to one question so that we can allow everyone to ask a question. We will have further instructions for you at that time.

For opening remarks and introductions, I'd like to turn the call over to Verisk's Head of Investor Relations, Ms. Stacey Brodbar. Ms. Brodbar, please go ahead.

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### Stacey Jill Brodbar

*Head-Investor Relations, Verisk Analytics, Inc.*

Thank you, Chris, and good day, everyone. We appreciate you joining us today for a discussion of our second quarter 2022 financial results. On the call today are Lee Shavel, Verisk's Chief Executive Officer; Mark Anquillare, President and Chief Operating Officer; and David Grover, Controller, Chief Accounting Officer and Interim Chief Financial Officer.

The earnings release referenced on this call as well as our traditional quarterly earnings presentation and the associated 10-Q can be found in the Investors section of our website, [verisk.com](http://verisk.com). The earnings release has also been attached to an 8-K that we've furnished to the SEC. A replay of this call will be available for 30 days on our website and by dial-in.

As set forth in more detail in today's earnings release, I will remind everyone today's call may include forward-looking statements about Verisk's future performance. Actual performance could differ materially from what is suggested by our comments today. Information about the factors that could affect future performance is contained in our recent SEC filings.

Finally, I'd also like to remind everyone that the financial results for recent dispositions are included in our consolidated and GAAP results but are excluded from all organic constant currency growth figures. A reconciliation is provided in our 8-K.

And now, I'd like to turn the call over to Verisk's CEO, Lee Shavel.

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### Lee M. Shavel

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

Thanks, Stacey, and good day, everyone. I'm pleased to share that Verisk delivered solid second quarter results. As you review the financial results, please be aware that due to the dispositions of 3E and Verisk Financial Services certain year-over-year comparisons will be distorted by the impacts of these transactions. For example, the decrease in our free cash flow year-over-year was primarily the result of a significant tax on the realized gain from the sale of 3E. Dave will provide more details in his financial review.

Second quarter organic constant currency revenue grew approximately 5% and organic constant currency adjusted EBITDA grew approximately 4%. Adjusted for the impact of the suspension of commercial operations in Russia, organic constant currency revenue grew approximately 6% and organic constant currency adjusted EBITDA grew approximately 6%.

Adjusted EBITDA margins expanded 140 basis points to 51% through cost discipline, operational efficiencies, the benefit of decisions affecting recent portfolio actions, and some very early steps taken in our previously announced margin improvement initiative. This level of margin also includes headwinds from cloud transition and a partial normalization of travel and entertainment expenses as we continue to hold more in-person conferences and visits as we engage with our customers.

While overall organic constant currency revenue growth excluding Russian revenues was below our long-term targets, we saw solid performance in our subscription revenues offset by weakness in our transactional revenues due to the continued impact of the work-from-home environment on certain businesses as we'll describe. We did see sequential improvements in the second quarter, reflecting some normalization in certain businesses including international travel.

Subscription revenue organic constant currency growth excluding Russian revenues of approximately 7% representing 81% of total revenue was solid and improved sequentially in both Insurance and Energy. In Insurance, OCC subscription revenues were above our 7% long-term target demonstrating the mission-critical nature of our solutions. Energy subscription growth improved sequentially as positive pricing momentum from our Lens investment and strong annual contract value growth begins to convert into revenue growth. We [ph] also delivered (00:04:26) strong growth in our energy transition, chemicals, and metals and mining research.

Transactional organic constant currency revenue growth of approximately 2%, representing 19% of total revenue, improved slightly in the quarter with sequential improvement in Insurance due to solid underwriting growth offset by weaker performance in claims due to ongoing declines in workers' compensation claims volumes across the industry of at least 25% and new regulations that went into effect in early 2022 that are slowing claims settlement.

In addition, we are also experiencing some softness in personal lines auto related to the market dislocation, as Mark will describe in his section. We have seen normalization progress across our businesses and expect this to continue. However, several of these impacts are having longer cycle recovery times than we originally expected.

Energy transactional revenue declined modestly on an organic constant currency basis due primarily to resource constraints in our consulting business as a result of strong demand from our professionals, particularly in [ph] the Americas (00:05:34) region as well as tough compares versus last year's rebound level growth rates. You can find more details about our subscription and transactional growth rates by segment in our quarterly earnings deck which can be found in the Investors section of our website.

Since taking over the CEO role at the end of May, I've been meeting with the leadership teams of many of our key customers and stakeholders. In these valuable conversations where I'm learning how we can improve, I hear repeatedly that Verisk is a critical partner with a unique seat to analyze performance and technology across the industries we serve and most importantly implement technology change for the benefit of all of our clients. As one of our clients put it, not only do we need Verisk's help on this issue, the industry needs your help.

Our value proposition is clear. Verisk strategically invests in data and technology at scale to deliver economic value to our customers through operational efficiencies and better decision-making. In both the Insurance and Energy industries, we benefit from the growing demand for data analytics from our customers along with their increased ability to ingest and use our rapidly-growing data sets.

We deliver greater value per dollar invested than our clients would be able to individually, and we are in an advantaged position as few companies enjoy closer ties to and a greater understanding of their clients'

businesses than Verisk. This is a responsibility that we do not take lightly as it is this unique proposition that will power our growth and drive long-term value creation for shareholders, customers and employees.

As we focus and define the strategic orientation over 2022, we expect to lay out our plans in greater detail at an Investor Day in the first quarter of 2023 following the reporting of our fourth quarter 2022 results.

During the second quarter, we made a series of new leadership announcements as we build out the team that will lead Verisk forward. Of importance to many of you on this call, we recently announced that Elizabeth Mann will be joining Verisk as our Chief Financial Officer. Elizabeth joins us from S&P Global, where she was the Chief Financial Officer of their Ratings and [ph] Global Mobility (00:07:47) divisions, and before that, she was Senior Vice President of Capital Management, which included oversight of the Treasury Department. Elizabeth will bring very relevant experience and a fresh perspective that I know will improve our organization financially and operationally. She will be joining us on September 15, and we look forward to introducing her to you and she will welcome your perspectives as she comes up the curve on Verisk.

