



# 2Q2018 Earnings Presentation

July 31, 2018



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

## Forward-Looking Statements

This release contains forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “target,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements. Other factors that could materially affect actual results, levels of activity, performance, or achievements can be found in Verisk’s quarterly reports on Form 10-Q, annual reports on Form 10-K, and current reports on Form 8-K filed with the Securities and Exchange Commission. If any of these risks or uncertainties materialize or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement in this release reflects our current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.

## Notes Regarding the Use of Non-GAAP Financial Measures

The company has provided certain non-GAAP financial information as supplemental information regarding its operating results. These measures are not in accordance with, or an alternative for, U.S. GAAP and may be different from non-GAAP measures reported by other companies. The company believes that its presentation of non-GAAP measures, such as organic constant currency revenue, adjusted organic constant currency EBITDA, adjusted EBITDA margin, adjusted net income from continuing operations, diluted adjusted EPS, and free cash flow, provides useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. In addition, the company’s management uses these measures for reviewing the financial results of the company and for budgeting and planning purposes.



## Business and Financial Highlights

- Organic constant currency revenue growth of 7.4% from Insurance strength and improvement in Energy & Specialized Markets and Financial Services
- Organic constant currency EBITDA growth at 8.9%, demonstrating operating leverage
- Organic constant currency margins improved by 70 bps to 49.6%
- \$141M return of capital through share repurchases and \$50M accelerated share repurchases for 3Q
- International opportunity growing across all segments as customers increasingly look to harness data analytics and new data methods to improve their business results



# Financial Summary

(in \$ millions, except per share amounts)	Three months ended June 30th		
	2018	2017	% change
Revenue	\$ 601	\$ 523	14.9%
Adjusted EBITDA	291	254	14.4
Net Income	154	121	26.9
Adjusted Net Income	179	139	29.1
Diluted GAAP EPS	\$0.91	\$0.72	26.4
Diluted Adjusted EPS	\$1.06	\$0.82	29.3
Adjusted EBITDA margin	48%	49%	-20bps
Free Cash Flow	151	71	114.3%

