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Verisk Analytics, Inc. (VRSK)

Q4 2019 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone and welcome to the Verisk fourth quarter 2019 earnings results conference call. This call is being recorded. At this time all participants are in listen-only mode. After today's presentation, there will be a question-and-answer session. At this time for opening remarks and introduction, I would like to turn the call over to Verisk Head of Investor Relations, Stacey Brodbar. Ms. Brodbar, please go ahead.

Stacey Brodbar

Head of Investor Relations, Verisk Analytics, Inc.

Thank you, Sarah, and good morning, everyone. We appreciate you joining us today for a discussion of our fourth quarter and full-year 2019 financial results. Today's call will be led by Scott Stephenson, Verisk's Chairman, President and Chief Executive Officer, who will provide a brief overview of our business. Eric Schneider, Chief Technology Officer, will then provide an update on our technology strategy, including our cloud migration. Lastly, Lee Shavel, Chief Financial Officer, will highlight some key points about our financial performance; Mark Anquillare, Chief Operating Officer, will join the team for Q&A.

The earnings release referenced on this call as well as the associated 10-K can be found in the Investor Section of our website, verisk.com. The earnings release has been attached to an 8-K that we have furnished to the SEC. A replay of this call will be available for 30 days on our website and by dial-in.

Finally as set forth in more detail in today's earnings release, I will remind everyone that 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.

Now, I will turn the call over to Scott.

Scott G. Stephenson

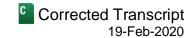
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Thanks, Stacey. Good morning, everyone. I'm pleased to share that 2019 was another strong year for Verisk, marked by solid financial results, while we continued to invest for future growth. Normalizing for the revenue impact of the injunction related to our roof measurement solutions, we delivered organic constant currency revenue growth of 6.9% and organic constant currency adjusted EBITDA growth of 7.7% demonstrating organic margin improvement in 2019.

Moreover, our growth was driven by broad-based strength across our Insurance vertical, and marked improvement in Energy and Specialized Markets. The consistency of our growth comes from four sources. First, intimacy with our customers; second, ever-deeper levels of integration between our solutions and their environments; third, a steady stream of innovative new solutions, and fourth, the cross-sell of existing solutions to existing customers.

Within Insurance, we continue to enjoy strong market uptake of our platforms analytic environments, including LightSpeed for automated underwriting, and Touchstone for catastrophe modeling. These solutions are being well-received by both the traditional P&C insurers, as well as the InsurTech startup who need data analytics to

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effectively price and sell in a competitive market. We've experienced great success with the InsurTech segment with more than 100 new sales wins in 2019 alone.

Our Energy and Specialized Markets segment delivered improved growth in 2019, driven by particularly strong results in our market and cost intelligence solutions, as well as improvements within our core research at Wood Mackenzie.

In addition, we delivered strong top-line growth and improving profitability from our breakout areas including the lens platform, and our chemicals and energy transition solutions. As always, we are in close conversation with our customers, as they navigate the near-term macro environment.

In Financial Services, 2019 was a year of transition as we evolved from a tops-down orientation to a bottoms-up approach with an emphasis on steady growth. Along that journey, we took a very deep look at all our solutions in Verisk Financial Solutions and concluded that our data hosting business, what we call Argus Data Warehouse no longer aligned with our core business model.

As such, earlier this month, we entered into an agreement to transition the Argus Data Warehouse by transferring approximately 50 people and licensing our intellectual property to a partner, so that we could focus on data analytics. We believe this transaction will position the Financial Services segment for stronger growth and higher levels of profitability going forward.

Continuing on the strategic front, on February 1, Verisk closed on the previously-announced sale of our aerial imagery sourcing group to Vexcel Group. This transforms Geomni into an asset-light operation with a focus on advanced data analytics. Moreover, it meaningfully reduces the cost structure of our Geomni business, while giving us access to the leading U.S. image library along with favorable economics.

Regarding our roof measurement solution, we have applied for a patent on our new technology for roof measurement, while continuing with our plan to appeal the recent court decision.

On February 14, we closed on the sale of our compliance background screening business. This business was in the Claims sub-segment of our Insurance business. This transaction will allow us to continue to have access to this important dataset, but in a more capitally-efficient manner.

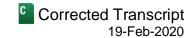
Together, these three portfolio changes are examples of how we are actively managing our mix of businesses to capitalize on our competitive advantages and stay close to our proven business model of offering platform to analytic solutions and unique analytic objects. These moves position Verisk for continued long-term sustainable growth and improving returns on capital.

On the strategic acquisition front, in December, we acquired FAST, a leading SaaS company for the life insurance and annuity industry. FAST offers a modular, flexible policy administration system that allows life insurance companies to modernize legacy systems in stages and without a large upfront capital commitment. It also provides a channel for Verisk to deliver our new analytic objects to the life insurance industry.

Adding FAST to the Verisk portfolio is a strong step forward as we make advances into the life insurance market.

The software intensity of our overall business has increased over the years, and we are excited about the opportunity for FAST software to deliver our analytics and embed more deeply into life insurance customers' workflows. I'm pleased with the early steps towards integration with FAST.

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Another key strategic initiative for Verisk is our journey to migrate to the cloud, what we refer to internally as Cloud-First. We have made significant progress on this campaign and are poised to keep the momentum going.

When we first started this journey in earnest two years ago, we sought customer feedback and listened carefully to their concerns. Today, in all of my discussions with CEOs of our customers across all of our verticals, there's full support of our migration to the cloud, as our customers realize the benefits of Verisk's faster pace of innovation and our ability to enter new geographies more quickly. Eric Schneider, our Chief Technology Officer, will discuss with you in more detail our cloud migration and broader technology strategy.

2019 was also a milestone year for our ESG objectives. We became a participant in the UN Global Compact, the world's largest sustainability initiative, which encourages companies to align their operations and strategies around universally accepted principles in the areas of human rights, labor, environment, and anti-corruption. We view participation as an extension of the vision and principles represented by our Verisk Way and an appropriate calling card as our business grows and embraces all geographies, cultures, and people.

Several Verisk businesses work with UN-sponsored initiatives addressing human rights and climate, weather issues by contributing data analytics, professional insight, and scientific expertise. Additionally, the Global Compact distinguishes Verisk with customers and prospects and sets an example for our suppliers and business partners.

On the environmental front, we again reported [indiscernible] (00:08:26) the Carbon Disclosure Project or CDP, and for the second consecutive year, we balanced 100% of our reported scope 1 and 2 emissions and scope 3 business air travel with the purchase of energy attribute certificates and carbon offsets. We're committed to reducing our emissions and have continued to do so through office consolidations, building improvements, and greater data processing efficiency.

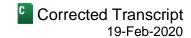
In the fourth quarter, we named Pat McLaughlin as our Chief Sustainability Officer, a first for Verisk, reporting directly to me. Pat and I have worked together for nearly 20 years, and in that time, Pat led a major business unit for us. His depth with the company gives him intimate knowledge of who we are and what we value. And so in 2014, I asked Pat to work with leadership and employees across Verisk to build a framework for understanding and addressing our impact on society including the environment. He is championing sustainability efforts across our operations and advancing initiatives for measuring and reporting Verisk in the context of sustainability.