In addition, we recently announced that Maroun Mourad has been named President of Claims Solutions. Maroun has been a key leader in our underwriting and rating business since 2015, serving as President of ISO – Commercial Lines; President, Global Underwriting; and most recently, President, Life and Growth Markets. Maroun brings deep industry expertise from his many leadership roles at Gen Re, AIG, Arch, and Zurich across underwriting, operations, and general management. He also brings a great entrepreneurial spirit and a true customer-centric approach to the business and is the right leader to help drive our vision of revolutionizing claims for the industry through automation, technology, and advanced analytics.

Maroun takes the reins Rich Della Rocca, who has retired after 27 years with Verisk. We thank Rich for all of his many contributions to Verisk and wish him very well in his retirement.

We also announced that Tim Rayner has been named President of Verisk Specialty Business Solutions, our UK-based business centered around our Sequel suite of insurance software. The Specialty Business Solutions team is a linchpin in our strategy to create an automated and interconnected ecosystem for the insurance industry in the UK, EU, and beyond, and Tim is the right leader to drive that strategy.

Tim joined Verisk in 2018 after a long and successful career in the insurance industry holding various leadership roles at Miller Insurance Service (sic) [Services] (00:09:39).

Now, let me provide an update on both our progress towards being an insurance-focused data analytics solutions provider and our commitment to furthering margin expansion.

We are making steady progress on our evaluation of the separation of the Energy business. The preparation of the internal separation analysis and standalone financials are ongoing, and we have hired a team of outside advisors who are engaged in the next phase of our process of developing alternatives available to us.

Our timing expectations remain unchanged, and as we have stated previously, our decisions will continue to be guided by shareholder feedback, value considerations, and market conditions.

As many of you know, we have also undertaken a broad shareholder survey for the benefit of your perspectives not only on the Energy separation but how we can improve in meeting investor expectations generally.

On our EBITDA margin expansion objective, we continue to be very confident in our ability to achieve our stated target to deliver 300 basis points to 500 basis points of margin expansion by 2024 off an insurance-only baseline of 50% to 51% normalized adjusted EBITDA margins. We have taken some early steps including the restructuring of our marketing function, office space consolidation, and a greater emphasis on our global talent optimization hiring. Additionally, we have embarked on a span of control analysis to guide further operational efficiencies.

We continue to experience the impact of the stranded corporate allocations from the businesses we have sold in our reported segment margins. It is important to remember that 2022 is likely to remain quite noisy due to the impact of portfolio changes and implementation processes. As such, we continue to expect the margin expansion to be increasingly visible over 2023 as we move past the timing impacts of the portfolio changes and implementations and work toward our previously stated 2024 target.

Now, I will turn the call over to Mark for some more color on the Insurance business performance.

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## Mark V. Anquillare

*President & Chief Operating Officer, Verisk Analytics, Inc.*

Thanks, Lee. I'm pleased to share that the Insurance segment delivered another solid quarter. Across Insurance we're experiencing strong growth in subscription revenues across both underwriting and claims, resulting in OCC subscription growth of 7.3% in the segment overall and demonstrating the stability and consistency of our business model and the must-have nature of our solutions.

Within underwriting, we had strong results from core underwriting, extreme event solutions and our international software business. We also had healthy contribution from certain of our newer acquired businesses including life insurance and marketing solutions.

Within life insurance, we have delivered strong sales growth from the addition of new customers and expansion of existing relationships. Life insurers are embarking on a modernization and digital transformation of their core systems, and [ph] that (00:12:35) software offers flexibility and speed of implementation that helps ensure insurers achieve their goals in a timely and cost-efficient manner.

Extreme event solutions had a strong quarter driven by the addition of new customers added to our core Touchstone platform as well as the extension of multiyear deals with existing customers. In addition, the catastrophe bond market continues to be strong and Verisk is growing its share in that market. Our sustainability and country risk business also had a strong quarter as demand for our risk indices in both corporate and investor segments continued to drive strong double-digit growth.

Within claims, we're experiencing strong growth in our fraud fighting analytics driven by the addition of new customers and expanding use cases. More specifically, our new claims essentials bundle designed for self-insureds and third-party administrators provides an end-to-end claims solution and is driving conversion to subscriptions from customers who previously used our solutions in a more limited and transactional basis.

We have also recently announced our exclusive partnership with LIMRA and Loma, an industry research organization [indiscernible] (00:13:46) life and annuity insurance industry fight the account takeover fraud situation. Insurance transactional revenues grew a more modest 2.7%. We have seen strong rebound in our international travel business, but has been offset by headwinds from both our workers' compensation claims solutions and softer results from our personal auto underwriting. In addition, the first half of the year has seen a lower level of storm activity versus the prior year and historic averages.

More specifically, our workers' compensation solutions are dealing with two headwinds, including volume levels are down at least 25% across the industry as well as new regulations that are slowing the pace of settlement. That said, we are not sitting still. We have recently implemented process improvements to help drive greater throughput and new customer outreach to drive volumes to Verisk.

[indiscernible] (00:14:41) insurance industry is generally healthy, [ph] though over the (00:14:45) shorter term insurers are dealing with the impact of interest rate volatility, inflation, and rising loss ratios. This is having disproportional impacts on personal lines and insurtech players in certain geographic markets. While insurers are increasing rates to help cover inflation and repair costs, it takes time to fully take effect across the entire book of business. Specifically, in personal auto, we're seeing lower levels of underwriting activity which is resulting in lower transaction volumes and revenue.

The industry is dealing with higher inflation and supply chain shortages which are pushing up physical damage claims costs. As a result, the industry's raising rates and temporarily pulling back on new business to improve profitability.

Notably, we're also watching carefully the developments in the Florida homeowners' insurance market. This is a market that is dominated by small local companies, has widespread exposure to climate-related risk and is dealing with elevated levels of litigation and fraud. This combination is leading to a pullback in underwriting, an increase in insurer liquidations, and exits from the market. As result, these risks are moving to the state-run insurer of last resort.

The state of Florida recently created a reinsurance facility to bring more stability to the homeowners market. To address these issues and help our customers on the underwriting side, we are facilitating new market participants and have expanded our relationship with the [ph] state-run insurer to cut price and select risk (00:16:18).

On the claims side, we're helping customers including state government agencies with claims scoring and analytics to improve their ability to investigate and identify fraud. This is a developing situation and we're staying close to our customers and regulators.

Through our customer engagement, we know that the insurance industry is focused on becoming more automated, more digitally engaged, and more connected, and they're directing spending toward these projects. They turn to Verisk as a key partner to drive these initiatives forward which has been a key driver of our growth.