## Subscription/Long-term Revenue

**80%**  
YTD18

**82%**  
YTD17

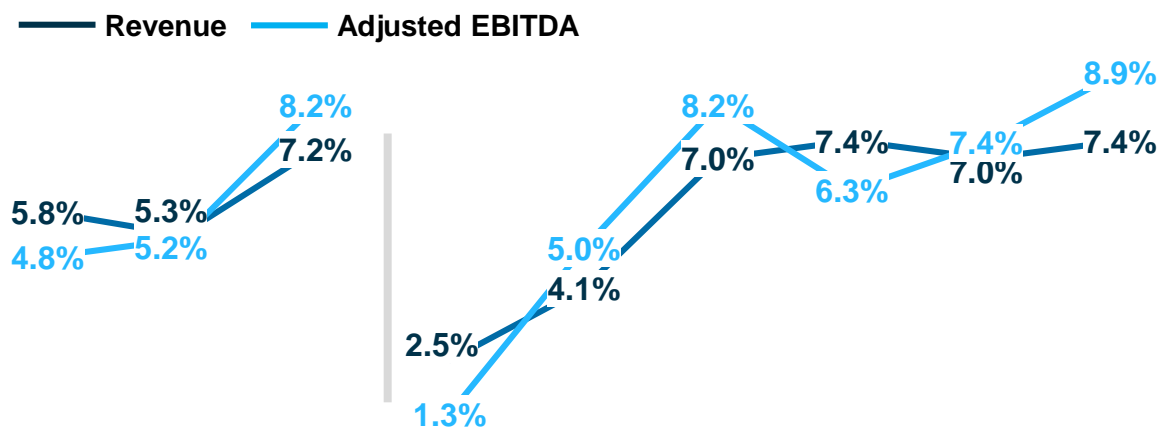
## International Revenue

**23%**  
YTD18

**22%**  
YTD17



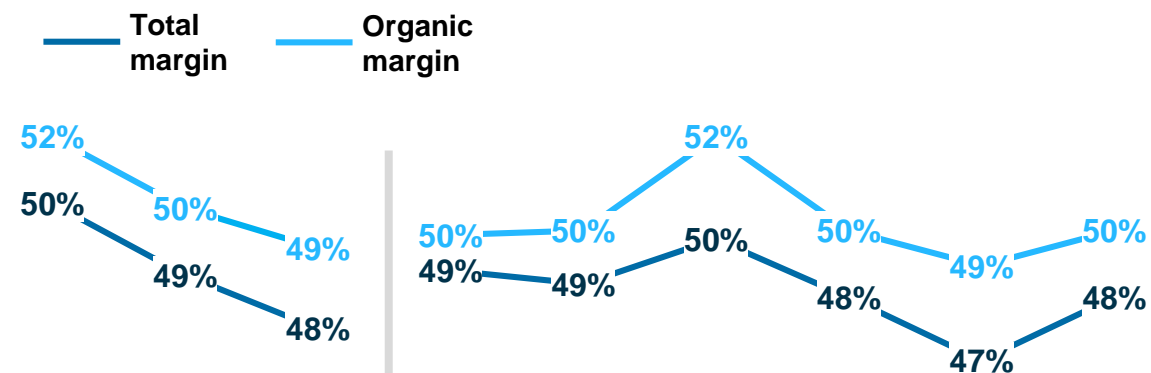
# Organic Constant Currency Growth and Adjusted EBITDA Margins



2016 2017 YTD18 1Q17 2Q17 3Q17 4Q17 1Q18 2Q18

## Highlights

- Organic revenue growth at or over 7% for four consecutive quarters
- Organic constant currency EBITDA growth ahead of revenue growth in last two quarters, even with significant investment across all segments
- Insurance segment of particular strength, especially Claims solutions



2016 2017 YTD18 1Q17 2Q17 3Q17 4Q17 1Q18 2Q18

## Highlights

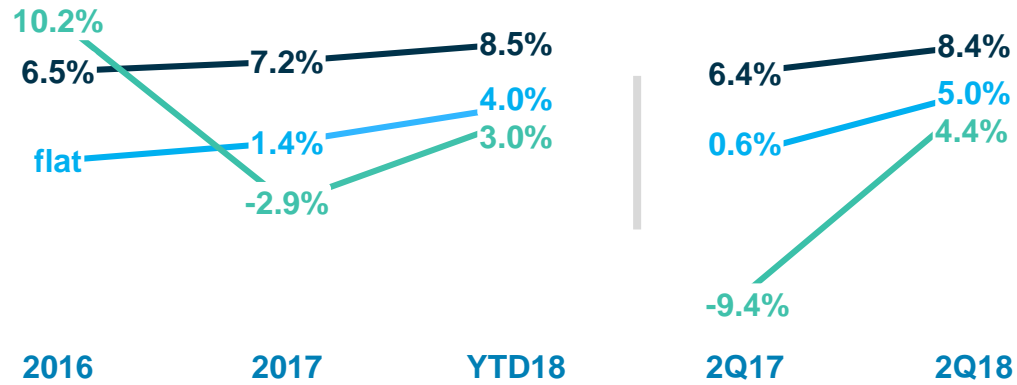
- 2018 total margins are adjusted for acquisition-related earnout expense
- 1Q18 margins reflected unfavorable FX impacts from the revaluation of foreign balances
- 2Q18 organic margin of 50% consistent with prior year, but up 70 bps after adjusting for currency and recent acquisitions



