



Verisk Analytics

Scott Stephenson
Chairman, President, and Chief Executive Officer

CECP CEO Investor Forum
February 24, 2020

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Forward-Looking Statements, Safe Harbor, and Non-GAAP Financial Measures

Forward-Looking Statements

This release contains forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. This includes, but is not limited to, Verisk's expectation and ability to pay a quarterly cash dividend on its common stock in the future, subject to the determination by the Board of Directors and based on an evaluation of company earnings, financial condition and requirements, business conditions, capital allocation determinations, and other factors, risks, and uncertainties. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "target," "seek," "anticipate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements, because they involve known and unknown risks, uncertainties, and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements.

Other factors that could materially affect actual results, levels of activity, performance, or achievements can be found in Verisk's quarterly reports on Form 10-Q, annual reports on Form 10-K, and current reports on Form 8-K filed with the Securities and Exchange Commission. If any of these risks or uncertainties materialize or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement in this release reflects our current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.

Notes Regarding the Use of Non-GAAP Financial Measures

The company has provided certain non-GAAP financial information as supplemental information regarding its operating results. These measures are not in accordance with, or an alternative for, U.S. GAAP and may be different from non-GAAP measures reported by other companies. The company believes that its presentation of non-GAAP measures provides useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. In addition, the company's management uses these measures for reviewing the financial results of the company, for budgeting and planning purposes, and for evaluating the performance of senior management.

Agenda

- I. Company Overview
- II. Strategy and Long-Term Value Creation
- III. Measuring Results and Outcomes

Company Overview

A Leading Data Analytics Partner to Our Customers

Insurance



Energy



Financial Services



We help our customers

- Assess and price risk with more accuracy
- Improve and automate underwriting and claims outcomes
- Mitigate fraud
- Build resilience to extreme events

- Manage risk across the natural resources value chain
- Solve complex cost management challenges
- Improve environmental health and safety
- Analyze geopolitical and humanitarian risk

- Identify fraud and abuse
- Manage regulatory and bankruptcy risk
- Analyze consumer spend



Financially Sound, Data Rich, and Global



1971
Founded



30
Countries and growing



\$27B
Market cap



~9,300
Passionate employees



19PB
of information in
our data stores

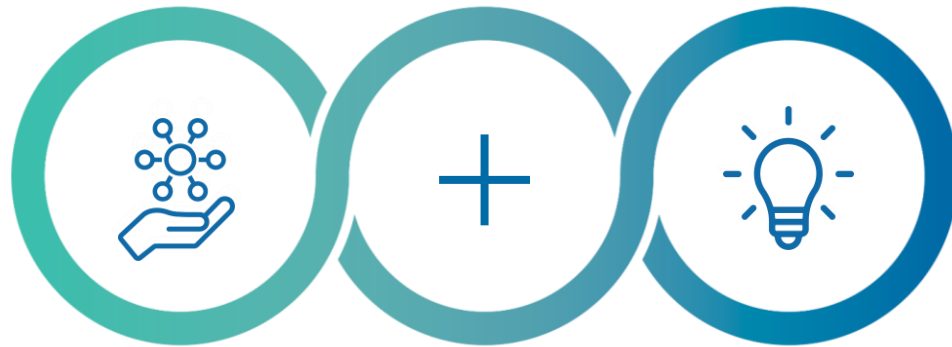


Purpose

We help customers make crucial decisions every day about risk, investments, and operations—with **greater precision, efficiency, and discipline**—that affect millions of lives and tens of thousands of businesses around the world.

The Verisk Way: Our Guiding Principles

SERVE | ADD VALUE | INNOVATE

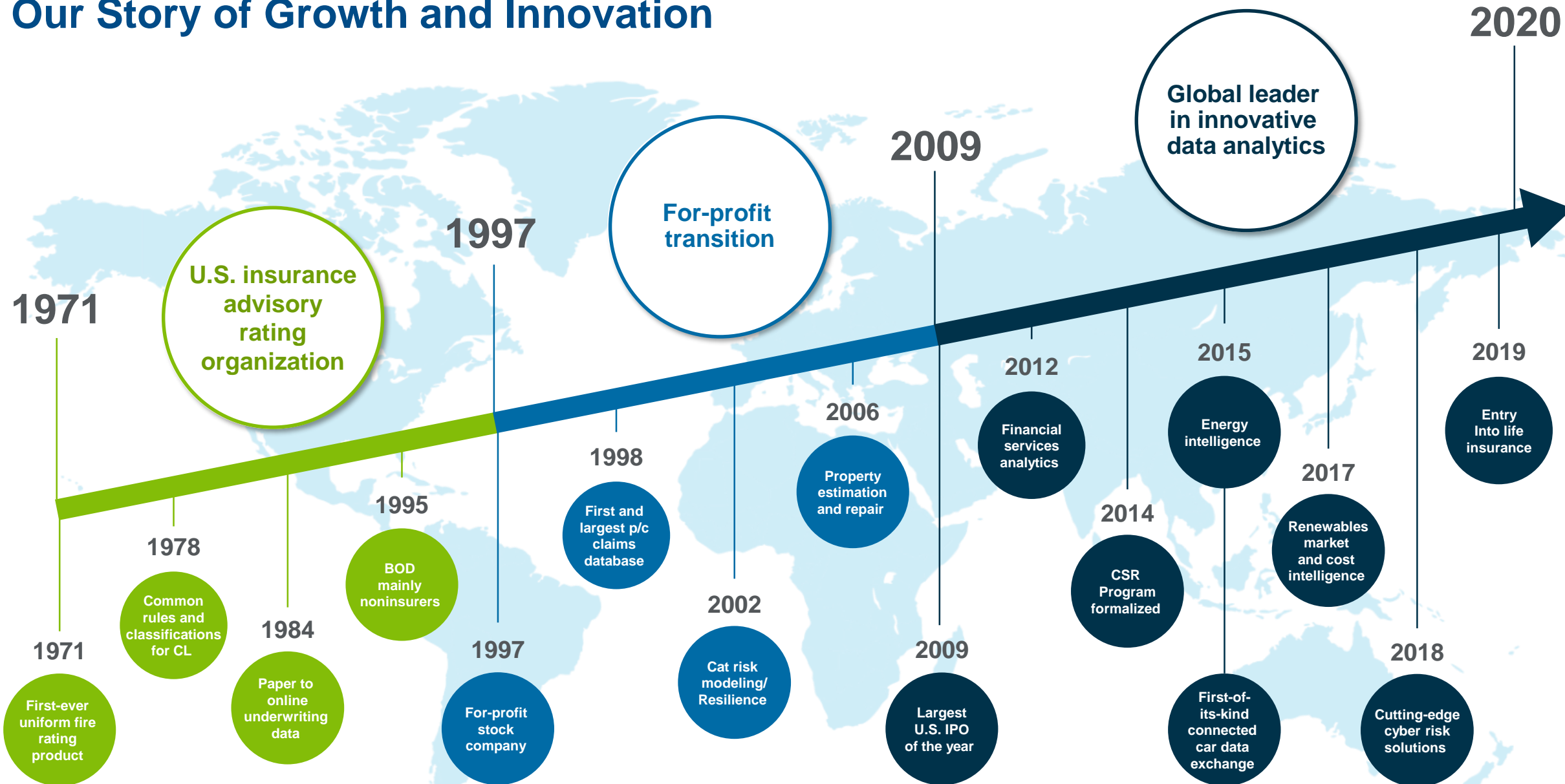


WE SUPPORT





Our Story of Growth and Innovation





Our Distinctives

What Sets Us Apart and Guides Our Company



**Unique
Data Assets**



**Deep Domain
Expertise**



**Deep Integration
into Customer
Workflows**



**Steady Stream
of First-to-Market
Innovations**

Strategy and Long-Term Value Creation



Strategy for Growth



**Increase Solution
Penetration**



**Develop New
Proprietary Data Sets**



**Leverage Our
Intellectual Capital**



**Pursue Strategic
Acquisitions**

**We help our customers improve operations,
decisions, and performance.**



Work with Purpose: Protecting People, Property, and Financial Assets Around the World