We continue to help our customers select and price risk and root out fraud with our advanced data and analytics and believe that we are well-positioned to continue to grow as we advance our mission to become a trusted partner from a technology and analytics perspective for the industry.

Let me turn the call over to interim CFO, David Grover, for a financial review.

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## David J. Grover

*Controller, Chief Accounting Officer & Interim Chief Financial Officer, Verisk Analytics, Inc.*

Thanks, Mark. Before I begin, I want to remind everyone that all consolidated [ph] and GAAP (00:17:18) numbers are negatively impacted by the recent dispositions of 3E and Verisk Financial Services. That will continue through the first quarter of 2023 when we will anniversary those transactions.



For the second quarter of 2022, on a consolidated basis, revenues were \$746 million, a modest decline from the prior year reflecting the impact of recent dispositions and headwinds from FX rate changes which were most pronounced in our Energy segment, offset in part by acquisitions.

Net income attributable to Verisk increased 28% to \$198 million while diluted GAAP EPS attributable to Verisk increased 32% to \$1.24. The increase was primarily due to a lower tax provision this year versus the prior-year period which included a non-cash revaluation charge related to an increase in UK tax rates that became effective last year.

Moving to our OCC results adjusted for non-operating items as defined in the non-GAAP financial measures section of our press release, we are pleased with our operating results led by continued and consistent growth in our subscription revenues.

In the second quarter, OCC revenues grew 5.3% driven by continued strength in our Insurance segment. Our subscription revenues increased 6.2% while our transactional revenues increased a more modest 1.7%. Adjusting for \$3.5 million in prior-year revenues associated with our Energy business in Russia, OCC revenues would have grown 5.9% and subscription revenues would have grown 6.9%.

Consolidated OCC adjusted EBITDA growth was 4.4% in the second quarter. Normalizing for the prior-year revenue associated with our Energy business in Russia and the incremental expenses associated with exiting that business, OCC adjusted EBITDA growth was 5.7%.

Total adjusted EBITDA margin which includes both organic and inorganic results was 51.0%, up 140 basis points from the prior year, reflecting strong cost and operational discipline as well as the benefits from recent dispositions. This level of margin includes approximately 80 basis points of headwind from recent acquisitions, 60 basis points of headwind from our ongoing technological transformation including cloud expenses, which we absorbed into our cost structure, and 60 basis points from higher year-over-year T&E expenses.

Finally, this margin also reflects about 60 basis points of headwind from the timing shift related to executive compensation which we told you about last quarter and will have no impact on full year results.

On that note, let's turn to our segment results on an OCC basis. In the second quarter, Insurance segment revenues increased 6.4%. We saw healthy growth in our industry standard insurance programs, claims analytics, extreme events, life insurance, and international specialty business solutions. Subscription revenues increased 7.3% while transactional revenues were up 2.7%.

We continue to experience strong recovery growth in certain of our transactional businesses including international travel insurance solution, but continues to be pressured by weakness in workers' compensation as well as softness in personal auto underwriting as the [ph] market is (00:20:45) dealing with some dislocation, as Mark described earlier.

Adjusted EBITDA grew 6.1% in the second quarter while margins declined 180 basis points to 54.7%. These margins reflect heavier burden from the corporate costs that were previously allocated to businesses that have been disposed, the impact of recently acquired businesses, higher cloud expenses, and the partial normalization of travel back into the business. This level of margin also includes continued investment in our high growth areas like life insurance and marketing solutions.



Energy and Specialized Markets revenues increased 0.8% in the second quarter. Normalizing for the impact of suspended operations in Russia, Energy revenue growth was 3.6%.

The end market continues to be volatile and impacted by geopolitical developments, but we're seeing sequential improvements in our subscription revenue growth rates as our customers are turning to Wood Mackenzie data and analytics. Our subscription revenues increased 1.7% and was affected by our decision to suspend all commercial operations in Russia. Normalizing for Russia, subscription revenue growth was 5.2%, led by double-digit growth in energy transitions, chemicals, and metals and mining research coupled by modest growth in our core research subscriptions.

Additionally we continue to experience strong adoption and [ph] contract expansion (00:22:12) from our Lens renewals. Transactional revenues decreased 2.8% as growth was constrained by consulting resources as we're seeing an elevated level of employee attrition due to a competitive market for expertise in energy and technology. We are working to offset this trend and have demonstrated success attracting talent to our Energy business as well.

Adjusted EBITDA decreased 6.4% in the second quarter and margins contracted 90 basis points to 34.6%. Adjusted EBITDA and adjusted EBITDA margin includes \$1.1 million in incremental expense related to the suspension of operations in Russia. Normalizing for the Russian impact, adjusted EBITDA growth would have been 3.6%.

In addition to the incremental Russian expense, this margin also reflects the partial normalization of travel expense back into the business and higher cloud expenses. It also reflects continued investment in Lens as we further build our capabilities to garner maximum value from the platform including Lens Power, energy transitions, chemicals, and metals and mining.

Looking to the remainder of 2022, [ph] the loss of (00:23:23) Russian revenues and adjusted EBITDA will negatively impact each quarter by approximately \$4 million per quarter.

Verisk Financial Services results are included in our reported numbers but not in the OCC figures. We sold Verisk Financial Services to TransUnion on April 8.

Our reported effective tax rate was 18.3% compared to 35.6% in the prior-year quarter. The prior year's tax rate was elevated due to a non-cash revaluation charge related to a UK tax law change. We also benefited in the quarter from higher level stock option exercise activity as compared to last year.

Looking ahead to the remainder of 2022, we expect the tax rate to be between [ph] 21% (00:24:09) and 23% in the third and fourth quarters of 2022, though there could likely be some quarterly variability related to employee stock option exercise activity.

Adjusted net income increased 28% to \$244 million and diluted adjusted EPS increased 31% to \$1.53 for the second quarter of 2022. These increases reflect organic growth in the business, contributions from acquisitions, a lower effective tax rate, and a lower average share count.

Net cash provided by operating activities was \$130 million for the quarter, down 44% from the prior-year period due to a tax payment of \$122 million primarily related to the gain on sale of 3E as well as the loss of operating cash flows related to the dispositions. Adjusting for these unique items, operating cash flow would have increased by a double-digit rate year-over-year.