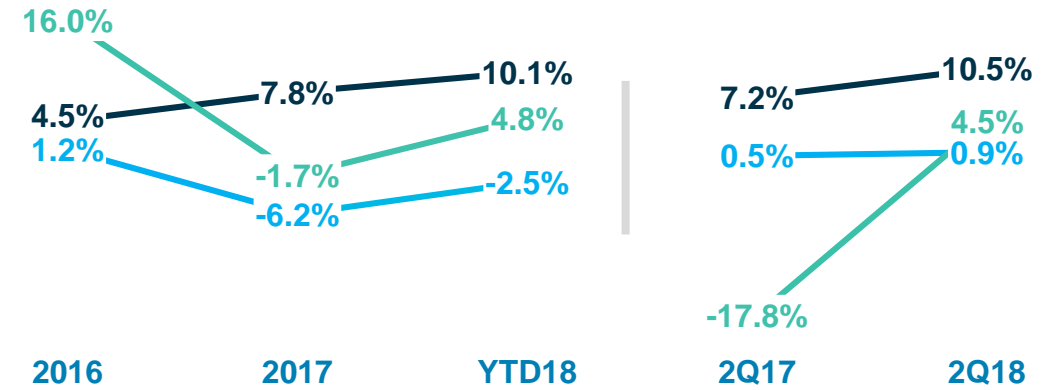
# Segment Trends

Insurance Energy Financial

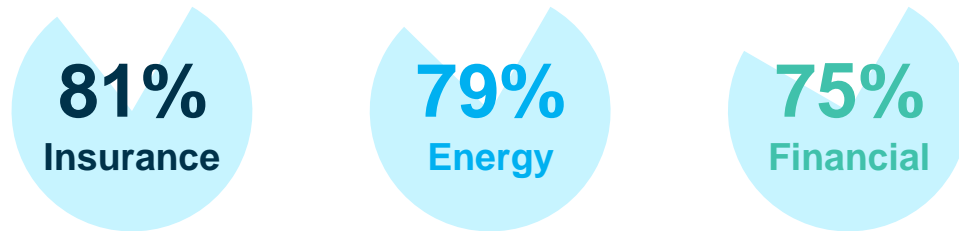
## Organic Constant Currency Revenue Growth



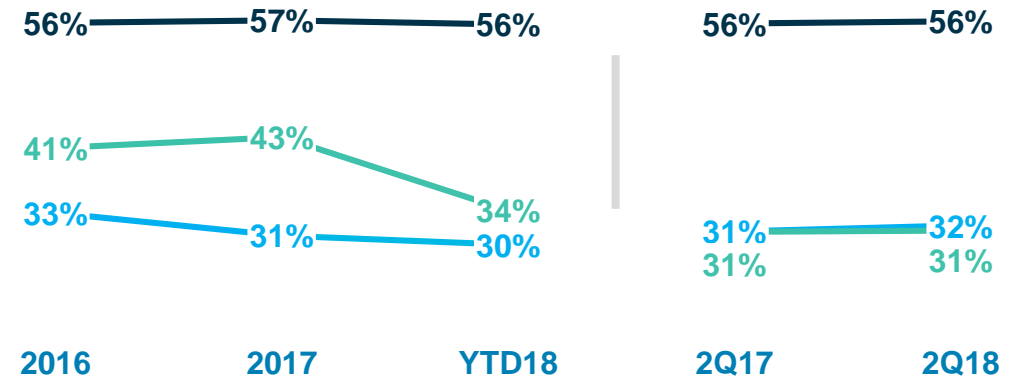
## Organic Constant Currency Adjusted EBITDA Growth



## YTD18, % Subscription/Long-term Contracts



## Organic Adjusted EBITDA Margins <sup>(1)</sup>



1. Restates 2Q17 margin to include businesses that became organic in 2Q18.

# Segments



# Insurance

## Industry-leading data analytics and insights

### Underwriting & Rating Solutions



Industry-standard insurance programs  
Property-specific underwriting & rating info  
Underwriting solutions



Catastrophe and extreme event models  
covering natural and man-made risks such as  
terrorism



Integrated suite of software that provides full  
end-to-end management of all insurance and  
reinsurance business

### Claims Solutions



Claims Analytics

Integrated analytics solutions for improving  
claims outcomes at every step of the process  
and fighting fraud



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



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

### Historical Performance (in \$ millions)

reported growth	6.6%	9.3%	reported growth	4.4%	7.5%
organic cc	6.5%	7.2%	organic cc	4.5%	7.8%



2015	2016	2017	2015	2016	2017
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### Revenue