Building code assessment and mitigation



Community fire protection



Extreme event and catastrophe models



Cyber risk solutions



Fraud



Smart regulation

Capitalizing on Megatrends That Affect Our Business



**Increasing Demand for
Data Analytics**



Automation

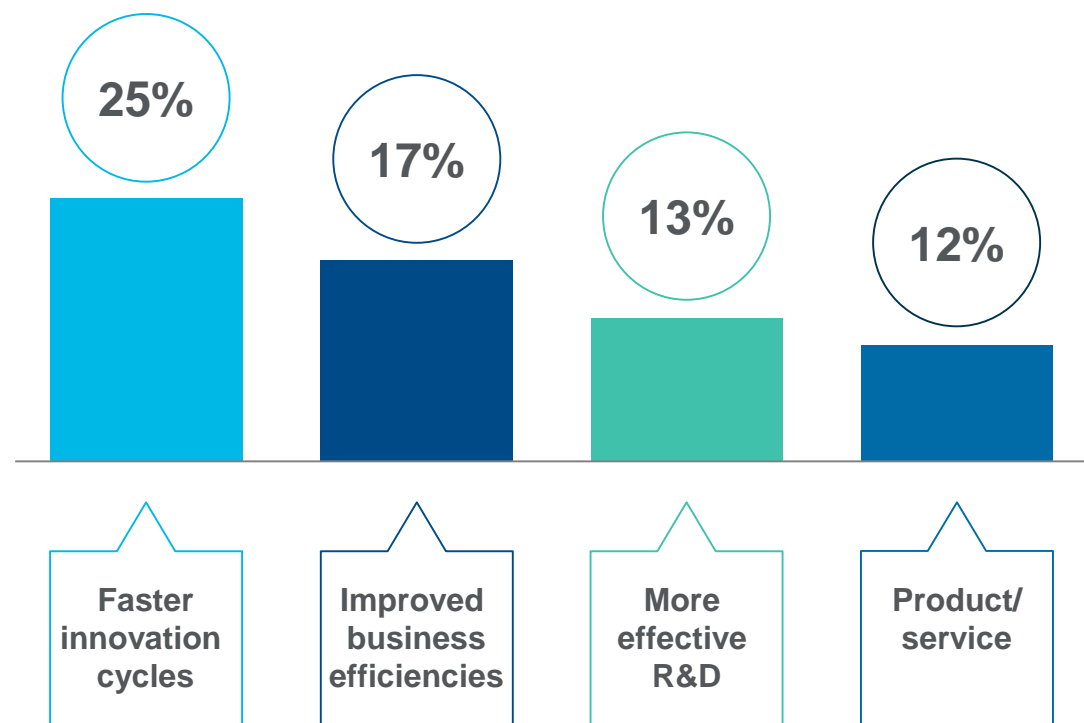


**Energy Transition Outlook:
Scalability Challenge**



Increasing Demand for Data Analytics

Top 4 Benefits



Source: Chicago Analytics Group, 2019



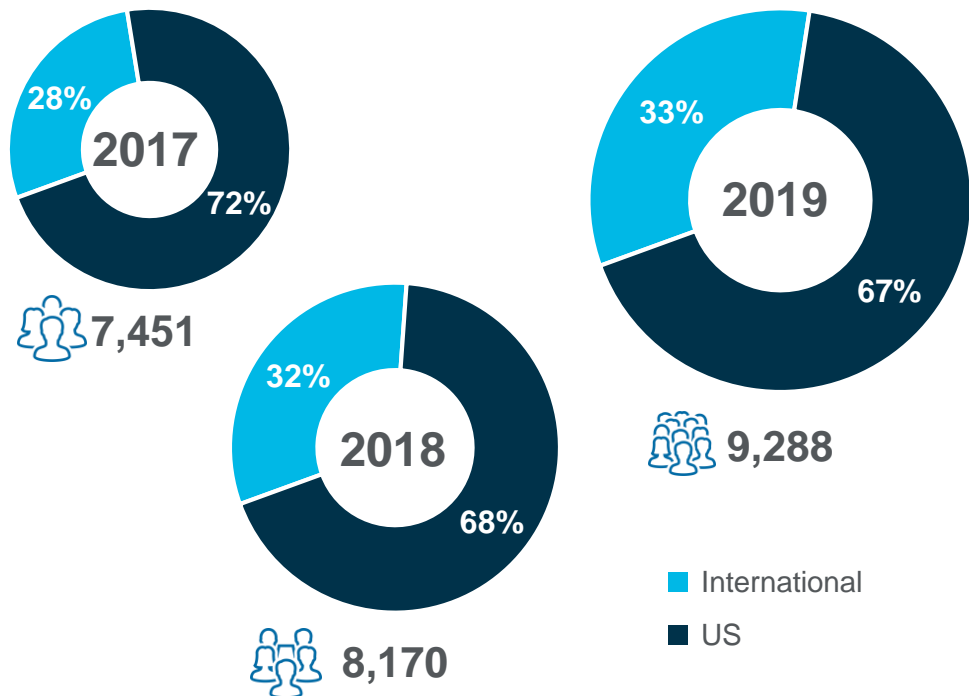
The Cost of Being “Data Analytic”

	1999	2019
Cost of 1 PB of storage	~\$8,000,000	~\$50,000
Cost of human to make data useful	~\$80,000 Data Administrator	~\$500,000 Data Scientist
	100:1	1:10



Our Talent: A Foundation for Growth and Innovation

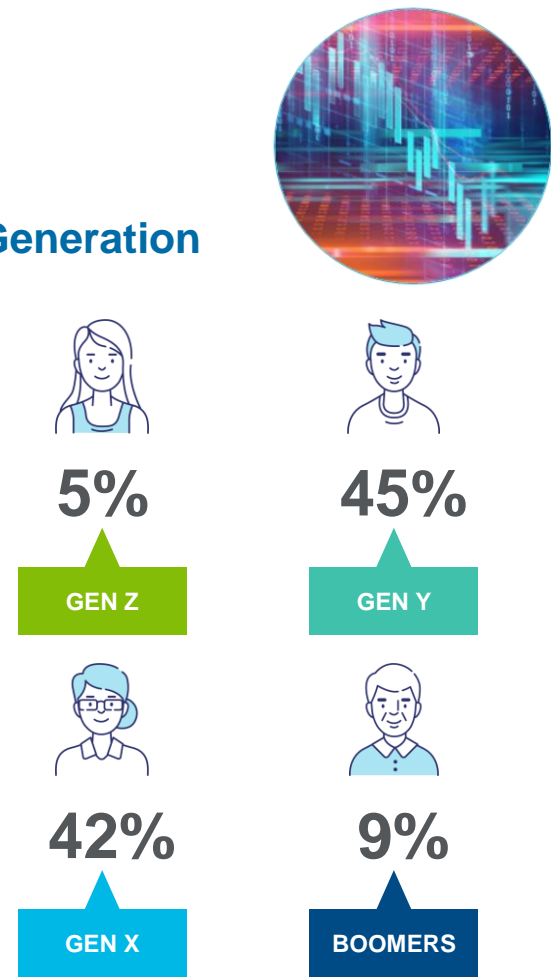
Global Reach and Headcount



Our People

- Actuaries
- Chemists and physicists
- Commercial bankers and financial analysts
- Commodity specialists
- Data and AI scientists
- Economists
- Engineers
- Geologists
- Insurance experts
- Meteorologists
- Natural resources specialists
- Predictive modeling experts
- Supply chain analysts

Generation



Employee Networks





Building Careers, Not Jobs



Specialty Programs

Data Science Excellence Program

Data Analytics Certification (Coursera/Johns Hopkins)