Capital expenditures were \$69 million for the quarter, up 11% versus last year reflecting increases in capitalized software development, offset in part by savings on third-party hardware and software as we move to the cloud. We continue to expect our capital expenditures to be within the range of \$280 million to \$310 million. This range supports our plans to increase our software investment through the acceleration of our pace of development in Lens and extending software development into core underwriting where we believe there is similar opportunity for platform enhancement.

Related to CapEx, we now expect fixed asset depreciation and amortization to be within the range of \$210 million to \$230 million and intangible amortization to be approximately \$170 million. Both depreciation and amortization elements are subject to FX variability, the timing of purchases, the completion of projects, and future M&A activity.

During the second quarter, we returned \$374 million in capital to shareholders through share repurchases and dividends as our strong cash flow allows us to invest behind our highest growth and highest return initiatives while also consistently returning capital to shareholders.

Additionally, in June, we entered into a new \$300 million accelerated share repurchase agreement to be completed in the third quarter.

And now, I'll turn the call back over to Lee for some closing comments.

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## Lee M. Shavel

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

Thanks, Dave. In summary, our businesses are strong and we are making important progress executing on our strategic and operational initiatives including the evaluation of the separation of the Energy business and our margin expansion targets. As we evaluate options for the Energy business, we will continue to focus on pursuing the most value-creating path for our shareholders and we'll also consider market conditions and timing.

We are confident that with the recent transformation of our portfolio and active cost management, [ph] over time (00:27:04) we can deliver growth in line with our long-term objectives with organic constant currency adjusted EBITDA growth ahead of revenue growth reflecting our strong operating leverage.

Finally, I wanted to remind you that we are planning an Investor Day for the first quarter of 2023 to be held at our offices in Jersey City. We will provide more details as it gets closer, and we certainly hope you will join us.

We continue to appreciate the support and interest in Verisk. Given the large number of analysts we have covering us, we ask that you limit yourself to one question. With that, I'll ask the operator to open the line for questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question is from Heather Balsky with Bank of America. Your line is open.

**Heather Balsky**

*Analyst, BofA Securities, Inc.*

Q

Hi. Thank you for taking my question. I'd love to get an update on your cost-savings program and just kind of hear how – I mean, you talked about it earlier in the call, but just how things are tracking. You talked about really seeing impact in 2023, kind of what the saving might be next year. And also, I think there are some concerns about the macro. Your business is proving to be pretty stable in a downturn, but how – I guess, how to think about the margin improvement and how sales may play into that or not. Thank you.

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Thank you, Heather. I'll start off and then ask – offer Mark an opportunity to provide additional color. As the Chief Operating Officer, he's been leading that initiative and really driving its [ph] progress (00:28:49) to date.

At a high level, as I indicated in the call, we are very confident that we will be in a position to deliver on the expected range of margin improvement of 300 basis points to 500 basis points off of that 50% to 51% baseline for an insurance-only business, described the elements that we are considering. We've taken a look at all alternatives that have been identified to us internally and externally and are working against those directly.

Some of those have already been underway. I'll let Mark kind of describe some of the things that we have been doing.

In terms of phasing, we aren't in a position at this point to give specific direction, potentially as we kind of look towards the Investor Day and we have a clearer picture of 2023, specifically the macroeconomic environment that we're looking at, we might be in a position to provide some greater clarity around that. But at this point there are too many moving pieces for us to estimate, but as I indicated, we'll expect to see clear progress across 2023.

And with that, I'll just offer Mark an opportunity to add any color.

**Mark V. Anquillare**

*President & Chief Operating Officer, Verisk Analytics, Inc.*

A

So first of all, I think I can tell you we are on plan. I think all of our businesses and support centers have kind of stepped up to the challenge of trying to be more effective and more efficient.

As a result of just our overall cost structure, a lot of the focus has been on people and trying to make sure that we are thoughtful about where we need to replace and where we need positions, and we've tried to maintain a rigor around that, [ph] also, we're hiring new and where (00:30:33) that position could be.

So a part of the thought is not only to be more effective and more efficient inside of our operations, it's also about where those people could and should be hired. So we have some operations in Hyderabad, we have some operations that are in Málaga, we have some operations that are in Krakow, and we have some in operations

Costa Rica, which is the new place and we're trying to become a little bit more international in where we place those positions and try to make sure that we have the right talent and maybe at a lower cost.

Facilities is key to that. I think we're making some progress there. We've eliminated some smaller offices. We made some progress at a couple of our major ones. The commercial real estate market in particular is a little bit slow, so we are probably a little behind on one of those, probably a little ahead on one of those major offices.

And then I think I'd just kind of talk more broadly about where we want to invest and I think the teams have been doing a great job of really focusing on where can we get the best ROIC. So there's instances where we're going to reallocate dollars into higher opportunities and we're sunsetting some opportunities where we figure that maybe that return is not so great and we probably kind of come up with the notion of a little bit of a more [ph] fast tail (00:31:52) on some of the smaller products and I think we are on track and I think you'll see as Lee said good benefits from that program as we transition to 2023.

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**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah, and Heather, the only thing I would add is that of course as I think all companies are these days, are aware of the impact of inflation across the business and particularly the competitive environment from a compensation standpoint, and so we have factored that in at this point. We believe that we can absorb those costs, make some steps in improving our retention, and still deliver on that. So to your macroeconomic comment, we do recognize that there have been some pressures that may influence the results in 2023 and 2024, but reiterate our confidence in the original target that we set out.

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**Heather Balsky**

*Analyst, BofA Securities, Inc.*

Q

Great. Thank you so much for the answer.

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**Operator:** And the next question is from Ashish Sabadra with RBC Capital Markets. Your line is open.

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**John Mazzoni**

*Analyst, RBC Capital Markets LLC*

Q

Hi. This is John filling in for Ashish. Congratulations on the strong results. Could you just help us understand the return on transactional revenues specifically around workers' compensation as well as personal auto underwriting as well as some of the property estimating solutions as well? Thanks.

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**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Thank you, John. Mark, you want to take that?

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**Mark V. Anquillare**

*President & Chief Operating Officer, Verisk Analytics, Inc.*

A

Sure. So let me provide a little color as to what – I don't remember exactly your order, but let me start with workers' comp and then I'll segue through it.

So on the claims side, what we've seen is two things. Really overall the industry today relative to pre-pandemic, there's just fewer workers' compensation claims. I think in large part that's a function of you working at home.