### Adjusted EBITDA

### Contribution



### YTD18 Revenue



### YTD18 Adjusted EBITDA





# Insurance Quarterly Performance

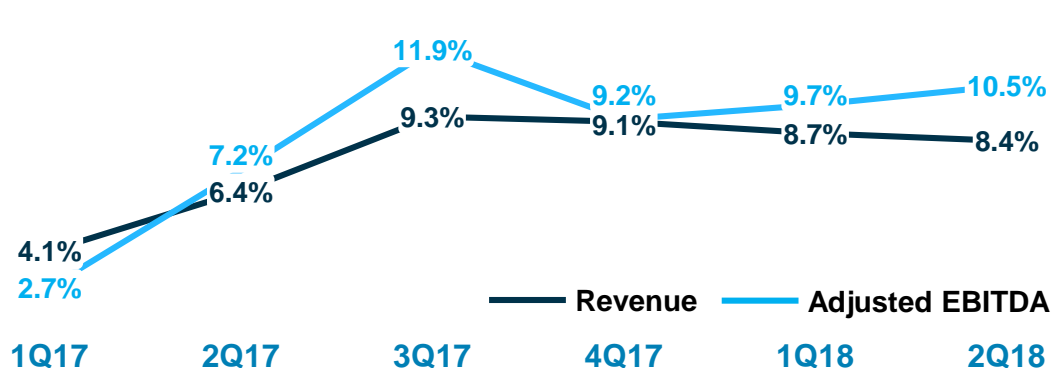
## Financials

(in \$ millions)			% change		Organic CC
	2Q18	2Q17	Reported	Organic	
UW & Rating	\$ 288.9	\$ 262.0	10.3%	6.2%	6.2%
Claims	140.5	120.4	16.7	13.3	13.2
<b>Revenue</b>	<b>429.4</b>	<b>382.4</b>	<b>12.3</b>	<b>8.4</b>	<b>8.4</b>
<b>EBITDA</b>	<b>236.3</b>	<b>210.4</b>	<b>12.3</b>	<b>10.0</b>	<b>10.5</b>
reported margin	55%	55%			
organic margin <sup>(1)</sup>	56	56			

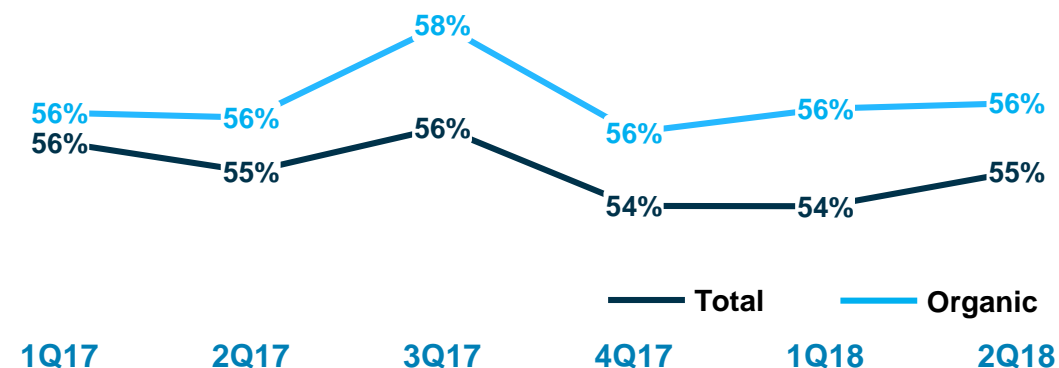
## Business Highlights

- Underwriting & rating organic growth across all businesses through cross-sell and sale of new solutions
- Claims experienced another exceptional quarter with organic growth across all businesses with tight integration of Xactware and Geomni
- Organic margin expansion was stable even as we continue to invest in new, innovative solutions like Geomni and IoT

## Organic Constant Currency Growth



## Adjusted EBITDA Margin



1. Restates prior year margin to include businesses that became organic in current year period.



# Energy and Specialized Markets

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

## Solutions



Research, consulting and data analytics for the global energy, chemicals, and metals and mining industries