I would also like to publicly welcome Laura Ipsen to our Board of Directors. Laura joined us at the end of 2019, and brings with her more than 25 years of experience working as a technology executive at Microsoft, Cisco, and Oracle, yielding a deep knowledge of the cloud, artificial intelligence, and SaaS business models. Laura becomes the fourth woman serving on Verisk's Board of Directors and also our fourth new director in the past five years.

Finally, I'm pleased to announce that our board of directors has approved an 8% increase in our cash dividend to \$0.27 per share this quarter, and has also increased our share repurchase authorization by \$500 million. These actions underscore confidence in the stability of our business, its profitability, and its cash flows. Our core position within our three verticals is sound, and we're confident in our ability to deliver on our strategies to drive long-term shareholder value as we focus on serving our customers, while also investing in market-leading innovation and our people.

So with that, let me turn it over to Eric to provide some insight into our technology strategy.

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Eric Schneider

Chief Technology Officer, Verisk Analytics, Inc.

Thank you, Scott. Technology is mission-critical to our business, and as such, we are continually working to optimize our technology environment and are always striving to be best-in-class. Working in partnership with our business units, we've identified four strategic areas of equal importance, dedicating much of our focus energy to them as we believe these are the areas most impactful for driving growth and efficiency in our business.

The four areas are first, data stewardship; second, analytics; third, our Cloud-First strategy that Scott referenced; and fourth, our people. I'd like to take a few minutes to describe each of these and what we are doing.

Let me start with data stewardship. One of our key distinctives is our unique data assets, as data is the core of everything we do. Within this area of strategic focus, we are advancing how we protect data, how we acquire new data assets, and how we process data more efficiently. Our relentless focus on data stewardship continuously increases the usefulness of our data and analytics for our customers. To reach the next level, we recently added the role of Chief Data Officer in each of our industry verticals. This role was responsible for driving our data agenda. Together, our three Chief Data Officers are sharing best practices across verticals to amplify the value of our data.

More specifically, the Chief Data Officers are identifying new and valuable data assets, making our assets more useable, improving and unifying data stewardship, modernizing our data processing pipelines, and standardizing data governance across the enterprise.

For example, they champion the standardization and adoption of data protection methods like tokenization or sensitive information across our broad portfolio of products. For new datasets, our Chief Data Officers discover and align both internal and partner data for valuable business applications. They are leading with cloud-based architectures to speed up data processing times for faster consumption by our customers. And finally, they continuously add higher-quality data assets with more coverage, actively improve data quality and use cutting-edge techniques like artificial intelligence and machine learning to link our data assets.

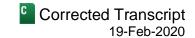
Improved data assets with strong governance form the basis of our analytics portfolio, which I would like to speak about next.

On the analytics front, we are pushing the envelope by bringing advanced analytics and machine learning techniques to solve the business challenges facing our customers. We successfully partner with regulators to enable the use of machine learning techniques to improve analytical outcomes. We are developing novel methods to leverage unstructured datasets such as images and audio in conjunction with our already differentiated structured data assets to further improve their value. Our AI and machine learning Center of Excellence together with our business units leverage our university partnerships to bring research and advanced techniques quickly and efficiently into our solutions for our customers.

Our teams focus on accelerating our innovation process and leverage our analytics platform to explore scores of ideas through quick proofs of concepts such that we are focusing our energies on ideas that quickly gain market traction.

Now let's turn to our Cloud-First strategy. We are well underway on our journey to the cloud. We are multi-cloudenabled and have workloads running in all leading cloud providers. Approximately one-third of our compute environment is currently running in the cloud. Our multi-cloud strategy aligns our migration approach with our customer requirements when and where necessary, and the pace of our migration continues to meet our

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customer's expectations. We are leading the migration via our centralized cloud Center of Excellence, which is offering advanced capabilities to our businesses in the areas of cloud architecture, financial management, security, operations, and training. Each of our businesses in all three verticals actively engage and work closely with our Center of Excellence to ensure a secure, timely, and cost-effective migration takes place.

A significant benefit of our move to the cloud is our ability to reduce and forecast our compute costs. In the cloud, our unit costs are reduced and are linear, in lockstep with our utilization of cloud services, we are taking advantage of near infinite compute capacity by flexing and contracting in direct response to demand by both scaling horizontally for peak periods and contracting, turning environments off when not needed.

Let me share an example of an environment we have moved from on-premise data centers to the cloud and the benefits we are realizing.

Our telematics platform, which houses over 100 billion miles of driving data, has been completely re-architected to enhance the quality and timeliness of the analytic provided to our customers. By moving to the cloud, we've reduced processing cycle time, while at the same time reducing cost, offering an overall improved experience for our customers [ph] over (00:15:31) telematic solutions. As we move forward, we will incur transitional costs associated with re-architecting and optimizing our solutions to best benefit from cloud platforms.

Fourth, and perhaps most importantly, is our people. Our talent access is superior globally and we continue to build and attract world-class talent in both our data science and cloud disciplines. Data scientists and cloud architects want to work with us, because we have some of the most interesting business problems to solve and we are doing so in the cloud.

Our Data Science Excellence Program is an immersive four-plus year rotational training program that brings the brightest talent from top schools to Verisk and exposes them to our customer's business challenges as meaningful contributors to our analytic teams. And from a cloud perspective, we are advancing the cloud skills of our people. Our teams have obtained hundreds of cloud certifications and we plan to double that number in 2020.

In addition, we have augmented our internal teams by attracting experienced cloud professionals in the areas of cloud architecture, security, and development operations. We continued to invest and optimize in all four of these strategic initiatives and are confident in the value they are bringing to our people, to our customers, and to Verisk overall.

Now, let me turn the call over to Lee, who will provide an update on our financials.

Lee M. Shavel

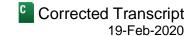
Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

Thanks, Eric. First, I would like to bring to everyone's attention that we have posted a quarterly earnings presentation that is available on our website.

Moving to the financial results for the quarter, on a consolidated and GAAP basis, revenue grew 10.2% to \$677 million. Net income decreased 9.6% to \$132 million, while diluted GAAP earnings per share decreased 8% to \$0.80 for the fourth guarter of 2019.

The year-over-year decrease in GAAP net income and EPS is primarily the result of acquisition-related earn-out expenses of \$28 million as many of our acquisitions are on target to achieve payments for strong performance. In

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addition, a higher effective tax rate due primarily to higher option exercises in the prior year period related to expiring options associated with our IPO 10 years ago reduced net income and EPS in the quarter.

Moving to our organic constant-currency results adjusted for non-operating items as defined in the non-GAAP financial measures section of our press release, we believe that our operating performance remains solid. On an organic constant-currency basis, and including the impact of the injunction, Verisk delivered revenue growth of 5.4% for the fourth quarter of 2019. Growth was led by the Energy and Specialized Markets segment, which was our fastest-growing segment for the second consecutive quarter. Insurance also delivered solid growth, while Financial Services results were stable.