There's not a lot of slip and falls when you're sitting in your living room and as a result there's just an overall downturn in the number of claims and that business is transactional.

Two, there has been regulation just kind of inside of the world of how the government interacts with insurers as to who pays. There's a set-aside. And what that change has done is it's caused some of the insurers to kind of change their processes, probably moving towards a more rigorous process by which they submit those claims as opposed to some of the maybe shortcuts that were starting to happen, so that has also slowed down the volume. That is just a timing thing. The first one is more systemic at least for the time being as it relates to work-from-home.

Two, on the claims side, I think you were talking a little about volumes in the world of auto repair cost estimating and how weather...

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**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

[indiscernible] (00:34:32) personal auto.

A

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**John Mazzone**

*Analyst, RBC Capital Markets LLC*

Personal auto was the third one. Okay. So I'll go to personal auto next. From a personal auto perspective, I think the other item that we're seeing is because of the challenges in the industry, meaning the world of inflation and the cost to repair cars, profitability is starting to be hurt by that. Loss ratios are up.

Q

So when you bring on new business, right, usually there's a short-term loss because of the cost of bringing on that new business and it takes time to get insurance rate increases, so you have to file those. So there is a general pullback in some of the underwriting of new business. There's less shopping online, and because there's less shopping, there's less transactions and people pulling our data around those auto transactions, things like loss histories, who is the prior coverage with, things around motor vehicle reports, that's the type of information we typically provide.

So hopefully that color is there. And if I heard correctly I think the last thing was just generally from a repair cost estimate perspective, it's been a very quiet storm season. Most of our business is subscription-based. There is some transactional element to when storms happen, there's typically some adjustors that buy software and transactions kind of fluctuate up and down with storms.

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**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

Yeah, and so, John, at a high level, I think as Mark was describing, there are a lot of individual effects on the transactional businesses, some of which are shorter-term timing related. There may be some systemic or secular elements on the workers' comp. But generally I think across those transactional businesses we did see sequential improvement from the first quarter to the second quarter and I think kind of the stronger trend will be kind of a continued normalization.

A

So certainly there are a lot of factors and individual elements but we feel as though we should see kind of continued normalization on those growth rates.

**John Mazzone**

*Analyst, RBC Capital Markets LLC*

Very helpful. Thanks for the color.

Q

**Operator:** The next question is from Alex Kramm with UBS. Your line is open.

**Alex Kramm**

*Analyst, UBS Securities LLC*

Yes, hey, good morning, everyone. Hate to spend my question on the energy transition here or rather potential changes in that business for you, but maybe you can just remind us, you mentioned that your evaluation is ongoing and the timelines are what you've outlined before. So maybe remind us, if I remember correctly I think you committed to making a decision in the third quarter and maybe the transaction of last resort would be a spinout in the first quarter of next year. So just wondering if anything has changed, if those timelines are still the same, and as you think about that spinout, is that still something that you're evaluating, or could there still be a future given market conditions where you actually think you – it makes sense to keep the business? So maybe just a quick update here. Thanks.

Q

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

Yeah. Thank you for the question, Alex. So in terms of overall timing, that remains the same. We are on track to have a decision on Energy by the end of the third quarter in conjunction with our third quarter earnings release and with execution of that alternative to naturally follow, given the various kind of timing of executing on that.

A

And with that timing, I would describe us as being exactly where we anticipated, completing the separation and the accounting work and analysis.

As I indicated, we have advisors that are engaged in this project. They along with our team are actively evaluating all of the alternatives, and so everything from a private sale to a separately capitalized spinout as well as retention are still alternatives that we are weighing. We're being guided by what we think is in the best interest of our shareholders from a value perspective and factoring risk and timing.

Obviously the markets are different, almost by definition, from where we were when we originally announced this, and so the financing market as a function of changes in the interest rates is more challenging than it was previously and naturally obviously equity markets are also down. Those are all factors that we will consider as we think about the value of the business and the value to our shareholders.

**Alex Kramm**

*Analyst, UBS Securities LLC*

Great. Thanks for the reminder.

Q

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

Okay. Thank you.

A

**Operator:** And the next question is from Toni Kaplan with Morgan Stanley. Your line is open.

**Toni Kaplan**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thanks so much. Wanted to ask also about Energy, ex Russia, it grew about 3.6% organically in the quarter. Very slight deceleration sequentially. I maybe would have thought that just given how strong energy prices have been year-to-date and I would think it's a really conducive environment for selling more information just given all the uncertainty, you also have the Lens platform that you launched in the last couple of years, so just what's holding back growth in this segment? Why isn't this growing 5% or more, just what's holding it back? Thanks.

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Thank you for the question, Toni. And I think the simple answer is the differentiated performance between our subscription-oriented business where we are capturing the strength of the value of that Lens platform as well as the strong demand for our Energy transition, our chemicals, metals and mining business. And so there, excluding the Russian impact, the overall growth in that business is solidly in that mid-single-digits level at 5.2%. And the weak part of it has been in the consulting side, and there I think there are two factors.

We had a very strong 2021 with the rebound in that and it has been challenged by resource constraints. Frankly, the level of demand for the business is there, but given the demand for our professionals with energy and energy transition expertise it has been more challenging for us to have the resources against those consulting projects. And so I think the combination of those two factors and the decline in revenues in that business, while a very strong environment as you indicated, has obscured what we think is the [ph] fundamental strength that we're seeing of re-achieving (00:41:41) and positive momentum in the subscription revenues.

We continue to see very solid growth in our ACV from Lens and research as a function of everything that you described, but that's the short answer I think that addresses your question, Toni.

**Toni Kaplan**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you so much.

**Operator:** And the next question is from Manav Patnaik with Barclays. Your line is open.

**Manav Patnaik**

*Analyst, Barclays Capital, Inc.*

Q

Thank you. Good morning. I was hoping you could perhaps talk about life insurance, your business there, maybe just a sense of how big it is today, and just how we should think about the strategic vision for building up life insurance.

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Thank you for the question, Manav. I'll turn it over for Mark for his perspective.