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



Supports compliance with global Environmental Health and Safety requirements



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



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

### Historical Performance (in \$ millions)

reported growth 43.4%  
organic cc flat

0.4%  
1.4%

reported growth 47.9%  
organic cc 1.2%

-12.9%  
-6.2%

\$ 309

\$ 443

\$ 445

2015

2016

2017

Revenue

\$ 104

\$ 153

\$ 134

2015

2016

2017

Adjusted EBITDA

### Contribution

22%

of total  
Verisk

YTD18 Revenue

13%

of total  
Verisk

YTD18 Adjusted EBITDA



# Energy & Specialized Markets Quarterly Performance

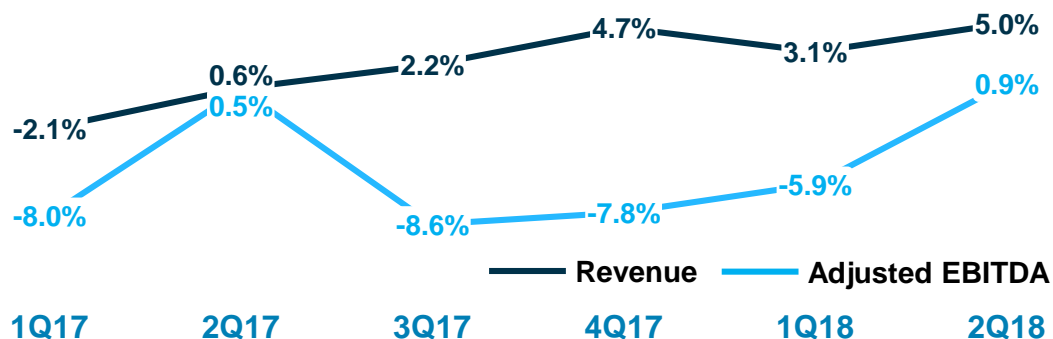
## Financials

(in \$ millions)			% change		Organic CC
	2Q18	2Q17	Reported	Organic	
Revenue	\$ 129.9	\$ 110.3	17.7%	8.7%	5.0%
EBITDA	41.5	34.1	21.6	13.2	0.9
reported margin	32%	31%			
organic margin <sup>(1)</sup>	32	31			

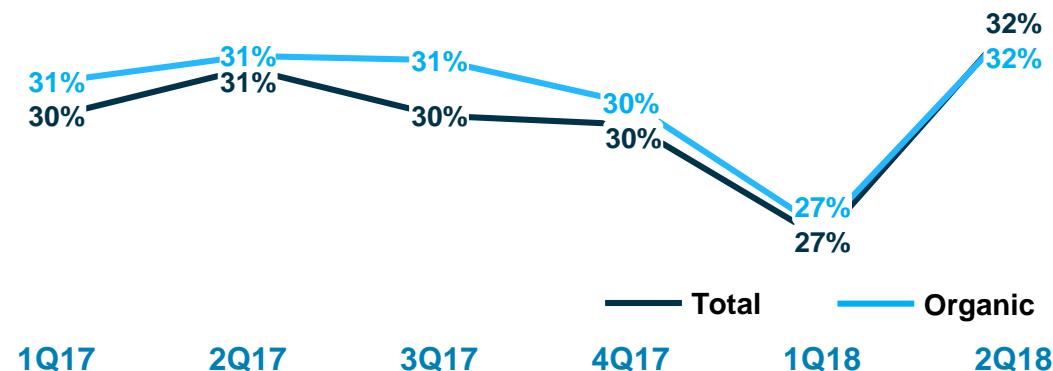
## Business Highlights

- Organic revenue growth driven by WoodMac research growth and strong growth in consulting and 3E
- WoodMac research growth despite headwind from global investment banking client that substantially reduced its presence in the industry
- Continued investment in WM 2.0, subsurface, chemicals power & renewables and analytics

## Organic Constant Currency Growth



## Adjusted EBITDA Margin



1. Restates prior year margin to include businesses that became organic in current year period.



# Financial Services

Powerful information, analytics, and data management solutions

## Solutions



Solutions for financial institutions including competitive benchmarking, decisioning algorithms, customized analytic services and data management platforms



Systems and services to help retailers prevent loss, manage risk, and ensure compliance with laws and regulations



Solutions detecting illicit, fraudulent, and non-compliant merchant activity for the payment sector



Analytics, risk, and compliance solutions for the banking sector enabling agility in risk and regulatory reporting practices



Risk management tools associated with regulation, bankruptcy charge-off, and debt collection to banks



Consumer spending analysis and insights across the retail, hospitality, property, and government sectors in New Zealand

### Historical Performance (in \$ millions)



### Revenue

### Adjusted EBITDA

### Contribution





# Financial Services Quarterly Performance

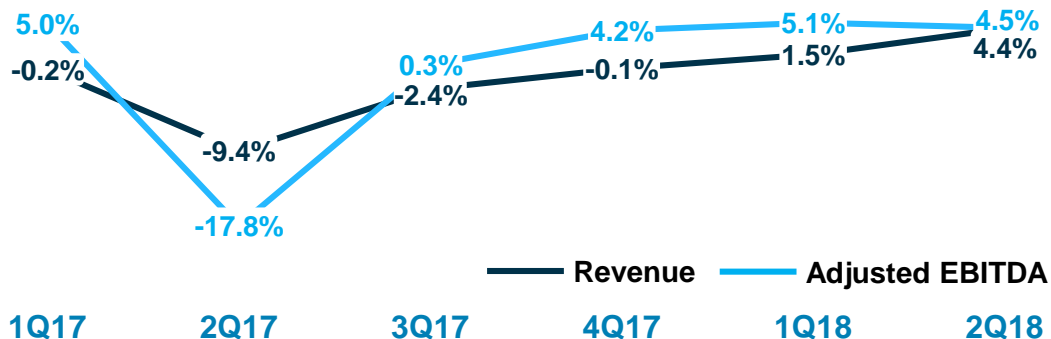
## Financials

(in \$ millions)			% change		Organic CC
	2Q18	2Q17	Reported	Organic	
Revenue	\$ 42.0	\$ 30.5	37.7%	4.4%	4.4%
EBITDA	13.0	9.6	36.3	4.5	4.5
reported margin	31%	31%			
organic margin <sup>(1)</sup>	31	31			