Returnship Program

Campus Outreach / Internships

Lean Six Sigma Training

Cloud Certification

Capitalizing on Megatrends That Affect Our Business



**Increasing Demand for
Data Analytics**



Automation




**Energy Transition Outlook:
Scalability Challenge**





Automation




Four Factors Putting Pressure on Insurers

1  **Evolving demographic of insurance buyer**
Millennials now the largest generation
>75% of policyholders prefer applying online and expect an “Amazon-like” experience

2  **Aging insurance workforce**
400,000 of the 1.4M professionals in the p/c insurance industry are set to retire within the next 2-3 years

3  **Competitive forces**
New non-traditional entrants
Innovative industry frontrunners

4  **Drive to reduce costs**
Greater price transparency
New players are redefining high performance with digitization



Our Automated Underwriting Solution

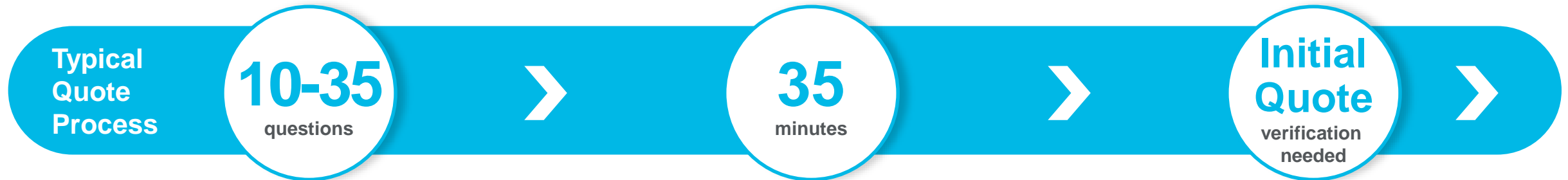


Our Approach



50% to 85% boost in conversion rates

Current Approach



45% of prospects will drop off during the process or not purchase revised rate

Capitalizing on Megatrends That Affect Our Business



**Increasing Demand for
Data Analytics**



Automation



**Energy Transition Outlook:
Scalability Challenge**



Energy Transition Outlook: The Scalability Challenge



2040

the energy transition becomes reality

~25%

of global power needs will be met by solar and wind

35%

of all new vehicle sales will use electric motors rather than gasoline or diesel

This could happen faster

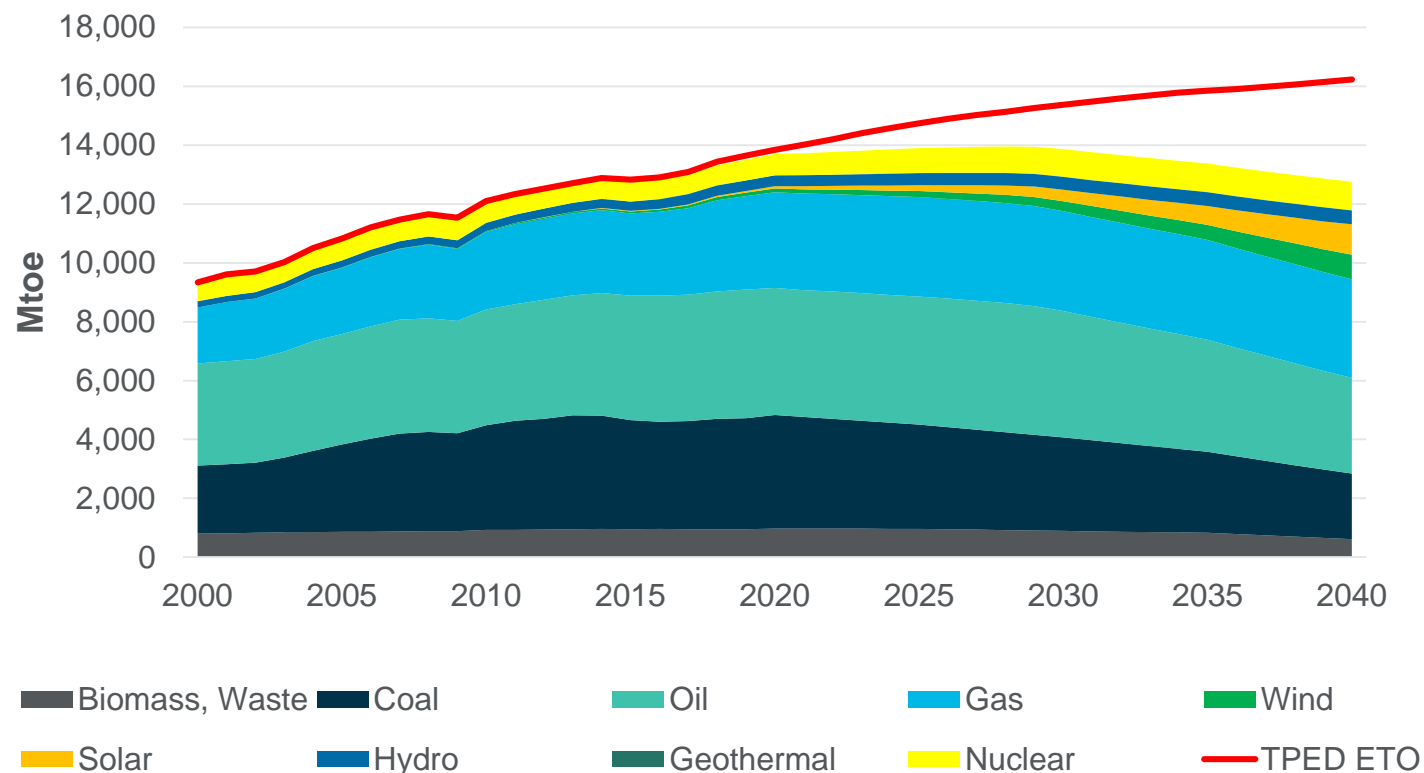
What does this mean for companies and investors?



Helping Customers Navigate the Energy Transition



Accelerated Energy Transition Outlook



Source: Wood Mackenzie
 TPED = Total primary energy demand
 Mtoe = Millions of tons of oil equivalent

Energy Transition Service

- Leverages our entire commodity platform
- Delivers integrated energy market research underpinned by extensive expertise, proprietary models, and robust market knowledge
- Helps clients position their business for success in rapidly changing times, exploit opportunities, and manage risks from competitor tech and innovation



Our Commitment to Environmental Responsibility



For two consecutive years, we've balanced 100% of our Scope 1 and 2 emissions, and 100% of our Scope 3 business air travel, by investing in renewable energy certificates and carbon offsets.

SCOPE 1



Mobile combustion



Stationary combustion

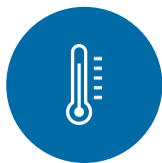


Fugitive emissions

SCOPE 2



Purchased electricity



Purchased steam



Purchased chilled water

SCOPE 3



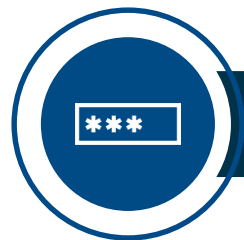
Business air travel

We continue to invest in purposeful energy reduction initiatives affecting our physical space and data management operations.