**Mark V. Anquillare**

*President & Chief Operating Officer, Verisk Analytics, Inc.*

A

Yes, I look forward to it and thank you for the question. I think we talked about life and marketing. Life has been a wonderful story. What we've seen is inside of those insurers that are really looking to upgrade probably decades-



old technology, our FAST solution has been winning the day and that is a combination of tried and true traditional life insurers and there's been a lot of secondary marketer, a lot of M&A where private equity is get involved and buying books of business and because we're able to implement quickly and in a very low cost in this no code, low code environment, we have been the kind of vendor and strategic partner of choice.

The beauty of these contracts, at the beginning is a little bit implementation but everyone is going to be moving onto the platform and what you see is not only do they put their [ph] book of business on (00:43:35), they start adding lines and they start extending across legal entities, so we have a combination of new logos but also more business coming onto the platform and as you think about the way we [ph] charge for (00:43:50) that, obviously the subscription revenue associated with those [ph] life businesses (00:43:55) are going to continue to grow nicely.

What we are doing is kind of uniquely positioning the solution with not only a combination of great modular software, but analytics so you can better understand and underwrite business which parallels a lot of things we did in P&C. So we've kind of taken a little bit of our P&C playbook. We've augmented it with some great technology, and I think we're starting to really make a difference in the life insurance space.

So very happy with the progress there. And I don't know if we've given a size on that business, but it is certainly growing quite quickly in the high-double-digits.

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**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah. And Manav, I would add, I was recently out on the West Coast, had an opportunity to meet with a number of our clients in the insurtech space that are out there and several of them are specifically focused on life applications. And I will tell you that the thing that is really – there are two things that are really compelling.

One is how they are availing themselves of broader data sets that formerly really weren't as relevant in the life space. So there is an appetite for data and the utilization of data, and there is a real focus on the availability of instantaneous data so that they can make underwriting decisions. And I mention that because I think they represent the leading edge of where we see life insurance going and that speaks to the broader opportunity that we face, the broader opportunity that we have in front of us to be gathering those data sets at scale, developing those applications, and then deploying it against our relationships on the insurance side, we have done incredibly successfully with the FAST acquisition.

So while still not a material contributor to our overall business, it is one that clearly we believe has tremendous penetration potential and growth potential.

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**Mark V. Anquillare**

*President & Chief Operating Officer, Verisk Analytics, Inc.*

A

And just to tie it all together, we referenced LIMRA and LOMA. That's an example of us kind of bringing in an industry data set and industry organization to fight fraud, things that we do well in the P&C side. So kind of a good example of Lee's comment.

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**Manav Patnaik**

*Analyst, Barclays Capital, Inc.*

Q

Thank you.

**Operator:** And the next question is from Jeff Silber with BMO Capital Markets. Your line is open.

**Jeffrey M. Silber**

*Analyst, BMO Capital Markets Corp.*

Q

[audio gap] (00:46:31) so much. I'm getting a lot of emails from some of your investors regarding exactly how you calculated [ph] adjusted EBITDA (00:46:37) in terms of maybe transferring some of the costs from the disposed businesses, and I'm sorry to waste my question on this. Can we get a high level overview, because a number of investors are just asking that, thanks?

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah, so, Jeff, I'll start and then I'll ask Stacey to describe it. Essentially, we have the allocated corporate costs that exist that still are – that we still bear, are simply being reallocated on a variety of bases but generally kind of proportionate to the scale of the business, and so that impact we have to allocate those costs somewhere, and they are being allocated to the Insurance and the Energy business.

Stacey, feel free to embellish.

**Stacey Jill Brodbar**

*Head-Investor Relations, Verisk Analytics, Inc.*

A

Sure. Jeff, so just to be clear, the two dispositions that we did do not hit the materiality threshold for discontinued operations. So that's why the accounting is a little bit confusing. On an organic constant currency basis, we have adjusted and taken out Verisk Financial and 3E. So all organic constant currency growth figure are adjusted for the impact of those transactions.

However, our total adjusted EBITDA dollars and margins include the impact of all of those businesses. There's reconciliations at the end of the press release which will show you all the moving pieces and parts, but it does take – and as Lee said we did take allocations that's were previously associated with 3E and associated with Verisk Financial, put them into just the Energy segment and the Insurance segment overall.

The allocations to Insurance basically hurt Insurance margins by 80 basis points year-over-year, so that will give you a sense of what the impact is. Hopefully that's clear. And we can talk through it offline.

**Jeffrey M. Silber**

*Analyst, BMO Capital Markets Corp.*

Q

Okay, thanks. Yeah, I'll definitely follow up. Thanks so much. Appreciate it.

**Operator:** And the next question is from Faiza Alwy with Deutsche Bank. Your line is open.

**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Yes, hi. Thank you. So I was hoping to get a little bit more color on the international business. You mentioned some management changes in the UK, just wanted to get some update there in terms of how you see that business trending, how it trended in the quarter and how you see it trending going forward.

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

So, Faiza, thanks for the question. So when we talk about our international business, naturally our Energy business is substantially an international business. And so in that regard, we've kind of commented on to – in answer to Toni's questions the strength that we've seen in the subscription growth on a global basis for us is a function of our success with Lens as well as on the consulting side.

On the international business from an Insurance perspective, there are a variety of businesses. The most significant of which is our Specialty Business Solutions business. And that is a business that is providing a software oriented ecosystem to the non-standard Lloyds market. It is a business that has generated very strong revenue growth rates, [indiscernible] (00:50:12) double-digit grower, within the business, we have successfully integrated other bolt-on acquisitions such as a ratings engine within that business and we're very happy with the performance of that business and our ability to expand off of that.

That is one piece of a larger portfolio of Insurance businesses that we have developed which have generally been additive to our overall growth rate.

I'll ask Mark maybe to describe a couple of the other components of the businesses and generally the performance and their contributions to our international businesses, but I just want to make that distinction between Energy and Insurance.

**Mark V. Anquillare**

*President & Chief Operating Officer, Verisk Analytics, Inc.*

A

Yeah, that's great. And I think Lee highlighted that what you would probably recognize is the Sequel suite of insurance software has been the bigger element and the big grower over in the UK and beyond.

We also have an underwriting business that kind [ph] of does a lot of the things that we do (00:51:07) as it relates to understanding risks, understanding exposures, but we go beyond there and talk about insurance as it relates to travel and even pet insurance. Those have both come back and have started to grow nicely. That has been a nice grower.

Once again, we're thinking of our international businesses contributing to and actually helping us accelerate our overall organic growth.