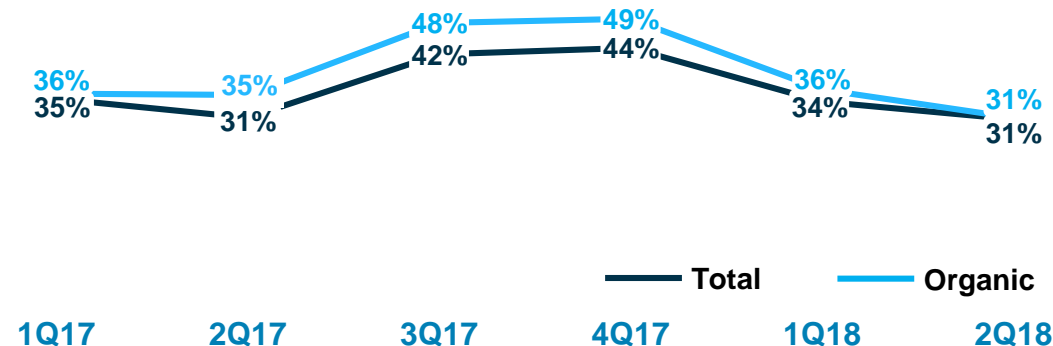
## Business Highlights

- Improved growth supported by modest growth in Portfolio Management solutions and strong growth in Enterprise Data Management solutions
- Current year results are below our long-term expectations but the growth opportunity remains undiminished
- Start of TSYS relationship in 3Q17

## Organic Constant Currency Growth



## Adjusted EBITDA Margin



1. Restates prior year margin to include businesses that became organic in current year period.

# Cash Flow and Capital



## Cash Flow Utilization

(in \$ millions)	2015	2016 <sup>(1)</sup>	2017	2018 2Q-YTD	2017 2Q-QTD	2018 2Q-QTD
Net cash provided by operating activities	\$ 591M	\$ 656M	\$ 744M	\$ 534M	\$112 M	\$207 M
Capital expenditures	(139)	(146)	(184)	(99)	(41)	(56)
Free cash flow (FCF)	452	510	560	435	71	151
Acquisitions, net of cash acquired and gain on hedge	(2,856)	(74)	(915)	(68)	(46)	(46)
Proceeds from sale of sub	--	715	--	--	--	--
Net debt financing	1,710	(771)	615	(235)	120	--
Repurchases of common stock	(20)	(327)	(276)	(179)	(167)	(143)

1. 2016 net cash provided by operating activities and free cash flow are normalized for \$100M of taxes paid related to the divestiture of the healthcare business.