Organic constant-currency adjusted EBITDA growth was 9% reflecting leverage from organic growth across all three segments. Total adjusted EBITDA margin for the quarter was 47.1%, flat with the prior year period, including substantial investment. This total adjusted EBITDA margin includes both organic and inorganic revenues and adjusted EBITDA.

Normalizing for the revenue impact of the injunction, organic constant-currency revenue grew 6.3%, organic constant-currency adjusted EBITDA increased 11%, and total adjusted EBITDA margin expanded to 47.5%. Moreover, on an organic basis, and particularly on the pre-investment organic basis that we've discussed before, we saw margin expansion in all three of our segments, demonstrating the exceptional operating leverage at the core of our businesses.

On that note, let's turn to our segment results on an organic constant-currency basis. As you see in the press release, Insurance reported 5.2% revenue growth, while adjusted EBITDA increased 6.6% for the quarter. Normalizing for the impact of the injunction, Insurance would have achieved 6.5% organic constant-currency revenue growth and 9.1% organic constant-currency adjusted EBITDA growth, demonstrating margin expansion while also investing for future growth.

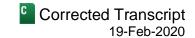
Within our Underwriting & Rating business, organic constant-currency revenue growth accelerated to 8.2% and was very broad-based across our solution sets in personal lines and commercial lines. We saw healthy growth in our industry-standard Insurance programs, LightSpeed suite of products, property-specific underwriting and catastrophe modeling solutions revenue. We also had positive contributions from our international business.

Within Claims, organic constant-currency revenues declined 1%, primarily driven by the injunction. Normalizing for the impact from the injunction, Claims delivered 2.9% organic constant-currency revenue growth held back by fewer severe weather events this year as compared to last year, reducing transactional revenue growth. However, our Claims subscription revenues continued to see solid growth and were primarily driven by Claims analytics and repair cost estimating solutions.

Insurance adjusted EBITDA margin was 53% for the quarter, flat with the prior year period. Normalizing for the impact from the injunction, the Insurance segment adjusted EBITDA margin came in at 53.5% reflecting leverage from the organic growth, offset in part by continued investment.

Energy and Specialized Markets delivered revenue growth of 7.1% for the quarter, driven by particularly strong sales of our market and cost intelligence solutions and core research revenues, as well as contributions from our chemicals, solutions, and the energy transition practice. We also had positive contributions from environmental health and safety and weather and climate analytics revenues.

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Energy and Specialized Markets adjusted EBITDA increased 23.8% reflecting leverage on strong sales, balanced with ongoing investments in breakout opportunities including our Lens platform, chemicals, and the energy transition practice. Adjusted EBITDA margin expanded to 32% from 30.8%.

Financial Services revenue grew 2.1% in the quarter led by growth in fraud and credit risk management solutions as well as portfolio management solutions. This was offset in part by declines in enterprise data management revenues.

As Scott discussed, we have decided to transition our data hosting operations to a partner, which will better position this segment for more predictable sustainable growth. As evidence, the Financial Services segment would have delivered revenue growth of 7% in the quarter without the impact of the Argus Data Warehousing business.

Financial Services segment adjusted EBITDA increased 6.2% and adjusted EBITDA margin expanded to 40.3% from 37.9% reflecting strong cost discipline.

Our reported effective tax rate was 23.2% for the quarter compared to 18.6% in the prior year quarter, primarily due to the impact of a higher level of option exercise in the prior year period. For the full year, our effective tax rate was 20.9%, which was in-line with our targeted range.

For 2020, we expect our tax rate to be between 19% and 21%, though there will be likely some quarterly variability related to the impact of employee stock option exercises, which depends in part on the Verisk stock price and employee personal decisions.

Adjusted net income was \$188 million and diluted adjusted EPS was \$1.13 for the fourth quarter 2019, up 8.7% from the prior year. This increase reflects organic growth in the business, contributions from acquisitions, and lower average share count. These increases were offset in part by higher depreciation and amortization, increased interest expense, and a higher effective tax rate.

Net cash provided by operating activities was \$176 million for the quarter, up 1.7% from the prior year period, reflecting primarily a higher effective tax rate due to the option exercises in 2018, mentioned earlier.

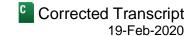
Capital expenditures were \$64 million for the quarter, down 16.3% from the prior year period, primarily the result of reduced capital expenditure at Geomni. CapEx represented 9.5% of total revenue in the quarter.

As we look to 2020, we expect capital expenditures to be in the range of \$250 million to \$270 million. Included in this number are one-time expenditures of approximately \$35 million related to the consolidation of office space that we have planned in two key cities, London and Boston. We are excited about the long-term benefits of having our business units and people together under one roof.

Relating this to CapEx, we expect fixed asset depreciation and amortization to be within a range of \$170 million to \$180 million in comparison to the \$186 million for 2019.

Depreciation and amortization should be lower year-over-year, helped by the sale of our imagery sourcing group, including the planes and sensors to Vexcel. We expect intangible amortization to be approximately \$165 million in 2020 in comparison to \$138 million in 2019. Both depreciation and amortization elements are subject to FX variability, the timing of purchases, and completion of projects and future M&A activity.

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Free cash flow was \$112 million for the quarter, an increase of 16% from the prior year period, primarily due to lower capital expenditures.

During the fourth quarter, we returned \$141 million in capital to shareholders through share repurchases and dividends. We repurchased approximately 700,000 shares at a weighted average price of \$145.07 for a total cost of \$100 million. At December 31, 2019, we had \$128 million remaining under our share repurchase authorization. We remain committed to ongoing capital return to shareholders, and as Scott mentioned, we are pleased that Verisk's Board of Directors approved an additional authorization of \$500 million for share repurchases, as well as an 8% increase in our cash dividend to \$0.27 per share this quarter.

As Scott mentioned, we have recently engaged in a series of transactions that focus our portfolio of businesses to fully capitalize on our key distinctives and our core competitive advantages. Each of these transactions is unique in its structure, but share the motivation of active capital discipline and achieving more predictable long-term growth at Verisk.

Before I conclude, and looking ahead to the first quarter, I want to inform you of a timing shift in expenses between the first and second quarters that will impact our reported financial results.

The company recently changed the timing of the grant of long-term incentive compensation into the first quarter from the second quarter previously. This timing change aligns Verisk with the greater market and more closely times employee compensation with calendar year results. The resulting impact will be increased expense of \$10 million in the first quarter related to long-term incentive compensation, but that will reverse to a benefit in the second quarter.

We are excited about the opportunities to invest in our business and remain focused on long-term profitable growth and solid returns on capital. We remain confident that we have the financial strength and capital structure to support investment for the long-term. We continue to appreciate all the support and interest in Verisk, given the large number of analysts that we have covering us, we ask that you limit yourself to one question.

And with that, I'll ask the operator to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from the line of Manav Patnaik from Barclays. You may ask your question.

Manay Patnaik

Analyst, Barclays Capital, Inc.