Other two things that I'll quickly highlight is we kind of continue to extend selectively, Opta does a lot of the things that we do here in the United States as it relates to property underwriting. They do it in Canada, so that is a new acquisition that has been a good contributor and kind of new to the Verisk family as well as ACTINEO which takes us into Germany, again, inside the claims space primarily around auto.

So our approach broadly has been more around software and a little bit on the claims side around services augmented with solutions and things that we do in the US, trying to export them with the local footprint and all of that has been successful. We've been pleased with our international revenue.

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah, and so I think as we expect it to continue to be additive, we also view it as the broader opportunity and recognizing that in the US we have the advantage of having been a utility for the P&C insurance industry and that

doesn't exist to the same extent internationally but software provides an ability for us to connect and create ecosystems where we achieve a similar dynamic and that's specifically what we have observed with our Specialty Business Solutions element, and so we're particularly interested in businesses where we are connecting the industry and we are facilitating industry efficiencies and improved performance. And the international market in many respects is not as developed as what we have here in the US, and that's what we're excited about continuing to pursue.

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**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Great. Thank you.

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**Operator:** The next question is from Andrew Jeffrey with Truist Securities. Your line is open.

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**Andrew W. Jeffrey**

*Analyst, Truist Securities, Inc.*

Q

Hi. Good morning. Appreciate taking the question and all the color on the business.

Mark, I wanted to ask you about another relatively new area for you which is marketing, and I wonder if you could sort of give us a sense of what the long-term roadmap for that business looks like. And also wondering if there are any cyclical considerations, discretionary spend considerations, you mentioned some pressures that underwriters are facing today. Is that a business you think grows through the cycle? How do we think about that?

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**Mark V. Anquillare**

*President & Chief Operating Officer, Verisk Analytics, Inc.*

A

Great. So, Andrew, thanks again. So a theme that is across all insurers is this digital engagement and trying to make sure they really satisfy the customer, so what we've attempted to do from a P&C perspective especially on the personal lines side is do this ultimate prefill. I mean, that's kind of the way sometimes you would hear it described.

You call and you give us your name and number, we can fill in all the information, know everything about you and give you a quote. That is you being an insurer and we support and facilitate that.

But we wanted to go one step further. We wanted to go even further to the front end and as you're providing that quote, what if we found the right group of people to share that quote? So what our team at Jornaya and some the marketing solutions has is we are the industry standard as to we know sitting on websites who is shopping so we know who is actually shopping for insurance. So this is a live and very real opportunity to kind of drive this pipeline, to drive this funnel of real opportunity and provide that.

So the marketing solutions have been a nice extension to both our P&C as well as our life insurance opportunities. It's that front end that gives us the opportunity. There probably is some cyclicity in it. It's a difficult time and people are trying to cut costs. There's probably more or less marketing spend that happens. But because of the unique situation that our marketing solutions, Jornaya, are in, we sit on these websites. No one else really has the ability to do what we do. It's not like we're competing directly against Google. It's we have these relationships and we understand who the real candidates are.

And what we also have the ability to do selectively is to take that capability and extend it beyond P&C. So it allows us to do life and P&C insurance but to the extent that someone's buying a house they're a prime candidate for

P&C insurance but it's also a prime candidate for someone who needs a mortgage. So there's an extension and big opportunity even inside of other vertical markets where we're selectively looking.

So I hope that gives you the color you're looking for.

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**Andrew W. Jeffrey**

*Analyst, Truist Securities, Inc.*

Yeah, it does. Thanks a lot.

Q

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**Operator:** Your next question is from Jeff Meuler with Baird. Your line is open.

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**Jeffrey P. Meuler**

*Analyst, Robert W. Baird & Co., Inc.*

Yeah, thanks. And probably a related question but related to the personal auto underwriting, I guess it seems like the insurers are taking the rate actions now so if you can run this forward because I would think there's also some countercyclical demand in terms of consumer rate shopping to save money if we're going into a recession. So just are there any historical parallels in terms of like what's the lag between those rate actions and when you see the increased churn that has the positive impact on your business.

And then just to be clear on the last answer, since you said there's probably some cyclical, are you seeing delayed uptake because of the cyclical headwinds of LightSpeed and the marketing capabilities because it sounds like the market's talking a lot about a need for more sophisticated segmentation. Thank you.

Q

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**Mark V. Anquillare**

*President & Chief Operating Officer, Verisk Analytics, Inc.*

Yeah, so great question. Now I'm going to try to piece it back together and respond maybe a little out of order. So first of all, from kind of the end to beginning, we are continuing to see uptake in LightSpeed. People love the concept and people continue to buy the solution. What we're seeing though is the volumes coming through the solution are depressed a little bit, and the short answer is there's less shopping.

I'll give you the example that I think you're looking for. Some of the insurtechs that have been our early adopters who had a lot of volume coming through all of a sudden now start to focus on profitability. As they start to focus on profitability that causes them to pull back on writing new business, right, there's a direct correlation there at least in the early life of a policy.

So that's a step of it. To your other question, related question as to how – rate and taking rate, everybody's working on rates. I've seen some rate increases as high as 40% by some filings as it relates to certain states. They are coming. But people will start to write again when they get the rate increases they want. How long does that take? It really depends sometimes on the inner workings of some insurers, especially on personal auto. They use this as a [ph] benchmark. They don't use (00:58:38) direct filings, so that could take six months to nine months to get in place before things start to ramp up again because they have prices they expect will make them profitable.

Hope that was responsive to most of your questions.

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**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

A

And, Jeff, I would just add, a broader overlay which is as Mark is describing, we are seeing some of that near-term pressure in the business, but longer-term we believe the fundamental driver is the demand for that marketing technology, that demand for kind of delivering that data and that underwriting decision increasingly at the point of sale is what will continue to drive the growth in that business as the industry moves to deliver on that digital experience that Mark described.

**Jeffrey P. Meuler**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Clear and comprehensive. Thank you both.

**Operator:** And the next question is from Andrew Nicholas with William Blair. Your line is open.

**Andrew Nicholas**

*Analyst, William Blair & Co. LLC*

Q

Hi. Good morning. Thanks for taking my question. I just wanted to circle back on your answer to an earlier question about transaction revenue. It sounds like the vast majority of transaction revenue you would expect to kind of normalize to a higher rate over time but there are some secular structural challenges in workers' comp and maybe some of the other pieces of that business. So my question is, is the expectation for transaction revenue within Insurance to ultimately arrive at the 7%-plus kind of growth target that you have for the full business over time or should we kind of think the achievement of that objective as being driven more by the subscription revenue piece and transaction at some level below that. Thank you.