Always on Our Minds



Cloud Migration



Data Security / Tokenization



Regulatory Environment



Ethical Machine Learning





Capital Management Philosophy

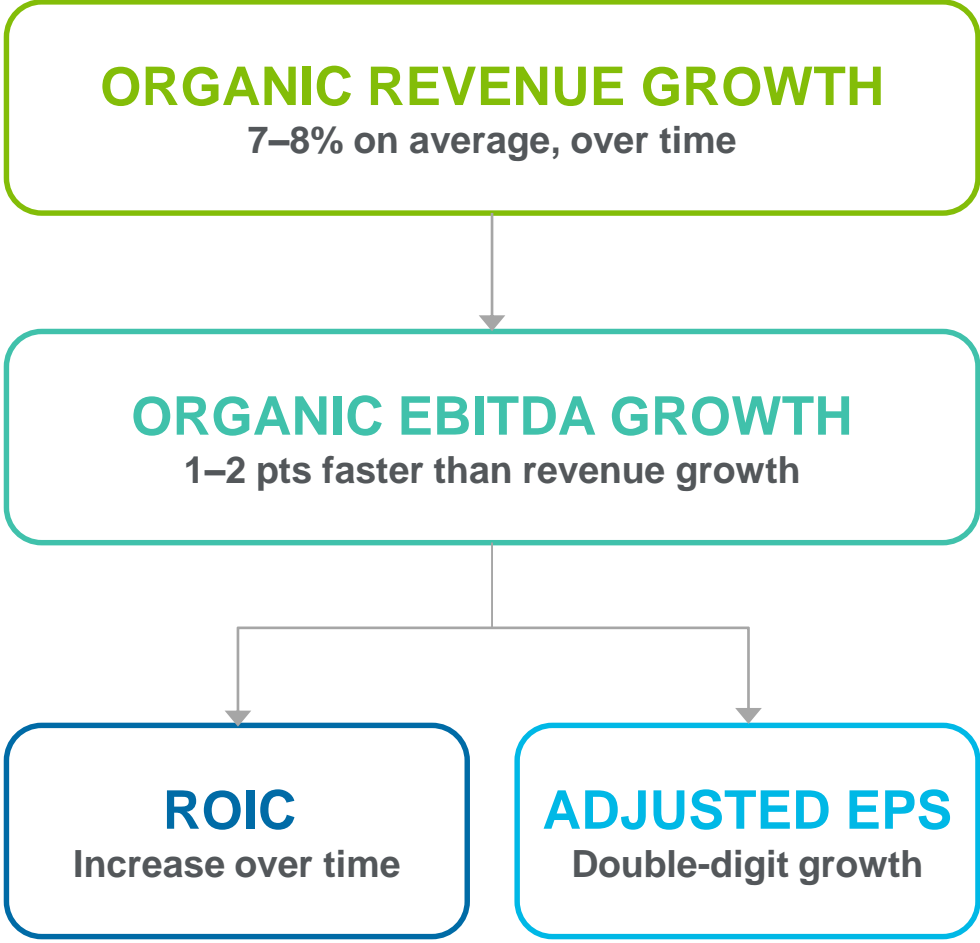
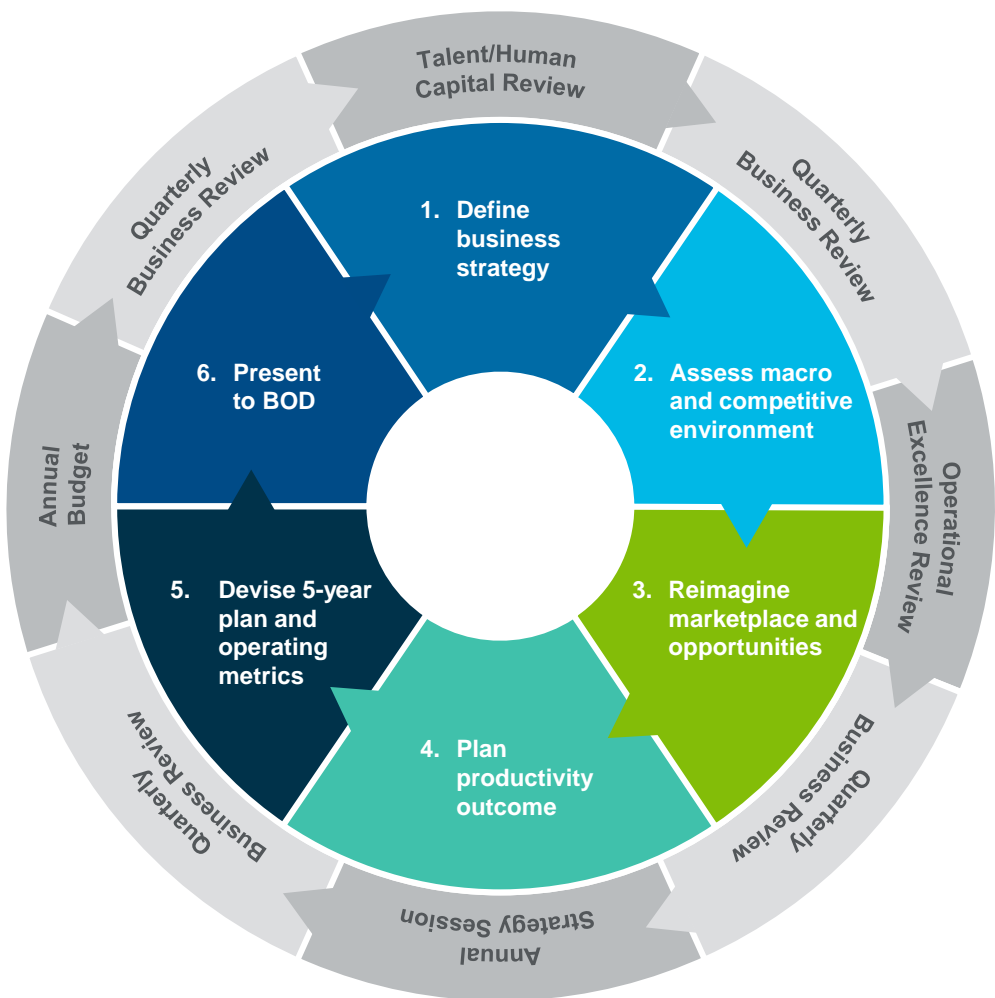
Focused on value creation and improving ROIC

- Understand and optimize operating capital generation
- Identify internal and external investment opportunities
- Compare estimated returns on invested capital relative to risk-weighted WACC
- Evaluate capital return alternatives and determine allocation
- Allocate capital to attractive return opportunities in excess of risk-adjusted WACC with highest value creation opportunity
- Target leverage of 2x – 3x