Thank you. Good morning. My question is around the Cloud-First strategy, so just kind of a two-parter. So one, Scott, when you referenced, you were talking to your customers, and they are supportive of your move. Are the customers also sort of in this cloud move and are ready to adopt it? Or will there be a transition period of duplicate costs in order to serve the customer better?

And then Lee, I was just hoping you could put some financial parameters around it, like how much of spend, savings, et cetera, we might start thinking about?

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Yeah, so I'll start with that, Manav. Good morning. Our customers are in various stages of considering how they're going to manage their own technical infrastructure. I would say in general, that our company has moved faster, probably considerably faster, in modifying our compute environment relative to our customers, but it doesn't really create an added burden for our customers or put more cost into the system as we work with them. In fact, if anything, the interface between us and the customer becomes a little bit easier to manage. So there's no systemic increase in cost.

Obviously, as we've talked many times, we are adding the cloud dimension to our business even as we are working to retire the premise dimension of our business. The premise dimension comes off sort of in shelves, the cloud sort of grows in a linear fashion, as Eric said before. But we've absorbed all that into our P&L and are just – we continue to head in the same direction at the same pace, and so it all feels very organic.

The customers, it's really nothing but good for customers, and it doesn't add an additional burden for them.

And Lee, I don't know if you want to just talk a little bit more about the specifics.

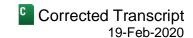
Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

Sure. And Manay, thanks for the question. I appreciate that the very simply, we aren't providing an estimate of the cost savings for a couple reasons. One is that this is a multiyear project as we are rolling out these transitions across many datasets, many individual businesses, and while we're tracking it on each of those basis and we look at each of those situations as test cases, where we can see the savings, we can see the return on capital for the investments that we're making, because of the rolling impact of us achieving some savings, investing in the transition over time, we don't want to create a fixed benchmark.

I think from our perspective, our view is that this activity will generate both operational improvements in terms of lower OpEx relative to this function, and so there will be a margin benefit that supports our overall margin

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improvement objectives as well as EBITDA growth ahead of revenue growth, as well as capital efficiencies that will boost our return over time.

But given that it is deeply embedded within our businesses and something that we're managing as a part of their full technology spend, it's not something that at an aggregate level we are going to provide kind of full estimates for that reason, but we absolutely have seen those benefits in the projects that we've executed within specific datasets and the businesses, and will expect that to kind of roll forward as we prosecute this initiative over time.

Stacey Brodbar

Head of Investor Relations, Verisk Analytics, Inc.

Next question?

Operator: Your next question comes from the line of Andrew Steinerman from JPMorgan. You may ask your question.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

Hi, Lee. It's a margin question. So the fourth quarter 2019 reported EBITDA margins were flat year-over-year that's reported, that's including past acquisitions as well as the drag from the roof report injunction, you were good to say how much that drag from the roof report injunction is? And also we're seeing the operating leverage coming from the breakout initiatives in the core, so as such, is Verisk positioned to see 2020 reported EBITDA margins to be flattish to perhaps leaning forward?

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

Yeah. So thank you, Andrew. Appreciate the question and the consistent focus on margin, we bring the same discipline in looking at our overall business. So I appreciate the fact that what you recognize is at the core we are generating very strong and consistent operating leverage in the businesses on a pre-investment basis.

So in the fourth quarter, we did see that margin expansion for all of our core businesses before the impact of our breakouts, which include Geomni, as well as the impact from our acquisitions. And so it certainly shouldn't come as a surprise that Geomni was a significant impact in terms of investment in the fourth quarter of 2019, as it was for the year as a whole, and so that element will certainly benefit from the transaction with Vexcel. So at least that component in 2020 should have a substantially reduced impact overall on margins, but that's balanced and again of course the ongoing investment in our businesses that we make on a return basis, as well as the impact from acquisitions.

Our long-term objective continues to be to generate EBITDA growth in excess of revenue growth on an organic basis, and to improve that margin over time, and I think going into 2020, we feel as confident as ever in our ability to achieve that.

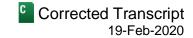
Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

Thank you.



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Operator: Your next question comes from the line of Toni Kaplan from Morgan Stanley. You may ask your question.

Toni M. Kaplan

Analyst, Morgan Stanley & Co. LLC

Thank you. Scott, just thinking about your strategy of getting out of the data collection and aerial imagery, and also the data hosting business in Argus, it doesn't sound like your view on the value of data has changed, but maybe just some tangential ways of how you get the data, and what you do with that is slightly changing. And so just wanted to understand like does the new partnership around the Argus Data Warehouse change anything with regard to the ownership of the data and just how you're thinking of that?

And then Lee, if you could give some additional color on the financial impacts like the net cost savings from the Vexcel transaction, and how much revenue in total will be reduced by all the portfolio actions? Thank you.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Yeah, thanks, Toni. So first of all, our view of the value of unique data assets is completely unchanged, and actually, if anything, I think going forward, unique data assets actually will be even probably more rare. Not that we feel that there is any - there will be - we will take any step back in terms of the volume or the value of the data that we've got. So our view of that as a part of our business is completely unchanged. Data remains the oxygen in our bloodstream and it always will.

So the two changes that we made, first of all, what I would really like to emphasize around the Vexcel transaction is that we actually put ourselves in position to have an even better dataset. Vexcel was, as we've already described, already engaged in data capture. They are also one of the globe's leading providers of sensor technology. And so putting together our image capture process with their methods and some of the commitments they already had to creating this image library, we actually have access - we will have access and we have access to a better set of images than we had before, and at substantially improved economics. So it's merely about how do we get to the data, not are we interested in the data.

And with the move with the Argus Data Warehouse, that's a little bit different, because the Argus Data Warehouse was not about our gathering of data from customers. It was really customers who had observed our facility with dealing with our data, and they said can you essentially white label your way of managing data to me. And we said yes, as another benefit for our customers. And what happened over time is this whole space of hosting data warehouses and particularly cloud-enabled has just sort of exploded over the last several years, and it was never founded, the [ph] ADW (00:36:54) work was never founded upon providing us a data source, which we then translate through our analytics. It was really more of an accommodation for our customers in their own workflows. So there's really no change in terms – well there's zero change in terms of our access to data in the Financial segment.

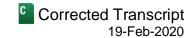
So we view data as we always have. We have as much or better access to data than we used to, and our economics have improved as a result of these changes that we made.

Lee, anything you [ph] would like (00:37:28) to add to that?

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

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Yeah, Toni, to give you some sense that from a financial impact standpoint, I understand you want to get a sense from a revenue perspective that we would kind of roughly estimate approximately in the fourth quarter there were approximately \$8 million of revenues associated with the image capture business that we'll be moving to Vexcel, so that gives you kind of some sense of the scale.

From an EBITDA standpoint, there's not a material impact from the impact of those revenues, so kind of roughly equivalent level of EBITDA expense associated with that.