# Capital Structure

as of 06/30/2018

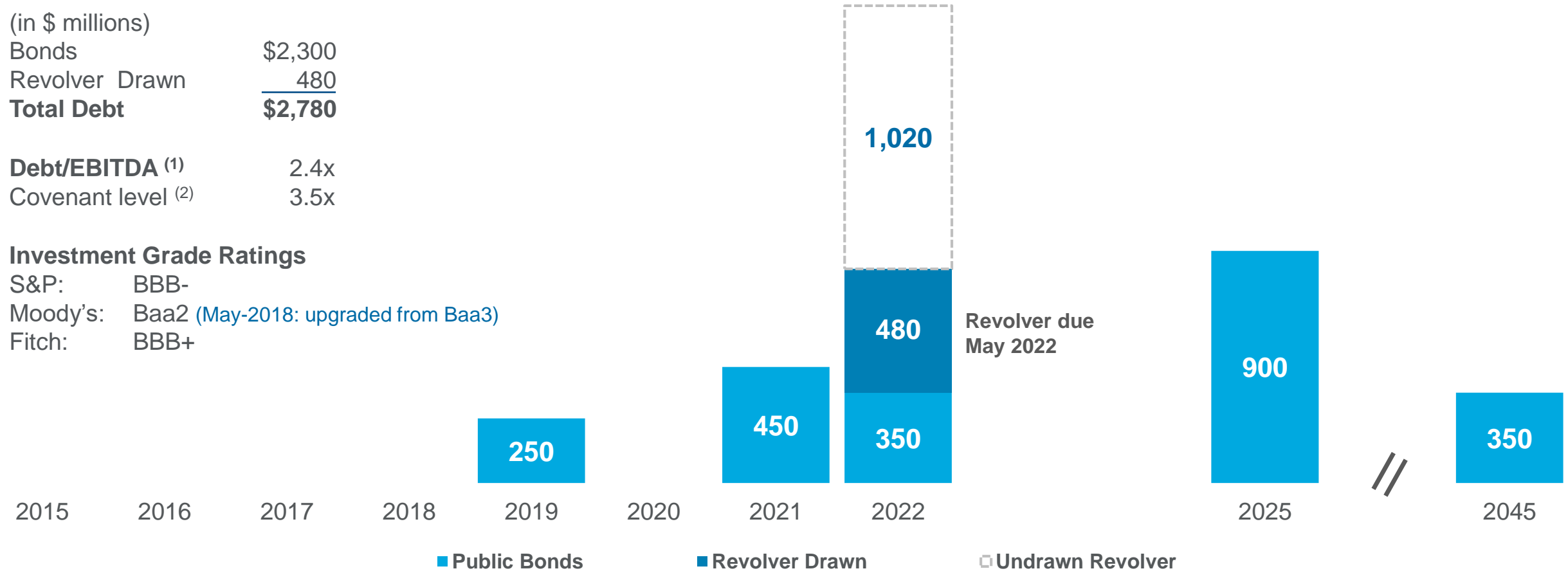
(in \$ millions)

Bonds	\$2,300
Revolver Drawn	<u>480</u>
<b>Total Debt</b>	<b>\$2,780</b>

<b>Debt/EBITDA</b> <sup>(1)</sup>	2.4x
Covenant level <sup>(2)</sup>	3.5x

## Investment Grade Ratings

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



1. Per bank covenant. Leverage based on reported (face) EBITDA is 2.5x.  
 2. At Verisk's election, covenant may increase to 4.0x for a period of up to 12 months twice in facility life.





# Capital Management Philosophy

## Focused on Value Creation

- Understand and optimize operating capital generation
- Identify internal and external investment opportunities
- Compare estimated returns on invested capital relative to risk-weighted WACC
- Compare operating cash flow growth and aggregate value creation opportunity
- Evaluate capital return alternatives
- Allocate capital to attractive return opportunities in excess of risk-adjusted WACC with highest value creation opportunity
- Determine capital return allocation



Appendix:

# Supplemental Slides and Non-GAAP Reconciliations



# Segment Mapping

Key Solutions	Previous Segmentation		New Segmentation		
	Decision Analytics	Risk Assessment	Insurance	Energy & Spec. Mrkts.	Financial Services
ISO Solutions		A	F		
Underwriting	C	B	F		
Claims Analytics	C		G		
AIR Worldwide	C		F		
Xactware	C		G		
Geomni	C		G		
Sequel	C		F		
AER	D			●	
Verisk 3E	D			●	
Verisk Maplecroft	D			●	
Wood Mackenzie	D			●	
PowerAdvocate	D			●	
Argus	E				●

## Revenue Categories

- A. Industry-standard
- B. Property-specific
- C. DA-Insurance

- D. DA-Energy & Spec. Mrkts.
- E. DA-Financial Services

- F. Underwriting & rating
- G. Claims



## Non-GAAP Reconciliations

### Constant Currency Growth

Our operating results reported in U.S. dollars are affected by foreign currency exchange rate fluctuations because the underlying foreign currencies in which we transact change in value over time compared to the U.S. dollar; accordingly, we present certain constant currency financial information to provide a framework to assess how our businesses performed excluding the impact of foreign currency exchange rate fluctuations. We use the term “constant currency” to present results that have been adjusted to exclude foreign currency impact. Foreign currency impact represents the difference in results that are attributable to fluctuations in the currency exchange rates used to convert the results for businesses where the functional currency is not the U.S. dollar. This impact is calculated by translating comparable prior period year results at the currency exchange rates used in the current period, rather than the exchange rates in effect during the prior period.