Our Strategic Planning and Long-Term Financial Targets





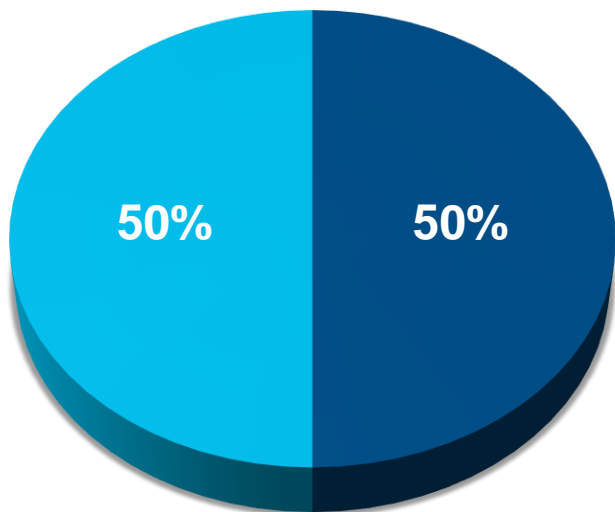
Governance

Quantitative, transparent, performance-based, and aligned with stakeholders

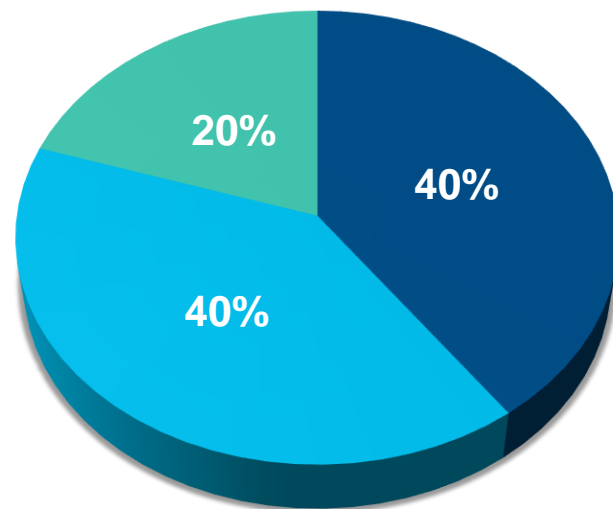
Short-Term Incentive

As of 2018

CEO



Other Named Officers

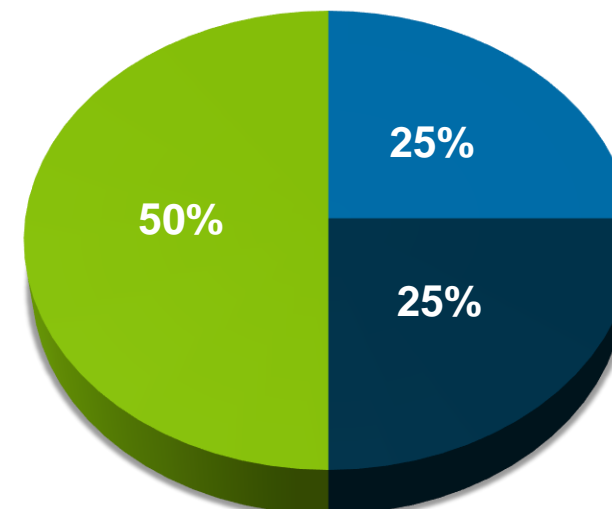


■ Adjusted organic revenue targets ■ Adjusted organic EBITDA targets ■ Individual performance