But on a year-over-year basis, we are expecting the benefit of eliminating the costs associated with the individuals and the flight operations associated with that image capture business that we'll no longer continue to bear, even though we will continue to have access to all of that data on very preferential terms looking ahead. So it will clearly be a benefit to us from an EBITDA perspective.

Toni M. Kaplan

Analyst, Morgan Stanley & Co. LLC

Thank you.

Operator: Your next question comes from the line of Gary Bisbee of Bank of America. You may ask your question.

Gary E. Bisbee

Analyst, Bank of America Merill Lynch

Yeah, thanks. Good morning, guys. I wanted to ask just a bit more about the margins in the quarter. So a quarter ago, you talked about in the loss of revenue from the injunction not having enough time to really get out or reduce those costs, and yet the Insurance margin was quite strong. So obviously you were able to get rid of a bunch of that cost. And on the Energy business, we'd also thought there would be maybe more of a drag than it appeared there was from the Genscape deal that I think you owned for a couple months in the quarter. So just help us think about as we think moving into Q1 and moving forward, what the dilution from Genscape is and how we think about the Geomni lost sales and the impact of that all-in with Vexcel? Thank you.

Lee M. Shavel

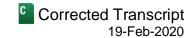
Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

Yeah, thank you, Gary. So a lot of elements here, so let me try to give you a couple components of that. So I think the statement that we made in the third quarter with regard to not being able to make substantial headway on the expense for Geomni in the fourth quarter is accurate kind of specific to the overall entity within our GAAP results.

Naturally, the Vexcel transaction will be moving a substantial part of that expense. Not all of it. We will have operating expenses associated with our analytics component of that business that will be retained, but in excess of the majority of the expenses will move out of the business. But the margin uplift with Insurance really well driven by cost savings within Geomni, I think it was just a natural operating leverage within the business as a whole.

And specific to the Energy and Specialized Markets discussion, they're our market and cost intelligence business and the strong growth that we experienced within that business, as well as cost discipline at Wood Mackenzie was really the primary contributor to the margin expansion within that business and for the business as a whole. And so there we are benefiting from a very strong growth in that product and relatively low associated expense expansion within that.

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So I think that is when we look at that margin strength, there was certainly some component of it within Insurance, but a lot of that benefit came from those activities. So as I mentioned with regard to Andrew's comments, I think all of those effects we think will put us in a very good position to continue to work towards that margin expansion objective that we have over the long-term in 2020.

Gary E. Bisbee

Analyst, Bank of America Merill Lynch

Thank you.

Operator: Your next question comes from the line of Hamzah Mazari from Jefferies. Your line is open.

Hamzah Mazari

Analyst, Jefferies LLC

Yeah, hi, good morning. Thank you. Historically, you guys have not talked a whole lot about your commercial sales organization on calls. Maybe just give us an update. Is that an opportunity? How do you measure sales force productivity, and any changes to incentives maybe that you've made there or haven't made as you look forward to growth? It seems like you're doing a lot of acquisitions around software to sort of penetrate customers, but any thoughts as to adding salespeople and going after more revenue? Thank you.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Yeah, so obviously an important dimension of our business. Across all the verticals we take a three-tier approach to selling, so we have account representation where we have people who are owning our end-to-end relationship with our customer. Then we have product specialists, whether they be data analytics solutions or software solutions. Almost everything that we do is very technical, and so we do need people who are focused on specific parts of our product suite to go in, present credentials, work on issues of integration, et cetera. And then thirdly, we have inside sales to help us cover what, in some cases, is the fairly long-tail of smaller customers inside of our market spaces.

Generally, we find it a good use of money to expand our go-to-market team and we're always looking to do that. And the only other thing I would say, and this ties a little bit to the point that Lee was just on, as we make acquisitions which are inside our verticals that we're already serving, one of the things we think hard about is how are we going to integrate the two? And I will say, by the way, that we had ambitious plans for Genscape integration and the team has met all of their marks and so it's gone very, very well.

But one of the places where we're fairly slow to take any costs out actually is with respect to market representation. So as we say integrate something that we acquire, we actually want to hold on to the go-to-market resources as much as we possibly can, and then we're always asking the question, would more be helpful?

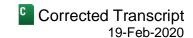
I mean, in general, I would just say that I've really been pleased and impressed with what our teams accomplished in 2019, in terms of building our book of business. So yeah, it's always on our mind. We've always had the same structure. We always lean into more investment in that area when it make sense.

Hamzah Mazari

Analyst, Jefferies LLC

Thank you.

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Head of Investor Relations, Verisk Analytics, Inc.

Next question?

Operator: Your next question comes from the line of Jeff Meuler from Baird. You may ask your question.

Jeffrey P. Meuler

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

Yeah, thank you. With the preface that I fully recognize the importance of data and analytics as a source of value in the solutions. Scott, I would love kind of your perspective on where you draw the lines or what types of software solutions you expect to provide. So just talking about the increased software intensity, the life insurance software acquisition and some other software acquisitions you've done, but you also continue to partner with the likes of Guidewire, and I think there was a relatively recent announcement with Duck Creek. So what types of software solutions do you expect to provide? Where do you look to partner? Do you increasingly compete against some of those vertical software providers over time? Thanks.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Yeah, no, it's a good question, and it does relate to the fabric of our company. So bottom line for me is that I would only want to see us in software businesses that have the potential to yield data assets that we can use and reuse for analytic purposes. That's really sort of the bottom line. So there are core transaction processing platforms that tend to exist in all the verticals that we serve. And to the extent that those particular platforms are unlikely to yield any sort of data rights, then it's just less likely to be of interest to us. That's the first dimension of it.

And then the second sort of relates to the first, and that is, what we're really interested in is, what we call platform-to-analytic environment, so we want to be the place where somebody who's trying to make a decision goes. They go in the morning and they stay there much, if not all of the day. That's our ambition. That's where we want to be. Almost by definition if that's the nature of the software you're providing, then you are close to the datasets.

So that's really the distinction that I would trace for you here.

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

Thank you.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

[ph] You bet (00:46:32).

Operator: Your next question comes from the line of Andrew Jeffrey from SunTrust. Your line is open.

Andrew Jeffrey

Analyst, SunTrust Robinson Humphrey, Inc.



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Hi. Good morning. Appreciate you taking the question. When I think about a few call-out drivers that you discussed in Insurance, I'm thinking about the opportunities in life and InsurTech, which sounds pretty robust as well as UK, which I think was mentioned, Lee, I think you mentioned is being pretty strong. Can you over the next few years perhaps quantify or dimensionalize how those may bend the growth curve in your Insurance business?

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

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Sure. So I'll take a first cut at it, and I'm sure Mark can provide some broader perspective on it. So I think as it relates to the InsurTech dimension, our view is that it contributes to incremental growth across two dimensions. One is that we have a group of new clients that we are serving in a traditional context with our industry-standard products and other datasets. But the other dimension is that they are bringing innovation, new ways of doing things, that is putting more of a focus around our traditional customers to utilize data more intensively than they may have in the past, and that is creating new opportunities for us to develop products to support their needs. And our LightSpeed suite of products is probably a perfect example of that dynamic.