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah, Andrew, thank you for the question and the opportunity to address that. I want to be very clear. We believe that the transaction revenue over time is something that is at least at the 7% and actually historically has contributed a higher level of growth and reflects in a lot of ways the applications of new data and new technology that is expressed at the initial stage in transaction-related activity that generates revenue for us.

So I think what we are experiencing right now are the impacts of a bit of the overhang of the pandemic, more people working from home, as Mark described with workers' comp, impact on auto and the macroeconomic environment. But we maintain complete confidence that the transactional-driven businesses over time and on a normalized basis will be additive to our overall growth rate and can certainly exceed our 7% long-term targets.

**Mark V. Anquillare**

*President & Chief Operating Officer, Verisk Analytics, Inc.*

A

And maybe summarizing that, we are taking share across all of this. So when volumes return, we have taken share and that will be reflected in the transactions.

**Andrew Nicholas**

*Analyst, William Blair & Co. LLC*

Q

Very helpful. Thank you.

**Operator:** The next question is from Andrew Steinerman with JPMorgan. Your line is open.



**Andrew C. Steinerman**

*Analyst, JPMorgan Securities LLC*



Hi. I just wanted to ask if directionally you expect the Energy and Specialized Markets business to accelerate in the second half of the year. Lee, you did point out like you see on slide 6 that non-subs business in Energy and Specialized was down because of consulting constraints. Do you expect those constraints to resolve themselves, or is that going to be with us near term?

And then you mentioned solid growth in ACV. I would think the solid growth in ACV would translate into stronger growth in [ph] subscription (01:02:23) for Energy and Specialized.

**Mark V. Anquillare**

*President & Chief Operating Officer, Verisk Analytics, Inc.*



Yeah, Andrew, thank you for the very clear question. And so I'll deal with it in the two parts. I think the conclusion that you drew or the logic that you described is consistent that we see with the ACV growth and the layering on of additional contracts where we've been able to up-price the research product as a function of the value our clients see in Lens, that that should continue to have a positive impact on the overall growth rate, and so we do anticipate momentum on that front over the balance of the year.

The more difficult element to estimate is the consulting side, and so I think that is one where in this competitive market, we face a challenge in getting the level of resources that we think fully address the demand, so I would say I think we believe that that's the case for the research business. On the consulting side, it's a little bit more difficult and I'd say conservatively that we probably wouldn't anticipate at this point a material change on the consulting front.

**Andrew C. Steinerman**

*Analyst, JPMorgan Securities LLC*



Thank you.

**Operator:** The next question is from Hamzah Mazari with Jefferies. Your line is open.

**Hans Hoffman**

*Analyst, Jefferies LLC*



Hi. This is Hans Hoffman filling in for Hamzah. Thanks for taking my question. Could you just walk us you through how you're thinking about further M&A and where the focus is there and then sort of what the pipeline looks like?

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*



Certainly. So thanks for the question. So as you can imagine, our primary focus at this stage is on the near-term objectives of the Energy separation analysis and project; and two, the margin expansion opportunity.

And so that is where most of our corporate resources are focused from an M&A standpoint.

And then secondly, as we are taking this opportunity to evaluate where the business is, where we want to take it, what are other opportunities that we have in front of it and how we want to think about internal versus external investment, that is occupying kind of the next largest part of our time, and as we define that, certainly M&A will be a part of how we think about deploying capital and creating value.



We have demonstrated in areas, particularly on the Insurance side, where we have a new data set or a new technology, as with FAST and with Sequel and with Jornaya, we have the ability to materially accelerate revenue growth within those businesses and integrating those with our data sets. So I want to say that we are – we will continue to look for opportunities where we can materially improve the business and create value through strong returns on the invested capital.

That will be our primary focus. It will be in the scale level that I think you've seen, but for the near-term, we don't expect as high a level of activity.

One thing that I want to emphasize is that we are not looking at any new verticals outside of Insurance, and I think until we come to a resolution on the Energy business, we're not looking at anything in the Energy space. So that would be the direction that I would provide to you.

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**Hans Hoffman**

*Analyst, Jefferies LLC*

Q

Thanks.

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**Operator:** Our final question today is from George Tong with Goldman Sachs. Your line is open.

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**George K. Tong**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hi. Thanks. Good morning. You've committed to expand margins 300 bps to 500 bps off of 50% to 51% baseline for an insurance-only business. I wanted to confirm that you can achieve those margin targets regardless of the outcome of your Energy strategic review. And since you've taken a close look at costs in the Insurance business as part of the strategic process, how likely are you able to also take up medium-term organic revenue growth for Insurance beyond the historical 7% range?

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**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Thank you for the question, George. I may have to ask you to repeat the rather extended second part of the question. Let me remind you, George, as we said explicitly when we provided the guidance that the margin improvement of 300 basis points to 500 basis points was specifically associated with an insurance-focused entity, so I'd just ask you to review that. I think there is the answer to your question.

The determination of what we do with Energy we'll have to evaluate. So if that business is retained, then there will be a different margin profile. We will still seek to achieve those cost savings related to the Insurance business overall and look for margin expansion, but those savings were clearly defined as specific to an insurance-focused entity.

Can I ask you to reiterate the second part of your question, George?

---

**George K. Tong**

*Analyst, Goldman Sachs & Co. LLC*

Q

Sure. The second part is since you've already taken a look at the Insurance business from a cost perspective, have you also taken a lens to the business from a growth perspective in Insurance, how likely are you able to take up the medium-term organic revenue growth for Insurance beyond 7%?

**Lee M. Shavel**

*Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

So, George, we continue to maintain our long-term targets for the overall business. We've said repeatedly in the past that a 7% organic growth is our target. We've demonstrated a consistent ability to achieve that. We are not at the stage where we're changing our long-term guidance for the business. Obviously we have an ongoing objective to exceed that growth rate, and our compensation systems are tied to overachieving against that goal.

**George K. Tong**

*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. Thank you.

**Operator:** We have no further questions at this time. And this will conclude today's conference call. Thank you, everyone, for participating. You may now disconnect.

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