Long-Term Incentive

As of 2018

Named Officers



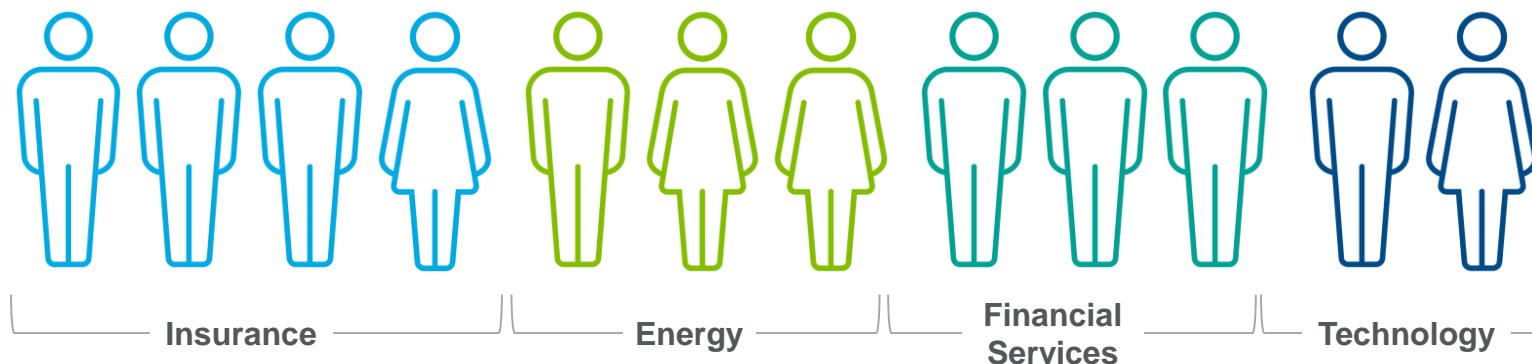
■ PSUs ■ Restricted stock ■ Options



Governance

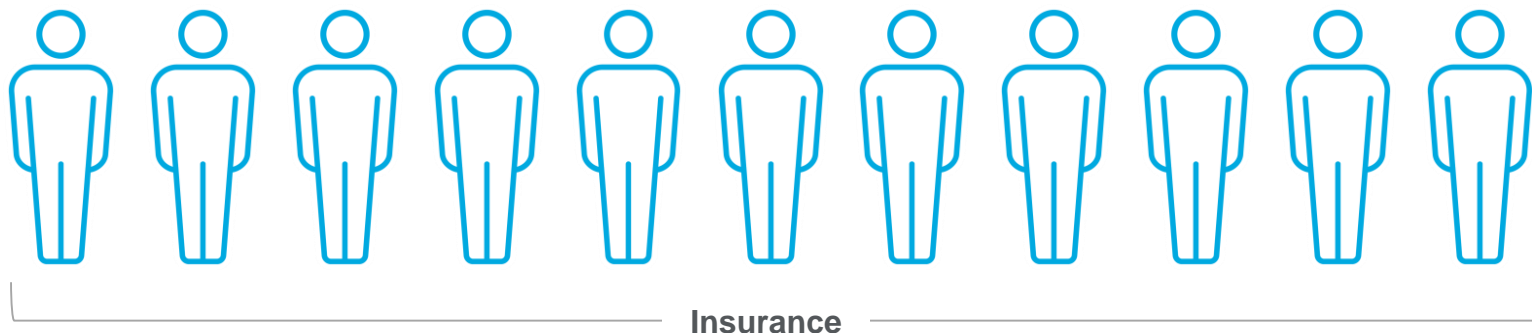
Board Diversity

2020



33%
of current directors
are women

2009

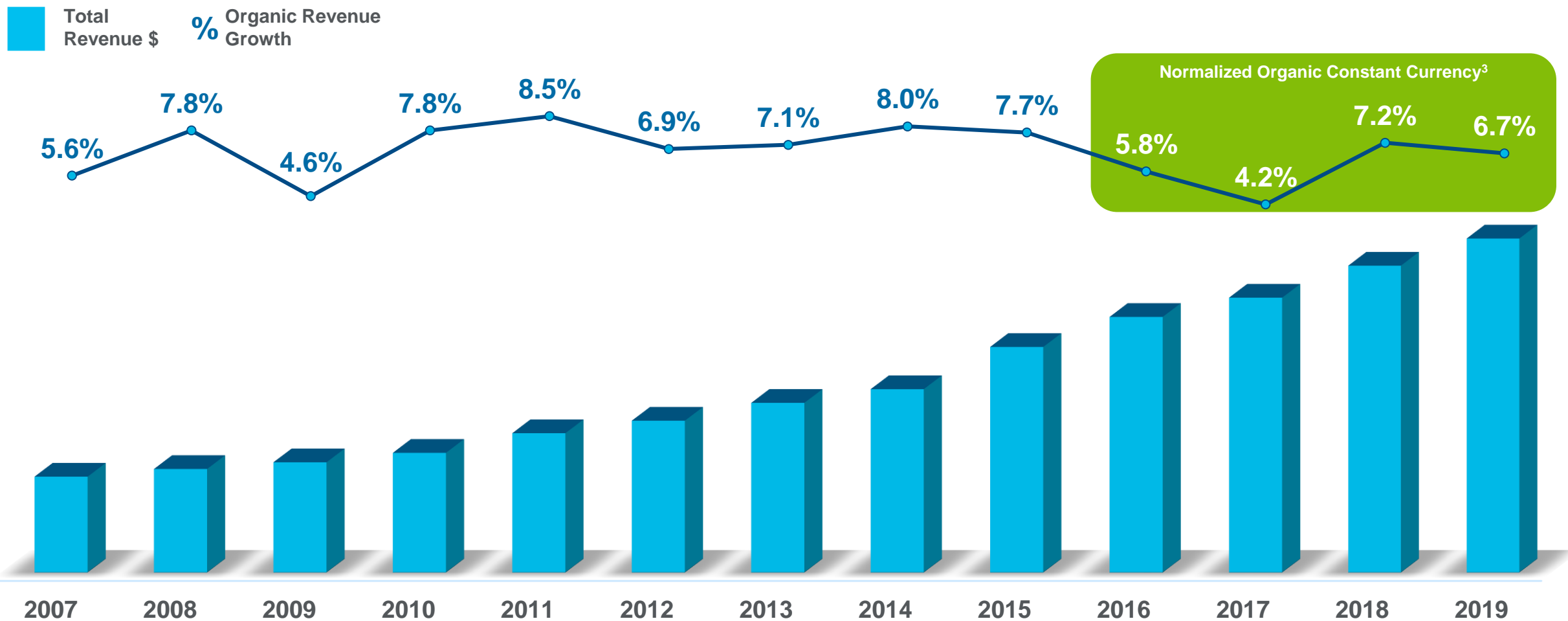


4 new
directors
in past
5 years

Measuring Results and Outcomes



Long-Term Sustainable Growth^{1,2,3}

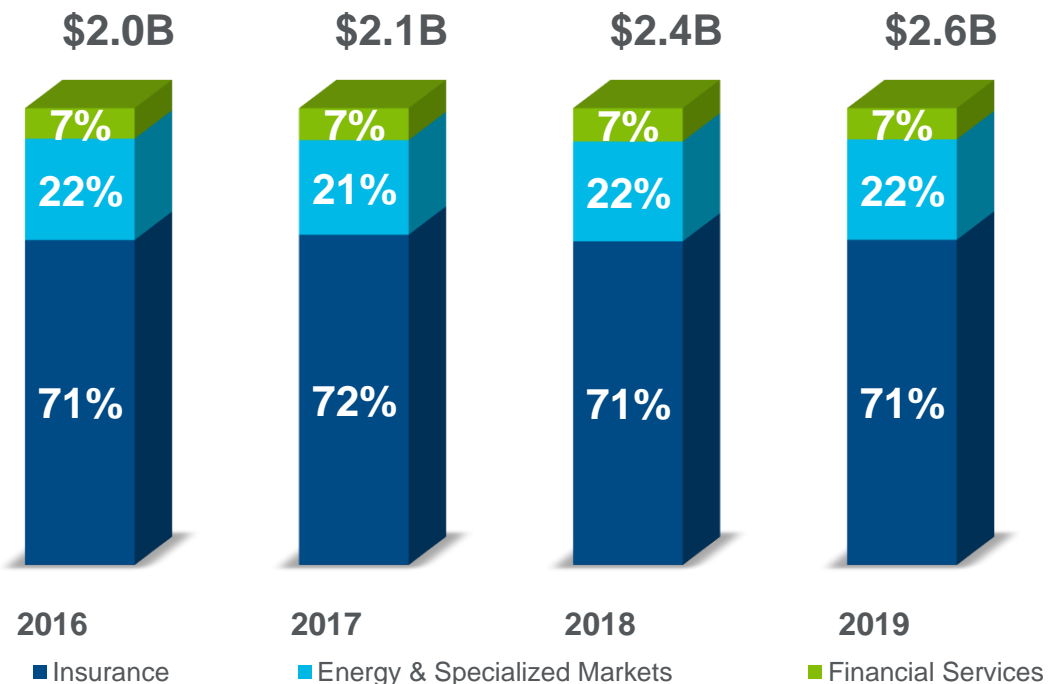


1. Organic growth includes businesses owned for a full year or more at measurement.
 2. Figures exclude discontinued operations.
 3. Normalized Organic Constant Currency growth excludes the impact of non-recurring revenue benefits in 2017