And so it is I would describe at one level as accelerating the demand and the expansion of analytic objects and demand for platform analytics that has enabled our Underwriting & Rating business to generate levels of growth as you've seen in this quarter that probably wouldn't have been expected two or three years ago. So I think that's one dimension of it.

And we spent a lot of time thinking about the life opportunity, and I'll hand it over to Mark to describe how we see that opportunity influencing and providing incremental growth for us.

Mark V. Anguillare

Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.



So let me basically say it this way. I think there's two types of InsurTech's. One is I'm an insurer or probably a managing general agent, I'm underwriting business or at least trying to find business. There, what they are looking for is to get into business fast and automate, and that drive towards automation, drive towards technology has been a wonderful opportunity for us and we have had some great sales there, and it has accelerated growth across all of Insurance.

There's also InsurTech that they're trying to do some technology around data and information, and although probably on the outskirts, could be competitive over time. So we certainly keep track of them.

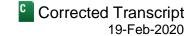
I guess the theme that I'll bring out which kind of may tie together a couple of questions is, our customers are interested in content, that's king. But at the same time, they're pushing towards automation. They want this seamless ecosystem, so they can tap into any data or any solution, whether it's their own or a third-party, and they expect through a series of APIs and micro services to be able to consume that information or consume that application in a very seamless way. And I think that is a large part of why we're thinking that the FAST acquisition will help us quite a bit. It is that light touch, quick implementation, low upfront cost that life insurers are looking for, and we see the same thing, probably P&C is a little bit ahead from a analytics perspective, but we see the same thing from our P&C customers. So hopefully that provides a little broader color.

Andrew Jeffrey

Analyst, SunTrust Robinson Humphrey, Inc.

Thanks, Mark.

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Operator: Your next question comes from the line of George Tong from Goldman Sachs. Your line is open.

George K. Tong

Analyst, Goldman Sachs & Co. LLC

Hi. Thanks. Good morning. Your pace of M&A activity has picked up in recent quarters, particularly with the acquisition of Genscape. When you had a similar level of M&A activity in 2018, EBITDA margins did contract by about 100 bps. So diving deeper into margins in the year ahead, can you discuss how the margin profile of Genscape compares to your earlier acquisitions, particularly ones being integrated in 2018, and if you intend to change your pace of investment activity in the breakout opportunities this year ahead versus earlier years. Thank

Lee M. Shavel

you.

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

Thanks, George. So whenever we talk about the margin impact, I want to kind of start with the fact that the important thing for all of our businesses is that they have fundamental operating leverage that allows us to deliver on EBITDA growth in excess of revenue growth, because we think that's the fundamental value creation driver for that business. And so we look at each of those businesses, and every business has a different margin dynamic, but we want to make certain that that dynamic is present and we have the ability to improve upon that over time.

So when we are looking at acquisitions, George, we are fundamentally making a capital decision and a growth decision in terms of, is this going to be a good use of capital, can we generate a good return on the business, and what we can do to enhance it. And beneath that is there operating leverage that will allow us to continue to generate that EBITDA growth over time. And so when we talk about our organic constant-currency revenue growth, we are making that adjustments so that we see that dynamic across our business as a whole.

We tend not to be overly focused on the portfolio impact of the acquisitions, because if it is a good return acquisition and it has operating leverage, then it'll allow us to generate that EBITDA growth over time. And I think talking about it in individual acquisition like Genscape, which is going to come in at a lower margin than the rest of the business, that will naturally have a portfolio impact, but what we hope to generate with that business in its association with Wood Mackenzie in generating incremental returns and incremental margins should really drive what we're focused on, which is that EBITDA expansion ahead of revenue growth.

So I know that isn't a complete answer to your question, but philosophically I think it's important to understand that that's the way we think about those acquisitions and their contribution.

Operator: Your next question comes from the line of Kevin McVeigh from Credit Suisse. Your line is open.

Kevin McVeigh

Analyst, Credit Suisse Securities (USA) LLC

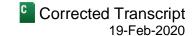
Great. Thanks. Lee, you talked about kind of three different portfolio transactions in the area of Financial Services and Insurance. Can you give us kind of the overall revenue and margin impact from those dispositions?

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

So, I think I gave the impact from the Vexcel transaction, and the other ones I think we can deal with in a follow-up call, they're not that material overall to the business. I think the \$8 million is really the bulk of it, so we can

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probably fine-tune that with you offline separately. But it's the Geomni, Vexcel transaction that would have the more significant impact. The rest are less significant.

Kevin McVeigh

Analyst, Credit Suisse Securities (USA) LLC

Super. Thank you.

Operator: Your next question comes from the line of Jeff Silber from BMO Capital Markets. Your line is open.

Jeffrey M. Silber

Analyst, BMO Capital Markets (United States)

Thanks so much. Just wanted to step back and kind of look at your portfolio of assets. You did some pruning I think over the past quarter or so. Is there anything else left to divest? And then also, do you see synergies between your three major verticals? Obviously within Insurance there's a lot, but I'm just wondering cross synergies with the other verticals? Thanks.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

So, we're always looking at the mix of assets we've got, but I would say that I think we have done a fair amount of the kind of work that was expressed in those three moves. We'll always keep our eyes open, but there's nothing major which is imminent.

To your question about synergies across the verticals, we have repurposed Energy data into the Insurance vertical. We're looking at opportunities to tie together our observations from retail banking with consumer forms of Insurance, so that work is always going on in the background. But the thing I would really highlight for you is all of the technical work that Eric described before, this is the kind of work where it would be more burdensome for any one of our verticals or even a business unit inside of a vertical to take it on, on their own, because these are pretty large expenditures, and if you're going to do it right, you have to really commit to these things.

Eric talked about the work you have to do to transition to the cloud or to create the data fabric inside of the platform data environment that we provide to all parts of Verisk, and not only doing this work excellently in the center provide acceleration to each of the businesses inside of each of the verticals, but it really represents a very cost efficient way of doing it as well.

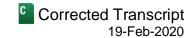
And so that's actually, to me, one of the large major points of logic as to why we should be in multiple verticals. And another one is all of what we do in these verticals and not every vertical has this quality, but all the verticals that we're in, the opportunity for unique differentiated data assets exists and that's not true in a lot of verticals, but it is true in the places where we do business.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

I would add as a case in point, we often, you get questions about the relevance of the Financial Services business, and as we've talked about, they deal with a dataset that is in order of magnitude if not more larger than many of our other businesses. But the expertise that we have developed in cloud technology and data analytics within that business generates a return on intellectual capital that we have leveraged in our Lens platform within the Insurance business as we're implementing that cloud technology, and probably wouldn't be as effective in

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bringing those efficiencies and advantages if we hadn't been dealing with that dataset and with that level of expertise. So I think it's a great kind of case in point in how we leverage that.

Mark V. Anquillare

Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.

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Yeah, I will just, and I don't want to answer too many times, but case in point is inside the London insurance market, the expertise and technology associated with the Verisk Financial Services assets were combined with ISO expertise to build a platform there that has been kind of changing some of the London market transaction process, so they've been very effective.