# Non-GAAP Reconciliations

## Segment Results and EBITDA | Current and Prior Year Period

### Segment Results Summary and EBITDA Reconciliation

	2Q18	2Q17	Change
Organic Insurance revenues	\$413.9M	\$381.7M	8.4%
Organic Energy & Specialized Markets revenues	119.3	109.7	8.7%
Organic Financial Services revenues	31.8	30.5	4.4%
Revenues from acquisitions	36.3	1.3	na
<b>Revenues</b>	<b>601.3</b>	<b>523.2</b>	<b>14.9%</b>
Organic Insurance EBITDA	233.6	212.3	10.0%
Organic Energy & Specialized Markets EBITDA	38.0	33.6	13.2%
Organic Financial Services revenues EBITDA	10.0	9.6	4.5%
Adjusted EBITDA from acquisitions	9.2	(1.4)	na
<b>Adjusted EBITDA</b>	<b>290.8</b>	<b>254.1</b>	<b>14.4%</b>
Depreciation and amortization of fixed assets	(41.6)	(31.8)	30.6%
Amortization of intangible assets	(32.0)	(23.9)	34.1%
Interest expense	(31.9)	(28.5)	12.1%
Provision for income taxes	(31.5)	(48.9)	(35.6%)
Acquisition-related liabilities (earn-out)	(0.3)	--	na
<b>Net Income</b>	<b>153.5</b>	<b>121.0</b>	<b>26.9%</b>
<b>Organic Adjusted EBITDA margin</b>	<b>49.8%</b>	<b>49.0%</b>	<b>--</b>
<b>Adjusted EBITDA margin</b>	<b>48.4%</b>	<b>48.6%</b>	<b>--</b>
<b>Net income margin</b>	<b>25.5%</b>	<b>23.1%</b>	<b>--</b>



# Non-GAAP Reconciliations

## Adjusted Net Income/EPS and Free Cash Flow | Current and Prior Year Period

### Adjusted Net Income and EPS

	2Q18	2Q17	Change
Net income	\$153.5M	\$121.0M	26.9%
plus: Amortization of intangible assets	32.0	23.9	
less: tax effect on amortization of intangible assets	(6.7)	(6.3)	
plus: Acquisition-related liabilities (earn-out)	0.3	--	
less: income tax effect acquisition-related liabilities (earn-out)	(0.1)	--	
<b>Adjusted net income</b>	<b>179.0</b>	<b>138.6</b>	<b>29.1%</b>
<b>Basic adjusted EPS</b>	<b>\$1.08</b>	<b>\$0.84</b>	<b>28.6%</b>
<b>Diluted adjusted EPS</b>	<b>\$1.06</b>	<b>\$0.82</b>	<b>29.3%</b>
Weighted average shares outstanding			
Basic	165.0M	164.9M	
Diluted	168.7M	168.3M	

### Free Cash Flow

	2Q18	2Q17	Change
Net cash provided by operating activities	\$207.2M	\$111.9M	85.2%
less: Capital expenditures	(56.1)	(41.4)	35.5%
<b>Free cash flow</b>	<b>151.1</b>	<b>70.5</b>	<b>114.3%</b>



# Non-GAAP Reconciliations

## Adjusted EBITDA and Free Cash Flow | Historical Full Year Periods

### Adjusted EBITDA

	2017	2016	2015
Income from continuing operations	\$555.1M	\$451.5M	\$487.5M
Interest expense	119.4	120.0	121.4
Provision for income taxes	135.9	202.2	196.6
Depreciation and amortization of fixed assets and intangible assets	237.4	211.6	167.0
less: Nonrecurring items related to the Wood Mackenzie acquisition	--	--	58.6
plus: Nonrecurring severance charges	--	2.1	--
plus: Nonrecurring ESOP charge	--	18.8	--
less: Gain on sale/exercise of equity investments/warrants	--	(1.5)	--
<b>Adjusted EBITDA from continuing operations</b>	<b>1,047.8</b>	<b>1,004.7</b>	<b>913.9</b>

### Free Cash Flow

	2017	2016	2015
Net cash provided by operating activities	\$743.5 M	\$577.5 M	\$663.8 M
less: Net cash provided by operating activities from discontinued operations	--	(21.4)	(73.2)
less: Capital expenditures	(183.5)	(156.5)	(166.1)
plus: Capital expenditures from discontinued operations	--	(10.6)	(27.4)
plus: taxes paid related to the sale of the healthcare business	--	99.9	0.0
<b>Free cash flow</b>	<b>560.0</b>	<b>510.1</b>	<b>451.9</b>



Verisk™

SERVE | ADD VALUE | INNOVATE