High-Quality Recurring Revenue across a Diversified Solution Set

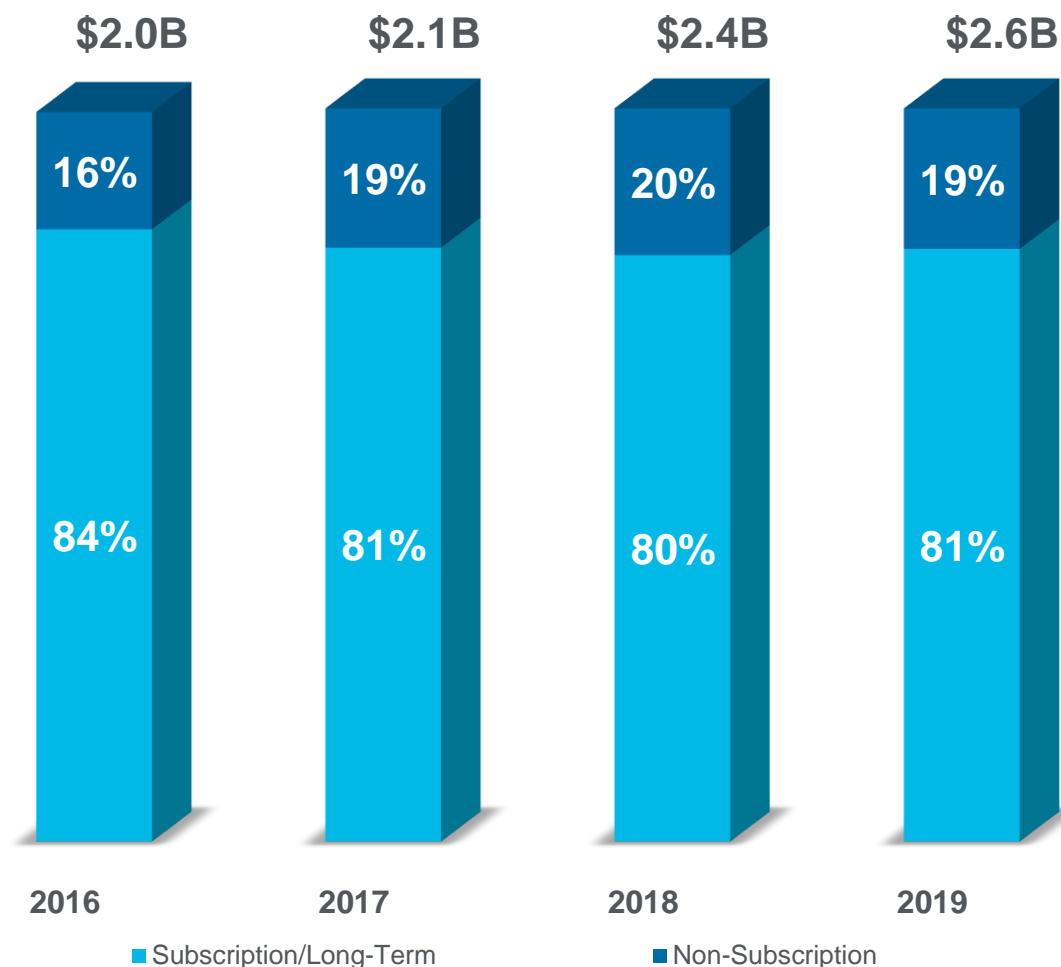
Revenue – Segment Breakdown



International Revenue

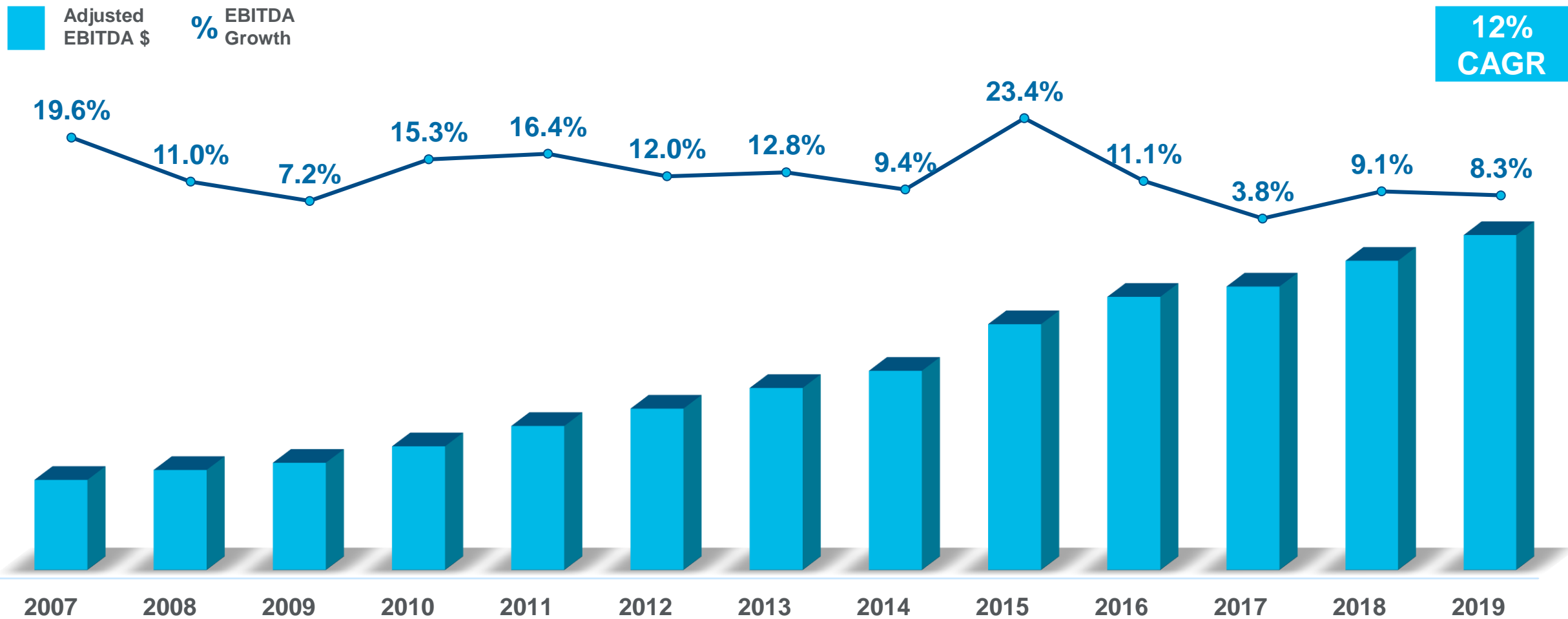


Revenue – Subscription vs. Non-Subscription





Solid Profitability Growth^{1,2}



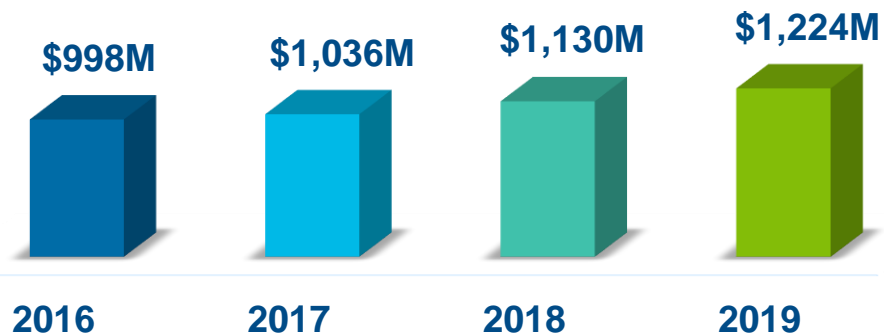
1. Figures exclude discontinued operations.

2. Adjusted EBITDA defined as EBITDA before non-operating acquisition-related costs and non-recurring items; see Appendix for itemized detail.

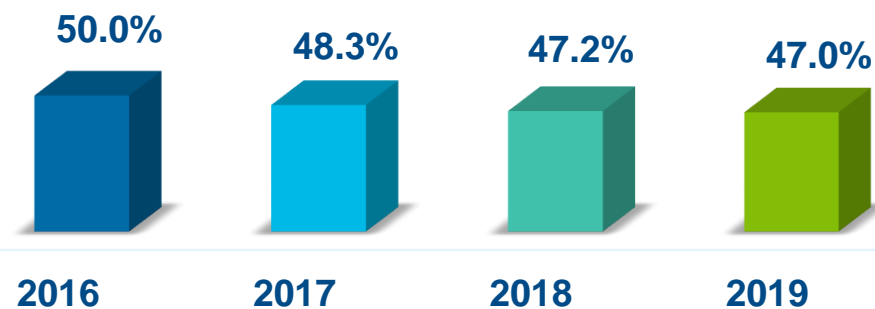


Healthy Margin Profile

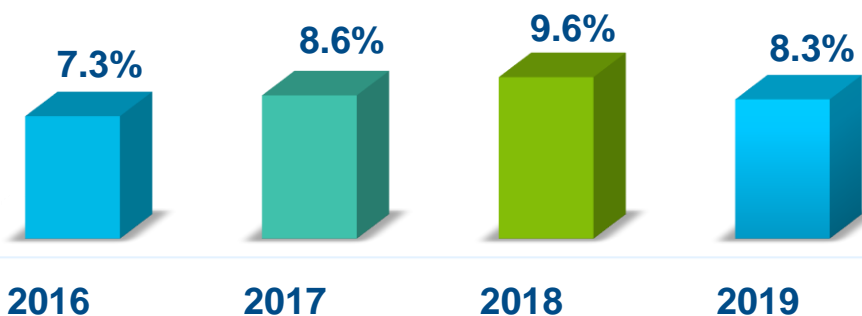
Adjusted EBITDA ^{1,2}



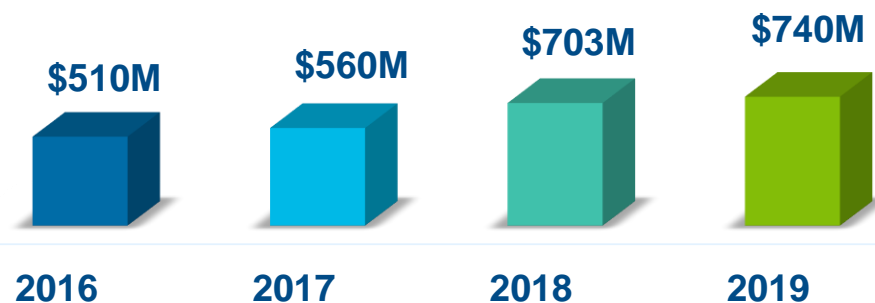
Adjusted EBITDA Margins ^{1,2}



Capital Expenditures as a % of Revenue ¹



Free Cash Flow ^{1,3}



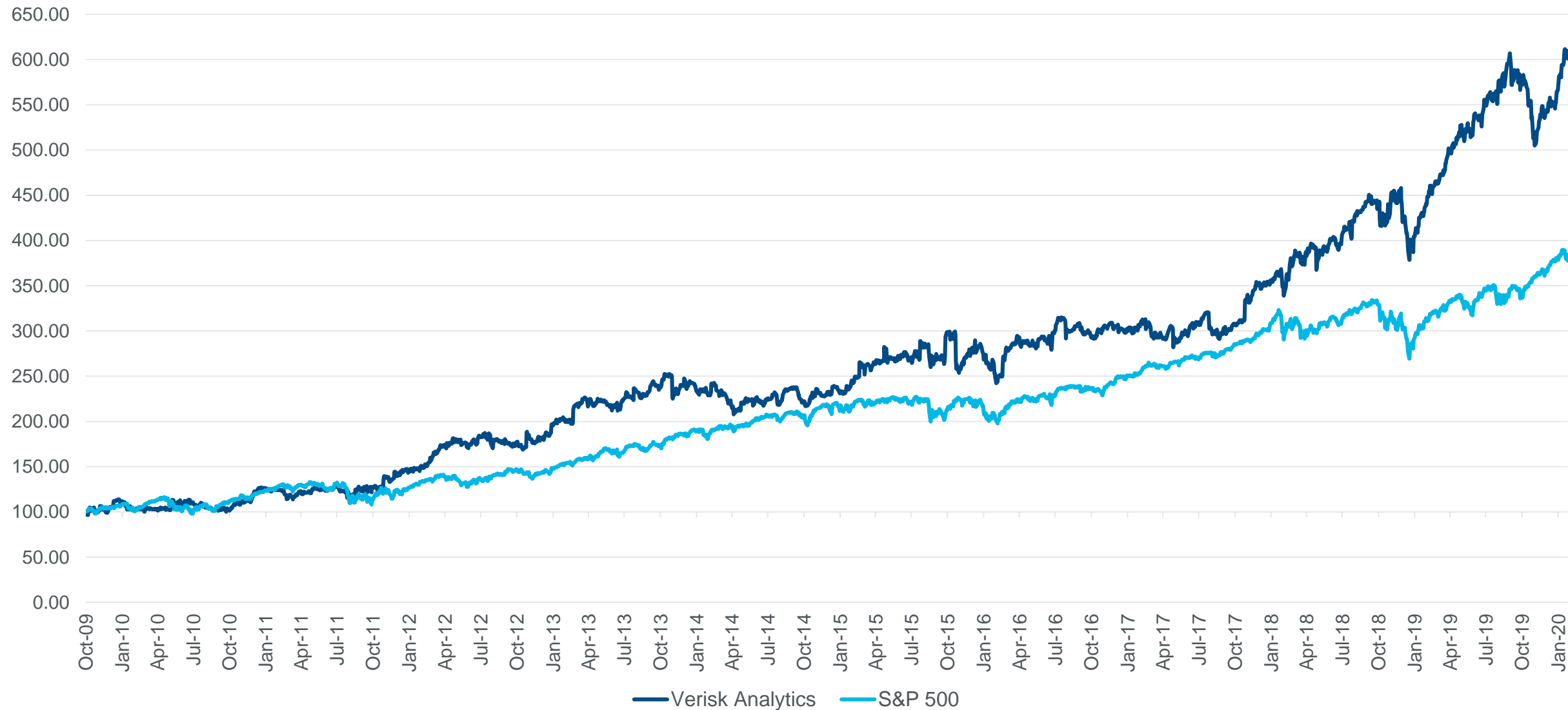
1. Figures exclude discontinued operations.