Stacey Brodbar

Head of Investor Relations, Verisk Analytics, Inc.

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Next question?

Operator: Your next question comes from the line of Ashish Sabadra from Deutsche Bank. Your line is open.

Ashish Sabadra

Analyst, Deutsche Bank Securities, Inc.

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Hi. Thanks for taking my question. So a quick question on Claims. Even excluding injunction, it was a little bit soft, because of the fewer weather events. I was just wondering if you can provide any color on how much of the revenue is generated from these other events? And as we think about going forward, should we see the business [ph] react to the (00:58:16) given stability of the subscription business? Thanks.

Mark V. Anguillare

Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.

So this is Mark. Thanks for the question. So first of all, I want to start with the Insurance business as a whole was very strong. We think of it as a portfolio and we're very pleased with the interaction with customers and where we progressed. Specifically to Claims, I think there's three things that we've seen over the course of a little longer-term and clearly short-term.

One, I think we've talked about some of the extensions we've had really on the Claims fraud or Claims fraud detection side of the world related to outside of P&C health companies and the like, where we've brought some big customers in, and that has kind of rolled off. But more specifically, as it relates to the fourth quarter, clearly, the injunction affected us, we weren't able to deliver the growth that we've been delivering inside of Geomni. That was a negative.

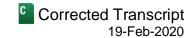
And the other thing that was clearly changed or different in the fourth quarter of 2019 relative to 2018 was a relatively modest set of storms. There was a very quiet storm season. This isn't about catastrophes. This is just severe weather throughout the nation that had quite a bit of impact on what I'll refer to as the Claims business. So those two things were kind of the anomalies in the quarter. I will reinforce the underlying business, the underlying economics remain very strong, customer engagement very strong, and I think the mission we're on with regard to automation and automating claim adjusting is kind of the theme inside the industry, so we remain optimistic.

Scott G. Stephenson

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Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

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And Mark, let's just clarify real quick. When you talk about the effect of the health insurers coming into our Claims search platform, you refer to it as rolling off. What you meant was it provided - it's not that they went away...

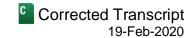
Mark V. Anquillare Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.	A
They certainly did not	
Scott G. Stephenson Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.	A
they're still in the process as much as they ever were.	
Mark V. Anquillare Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.	A
the grow-over.	
Scott G. Stephenson Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.	A
Right.	
Mark V. Anquillare Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.	A
Thank you.	
Scott G. Stephenson Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.	A
It represented growth in 2018 and into 2019, but now they're in and they're solidly up	0.
Mark V. Anquillare Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc. Yeah.	A
Operator : Your next question comes from the line of Greg Peters from Raymond J question.	ames. You may ask your
C. Gregory Peters Analyst Raymond James & Associates Inc.	Q

Analyst, Raymond James & Associates, Inc.

Good morning. Thank you for fitting me in. The large Insurance brokers seem to be pushing data analytics as a growth area for their business. Can you tell us how you're working with them, or should we view their strategies as potentially encroaching on your business?

They've also reported good organic revenue growth, and it's in part due to the strong pricing environment in commercial lines. Can you talk to us about how your business is affected by pricing trends and commercial lines Insurance?

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And then finally on LightSpeed, can you give us an idea of the size of that business? I've been struggling to identify actual customers in our channel checks, but that doesn't mean I'm looking in the right place. So any help there would be appreciated?

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

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Well, you managed to get three questions [ph] indirectly (01:01:13).

C. Gregory Peters

Analyst, Raymond James & Associates, Inc.

I don't know, I think I counted four.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

the question

I will just take – Mark, why don't you and I do this together. I'll just take the first part of that which is the question about the brokers. So the brokers and we really do not have a lot of overlap. The brokers from time-to-time attempt to put together some forms of data analytics in order to try to add value inside of their customer relationships.

But fundamentally, they're much more of a service-oriented kind of a business. We license subscription solutions to our customers, and the brokers touch a good number of situations and they have the data associated with the transactions that they're engaged in, but those datasets are really not overlapping of the datasets that we have got. And so I mean as a practical matter out in the marketplace, we just don't compete with the brokers and nor do I think we will compete with the brokers, they're just a fundamentally separate kind of an environment. And in fact, they operate as customers, because particularly our catastrophe modeling solutions are made available to them as well as to others.

So, yeah, if I was running one of the major brokerages, actually, if I was running almost any business in the world, I would try to make it more data analytic as a way of trying to achieve advantage, and that's what they're working on. But I don't – their business model and ours is very different basically and I think will remain so.

Mark, do you want to take on those other – those other questions?

Mark V. Anguillare

Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.

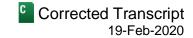


Yeah, and I'll just add to yours, I think from a brokering fee perspective, clearly they're looking to differentiate themselves, so they are providing analytics. I think most of that analytics, at least the way we've seen it, is sold into and provided to the corporate customer where we're more on the insurer side of that.

I think your second question was around pricing, and pricing impact. So commercial lines, hardening market, if you will, I think the short answer is that if our customers are growing quicker, there's more opportunity to focus on top line, focus on advancing and potentially purchasing new solutions to foster that growth. So I think it's a friendly environment when everyone's growing, and it's probably more opportunities to buy new solutions or extend them.

We do have this wonderful solution inside of Underwriting & Rating, our ISO business, when it is a difficult period or a soft market, people have to go back to the actuarial fundamentals, they have to go to fundamentals around

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how I underwrite, because they want to be profitable. So clearly, that supports our business as well, but I think everyone is in a better shape with a high tide floating all boats.

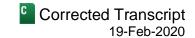
Last question I think was around LightSpeed. Let me say it this way. The way we've [indiscernible] (01:04:15) LightSpeed is we are trying to take and in the world of Insurance, I'll use personal automobile, you can get online, and you can get a quote pretty quickly. But what typically happens is after you get that quote, people then run all the different reports to get information about you, whether you're in an accident, whether it impact history less [indiscernible] (01:04:34) accidents, and all of that motor vehicle record data, all that costs money.

So they then run that information and they more or less change the price in about 35% of the cases. That's a customer unfriendly way to go, so we are pushing this data-forward strategy. We are trying to move to point-of-sale, so there's no separation between buying a quote. That is more attractive for the consumer and we are very uniquely positioned in the commercial lines market, because the data and information we have more so than even in personal lines. And that strategy, that approach, has been gaining quite a bit of receptivity among major customers, both large ones and those InsurTech's we are talking about.

So when we talk about LightSpeed, it's a package of solutions and products and many, many insurers are buying pieces and a few very larger ones have signed up for what I'll call the full package. So that has definitely been contributing to growth inside of our Underwriting & Rating business.