2. Adjusted EBITDA defined as EBITDA before non-operating acquisition-related costs and non-recurring items; see Appendix for itemized detail.

3. 2016 free cash flow is normalized for \$100M of taxes paid related to the divestiture of the healthcare business.



Ten Years of Growth: Verisk Stock Outperforms the S&P 500





A Differentiated Business Model

- Unique and defensible data sets
- Substantial growth opportunities capitalizing on megatrends across verticals
- Stable subscription revenue base with established organic growth record
- Scaled business model with leading margins and operating leverage
- Attractive returns through compounding growth and disciplined capital allocation
- Work with purpose to address risks faced by businesses, people, and communities



Appendix: Non-GAAP Reconciliations



Non-GAAP Reconciliations

Specified Metrics

The company has provided certain non-GAAP financial information as supplemental information regarding its operating results. These measures are not in accordance with, or an alternative for, U.S. GAAP and may be different from non-GAAP measures reported by other companies. The company believes that its presentation of non-GAAP measures provides useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. In addition, the company's management uses these measures for reviewing the financial results of the company, for budgeting and planning purposes, and for evaluating the performance of senior management.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Expenses

EBITDA represents GAAP net income adjusted for (i) depreciation and amortization of fixed assets; (ii) amortization of intangible assets; (iii) interest expense; and (iv) provision for income taxes. Adjusted EBITDA represents EBITDA adjusted for acquisition-related costs (earnouts), gain/loss from dispositions (which includes businesses held for sale), nonrecurring gain/loss, and interest income on the subordinated promissory note. Adjusted EBITDA expenses represent adjusted EBITDA net of revenues. The company believes these measures are useful and meaningful because they allow for greater transparency regarding the company's operating performance and facilitate period-to-period comparison.

Adjusted Net Income and Diluted Adjusted EPS

Adjusted net income represents GAAP net income adjusted for (i) amortization of intangible assets, net of tax; (ii) acquisition-related costs (earn-outs), net of tax; (iii) gain/loss from dispositions (which includes businesses held for sale), net of tax; (iv) nonrecurring gain/loss, net of tax; and (v) interest income on the subordinated promissory note, net of tax. Diluted adjusted EPS represents adjusted net income divided by weighted-average diluted shares. The company believes these measures are useful and meaningful because they allow evaluation of the after-tax profitability of the company's results excluding the after-tax effect of acquisition-related costs and nonrecurring items.

Free Cash Flow

Free cash flow represents net cash provided by operating activities determined in accordance with GAAP minus payments for capital expenditures. The company believes free cash flow is an important measure of the recurring cash generated by the company's operations that may be available to repay debt obligations, repurchase its stock, invest in future growth through new business development activities, or make acquisitions.

Organic Constant Currency (OCC)

The company's operating results, such as, but not limited to, revenue and adjusted EBITDA, reported in U.S. dollars are affected by foreign currency exchange rate fluctuations because the underlying foreign currencies in which it transacts change in value over time compared with the U.S. dollar; accordingly, it presents certain constant currency financial information to assess how the company performed excluding the impact of foreign currency exchange rate fluctuations. The company calculates constant currency by translating comparable prior-year-period results at the currency exchange rates used in the current period. The company defines "organic" as operating results excluding the effect of recent acquisitions and dispositions (which include businesses held for sale) that have occurred over the past year. An acquisition is included as organic at the beginning of the calendar quarter that occurs subsequent to the one-year anniversary of the acquisition date. Once an acquisition is included in its current-period organic base, its comparable prior-year-period operating results are also included to calculate organic growth. A disposition (which includes a business held for sale) is excluded from organic at the beginning of the calendar quarter in which the disposition occurs (or when a business meets the held-for-sale criteria under U.S. GAAP). Once a disposition is excluded from its current-period organic base, its comparable prior-year-period operating results are also excluded to calculate organic growth. The organic presentation enables investors to assess the growth of the business without the impact of recent acquisitions for which there is no prior-year comparison. A disposition's results are removed from all prior periods presented to allow for comparability. The company believes organic constant currency is a useful and meaningful measure to enhance investors' understanding of the continuing operating performance of its business and to facilitate the comparison of period-to-period performance because it excludes the impact of foreign exchange rate movements, acquisitions, and dispositions.



Non-GAAP Reconciliations

Adjusted EBITDA

	2019	2018	2017	2016	2015	2014	2013
Net income	\$449.9M	\$598.7M	\$555.1M	\$591.2M	\$507.6M	\$400.0M	\$348.4M
Depreciation and amortization of fixed assets	185.7	165.3	135.6	119.1	96.6	65.4	49.2
Amortization of intangible assets	138.0	130.8	101.8	92.5	70.4	30.1	36.2
Interest expense	126.8	129.7	119.4	120.0	121.4	70.0	76.1
Provision for income taxes	118.5	121.0	135.9	202.2	196.6	208.5	184.8
Litigation reserve	125.0	—	—	—	—	—	—
Acquisition-related costs (earn-outs)	74.0	5.1	—	—	—	—	—
Loss from disposition	6.2	—	—	—	—	—	—
Gain on derivative instruments	—	—	—	—	(58.6)	—	—
Gain and interest on subordinated promissory note receivable	—	(20.4)	(11.6)	(6.5)	—	—	—
Gain on sale of equity investments	—	—	—	(1.5)	—	—	—
Nonrecurring ESOP charge	—	—	—	(18.8)	—	—	—
Nonrecurring severance charges	—	—	—	2.1	—	—	—
Gain on warrant exercises	—	—	—	—	(15.6)	—	—
Income from discontinued operations	—	—	—	(139.7)	(20.1)	(46.0)	(29.5)
Adjusted EBITDA	1,224.1	1,130.2	1,036.2	998.2	898.3	728.0	665.2



Non-GAAP Reconciliations

Free Cash Flow

	2019	2018	2017	2016
Net cash provided by operating activities	\$956.3M	\$934.4M	\$743.5M	\$577.5M
Net cash provided by operating activities from discontinued operations	—	—	—	(21.4)
Capital expenditures	(216.8)	(231.0)	(183.5)	(156.5)
Capital expenditures from discontinued operations	—	—	—	10.6
Tax paid for the sale of business	—	—	—	100.0
Free cash flow	739.5	703.4	560.0	510.2



Verisk™

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