Scott G. Stephenson Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.	A			
When customers use it, Mark, I just, I would think a lot of them actually identify with Verisk rather than think oh, that's Touchstone, because it's a whole series of services.				
Mark V. Anquillare Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.	A			
[indiscernible] (01:05:49).				
Scott G. Stephenson Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.	A			
We tie them together at Touchstone, but I think the customers are relating to the overall brand, Verisk.				
C. Gregory Peters Analyst, Raymond James & Associates, Inc.	Q			
Thank you for your answers.				
Scott G. Stephenson Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.	A			
You're welcome.				
Operator : The next question comes from the line of Bill Warmington from Wells Fargo. You may ask your question.				
William A. Warmington Analyst, Wells Fargo Securities LLC	Q			

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So good morning, and the question I had was to see if we could get an update on the new product pipeline, specifically around Loan Verifier, also some of the life insurance underwriting products, and then maybe also if you could comment on how you plan on leveraging some of the unstructured datasets, audio and images that Eric mentioned in his comments?

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Why don't you take [ph] those all (01:06:35), Mark?

Mark V. Anguillare Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.

Sure. So let me kind of walk through those. I think you were talking about Loan Verifier, you were talking about life insurance and some unstructured data, so let me start with the final two, because in some ways, they're connected.

So life insurance, we think provides a pretty big opportunity for us. We do have some solutions already available, so think about our catastrophe modeling what we refer to as extreme event modeling. We do work on longevity models, mortality shock models, think of pandemic, coronavirus, we do that type of work, and that fits into some of the life insurance models that are necessary and interested.

What we're also doing is, we're doing work around models that relates to specific underwriting decisions, so that is around partnerships with the Medical Inspection Bureau which represents a group inside of life around I'll call it physicals and health. We've done some work around electronic healthcare records and doing some analytics there.

The two analytics that you're most focused on, we have done some work around tobacco, we've done some work around [ph] avocation (01:07:40), you know, if you're kind of like skydiving that doesn't make you the best risk, and kind of combining some of the technology that Eric and his team were talking about with some of the specialists we have from an insurance perspective, we have used some voice recognition technology which allows us to understand things about your voice and whether there's an indication that may lead to tobacco use, as an example.

So hopefully you can kind of understand one small example of how it fits into A) a wonderful technology group helping in insurance business extend into life insurance and FAST provide some of that. Hopefully that response

[indiscernible] (01:08:26).

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Maybe talk a little bit also, Mark, about using imagery to interpret damage to vehicles?

Mark V. Anguillare

Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.

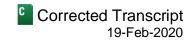
Absolutely.

Scott G. Stephenson Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Without having to send a human being?



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Mark V. Anquillare

Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.

So I think one of the things that we would love to do as a part of automated adjusting is do a quick look, so this is a I'll refer to it as low severity type of crash, small dollars, but highly frequent, you can do a quick reviewing and make payments. So we have some abilities to take a look at images. Just think about machine learning and understanding a couple things.

One, is the image legitimate and accurate based upon time and date and stamp and things like that. Was it manipulated? But we go beyond that to do a few more things. One, we're saying is it salvageable or not? Should it be a complete loss? And then two, if it's salvageable, we can do a quick estimate as to what it's going to cost to repair it. And those are the type of things that advanced analytics provide to automate this process, and it's a quick way to do things that are typically taking quite a bit of time and effort to in the past.

Bill, I think you also talked about Loan Verifier. Loan Verifier is another important idea for us. What it does though with any of our really differentiated ideas, it does take us time to aggregate data, so what we are working with is working with insurers to get information and access to a lot of that information behind the scenes, so that we can connect those folks who are on the loan side of things, like at the banks, with those insurers, who are kind of insuring that risk, and piece those together.

Some of that information we have in-house. At the same time, we have a very strong standard stewardship approach the things, and we can only use data for use cases that have been provided to us. So we're working with insurers to validate the use case and honestly bring on customers, so hopefully, maybe a little long-winded, but a full answer to your questions.

William A. Warmington

Analyst, Wells Fargo Securities LLC

Well, thank you very much.

Operator: Your next question comes from the line of Andrew Nicholas from William Blair. You may ask your question.

Andrew Nicholas

Analyst, William Blair & Co. LLC

Hi. Good morning. Realizing your acquisitions of Genscape and FAST are still pretty fresh, I was hoping you could provide an update on how those integrations are trending? And then any commentary on the early pipeline builds for those products? Thanks.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

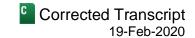
Integrations are right on track with both of them. We actually just reviewed that a week ago. And with respect to everything from cost factors to sales, they are performing almost exactly the way that we expected them to, and in both cases they nest very nicely inside of existing organizations. So these transitions have been very organic, and the pipelines are good. The pipelines are strong.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.



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The only thing I would add is I think there's a genuine enthusiasm in the case of Genscape among the Wood Mackenzie team for the ability to utilize that data and integrate it in their analysis and the products that they're serving for their clients. So every time I'm in contact with Wood Mackenzie, I hear their enthusiasm for utilizing that data. FAST is more recent, but I can tell you on the Insurance side, particularly on the life side, our ability to work with them as we described before, a high-level of excitement about what we can potentially accomplish together.

Stacey Brodbar

Head of Investor Relations, Verisk Analytics, Inc.

Final question?

Operator: Your final question comes from the line of Joseph Foresi from Cantor Fitzgerald. You may ask your question.

Joseph Foresi

Analyst, Cantor Fitzgerald Securities

Yes, so maybe I should ask like an 18-part question. I'll give you a softball to end the day. On the Insurance and Energy side, maybe you could talk about the differences in the demand backdrop heading into 2020 versus 2019 either from a pipeline or a necessity on your customer part perspective? Thanks.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Yeah, so let me just give you the perspective that really explains Verisk Analytics. We have, and this has been true for a long period of time, our company has grown faster than the end markets that we serve, and the reason is that our customers are rotating their own budgets in the direction of what it is that we do. They want to become more automated and they want to become more deeply analytic in the way that they run their businesses.

So you will see a lot of discussion about the level of technology spending on the part of the companies that populate the verticals that we serve, and that in and of itself is a very constructive trend. But you have to actually take that pool of spending and break that down further into sort of data center, keep the lights on, sort of spending versus the platform-to-analytic environments, analytic objects that we provide and even within the technology category, there's been a rotation in the direction of what we do.

So if you're looking for an explanation in terms of where our business is and where it's going to go, that is the driving force. What our companies are trying to do, and the fact that because of our vertical approach, we understand their issues, we have deeply intimate relationships, because we sell in the case of Insurance, we may be selling up to 20 families of solutions to our customers and from all this depth of relationship and all of the data that they make available to us, it is really the perfect place from which to try to think about the next thing that they need and work collaboratively with them to develop it. And that's why our business grows.

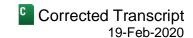
The actual macro environments inside of Insurance and Energy, I mean, they sort of wax and wane a little bit, but I don't, those will not, in my view, have explanatory power in terms of the growth of our business in 2020, 2021 and on.

Joseph Foresi

Analyst, Cantor Fitzgerald Securities

Thank you.

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Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

You're welcome.

Operator: There are no further questions at this time. Presenters, you may continue.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Yeah, great. Well, thanks, everybody, for joining us, and as Lee mentioned, we'll have a number of follow-ups with you and look forward to those. Thanks for your interest. We'll speak with you soon.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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