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PRESENTATION

Operator

Good day everyone and welcome to the Verisk Analytics fourth-quarter 2014 earnings results conference call. This call is being recorded.

At this time for opening remarks and introductions, I would like to turn the call over to Verisk SVP and Treasurer, Ms. Eva Huston. Ms. Huston, please go ahead.

Eva Huston - *Verisk Analytics, Inc. - SVP and Treasurer*

Thank you, Shannon, and good morning to everyone. We appreciate you joining us today for a discussion of our fourth-quarter 2014 financial results. With me on the call this morning are Scott Stephenson, President and Chief Executive Officer, and Mark Anquillare, Chief Financial Officer. Following comments by Scott and Mark highlighting some key points on our strategic priorities and financial performance we will open up the call for your questions.

All numbers we discuss today unless otherwise stated will reflect continuing operations and exclude the results from Interthinx. Interthinx is shown in discontinued operations reflecting the sale of the business in March 2014.

The earnings release referenced on this call as well as the associated 10-K can be found in the investor section of the website, Verisk.com. The earnings release has also been attached as an 8-K which we have furnished to the SEC. A replay of this call will be available for 30 days until March 26, 2015 on our website and by dial-in.

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

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

Thanks, Eva, and good morning everyone. We are very pleased with the results we reported last night with outstanding revenue growth and strong operating discipline.

In the fourth quarter, we delivered excellent results with total revenue growth of about 12% and an increase in diluted adjusted EPS of about 18%. Full-year revenue and diluted adjusted EPS both grew about 9%.

Excluding the costs associated with the FTC review of the EVT transaction and the fourth-quarter Risk Assessment reorganization costs that Mark will discuss in more detail, our diluted adjusted EPS growth in the quarter was 22%. Our consolidated organic revenue growth for the full year was 9.4%. Profitability was strong with an EBITDA margin of 46.2% in the quarter and 46% for the full year. Adjusting for FTC related costs and Decision Analytics and the reorganization in Risk Assessment, full-year EBITDA margins were 46.6%. This is consistent with our expectations and previous comments that we would maintain margins at about the same level as 2013 while also investing in our business.

As you know in December, we concluded our efforts to acquire EVT following the vote by the FTC to challenge the transaction. We worked hard to come to a mutually agreeable solution with the FTC but no agreement could be reached that was in the best interest of our shareholders. While we were disappointed in the FTC's decision, we are committed to remote sensing and imagery analytics and intend to be the leader in these areas.

For competitive reasons, we will be measured today in our comments regarding our go-forward strategy. The solutions we have and will create over time will be based on a multi-tier multi-spectral set of images. We are doing this today with satellites in our Verisk Climate division and with non-satellite images at Xactware. In fact, Xactware recently announced their Property InSight is now available for all residential, commercial and agricultural structures in the United States. The Property InSight data bundle includes 3D property models, roof, exterior and property measurements and property risk factors among other critical data points for professionals who work with properties.

We also announced the launch of the Xactware Remote Sensing Lab, a collaborative industry group dedicated to developing remote sensing technologies specific to the property industry. The lab is a natural extension of Verisk's long history of partnering with customers on new technology and applications. Participants in the lab include experts in remote sensing, computer vision, geospatial intelligence and analysis, computer science, engineering and geology.

We expect to pursue our strategy through balanced investments synchronized with revenue growth and will remain within our typical margin expectations.

As we had accumulated cash in anticipation of the EVT transaction, we determined that a return of capital to our shareholders in the form of a \$500 million accelerated share repurchase was appropriate. This was in addition to the \$90 million in the fourth quarter and \$275 million for the full year we spent repurchasing shares in the open market. Our remaining authorization at the end of the quarter was \$190 million.

We continue to feel confident in our long-term opportunities to grow shareholder value and the accelerated share repurchase is evidence of that confidence.

In addition to returning capital to our shareholders, we remain active in looking at M&A opportunities. We continue to focus on assets with a strong strategic fit and as we have been discussing with you, we are interested in using acquisitions to support our international expansion efforts. We remain interested in both our existing verticals as well as potentially other global verticals that can leverage our existing intellectual property.

In the fourth quarter, we made two small acquisitions both of which expanded our global footprint. One, Dart, is in financial services and is now part of Argus. The other, Maplecroft, is in the area of country and political risk and an important complement to our existing supply chain initiatives.

Dart is a leading provider of benchmarking and advisory solutions to financial services institutions in Australia, New Zealand and other Asia-Pacific markets. Argus and Dart will serve financial institutions in lending and payment product optimization.

Maplecroft, which is based in the UK, uses a proprietary data aggregation and analytical approach enabling its customers to assess, monitor and forecast a growing range of worldwide risks including geopolitical and societal risks, many down to the local site level. Maplecroft's unique solutions are used by multinational companies, financial institutions, governments and NGOs.

Maplecroft's research data and platforms complement our world-class capability and natural catastrophe and extreme weather impact assessment in order to form a comprehensive set of analytics solutions. The combination will enable organizations to make informed risk-adjusted decisions for their assets, operations and supply chains. With the addition of Maplecroft, we are establishing ourselves as a leading provider of value chain optimization tools providing comprehensive quantitative risk analytics and platforms by which our customers can visualize, quantify, mitigate and manage their risks.

We have rebranded the Company Verisk Maplecroft to reflect our growing international strategy. You will have a chance to see Maplecroft's solutions at our Investor Day next week on March 5 in New York City.

As we look back over the past two years, we have been able to deliver very good results in the context of a temporary step up in our investments and a sizable expansion of our healthcare business. Both our organic revenue growth and our operating profitability continue to be sector leading and we remain committed to a prudent mix of M&A and share repurchases over time to complement and enhance our core businesses. This combination positions us very well to deliver the kinds of shareholder returns over the next several years that we expect of ourselves and that you expect of us.

So with that, let me turn it over to Mark to cover the financials in more detail.

Mark Anquillare - *Verisk Analytics, Inc. - EVP and CFO*

Thank you, Scott. For the fourth quarter, we again delivered both revenue and EBITDA growth while also investing in the future. Revenue grew 11.6% for the quarter ended December 31, 2014, and 9.5% for the fiscal year 2014. Excluding the effect of recent acquisitions, revenue grew 11.4% for the fourth quarter and 9.4% for the fiscal year 2014. The strong organic growth reflects the health of our business and the value we deliver to our customers.

Within the Decision Analytics segment, revenue grew 15.2% for the fourth quarter 2014 and 15% on an organic basis. Revenue growth in the quarter was driven by strong performances in financial services, healthcare and insurance. For the full year, Decision Analytics revenue grew 12.1% as reported and organically. Within Decision Analytics, our Insurance category grew 12.3% for the fourth quarter of 2014. Underwriting solutions led the growth followed by Catastrophe Modeling and loss quantification solutions.

Insurance fraud claim solutions also contributed to the growth. Overall growth was driven by the increased adoption of existing and new solutions and annual increases in invoices.

Touchstone, our next-generation Catastrophe Modeling platform continued to drive growth as did our GIS risk platform and property replacement cost underwriting solutions.

In the financial services category, revenue grew 25.2% in the fourth quarter 2014. The revenue increase was driven by demand for our analytics solutions and services. As you know, we sometimes see project revenue in the fourth quarter from our clients as they look to fully utilize their budgets and again saw that in 2014.

For the full-year, financial services revenue grew 19.3%.



In the Healthcare vertical, revenue in the fourth quarter grew 21.8%, all organic, with growth across all divisions led by Payment Accuracy solutions. For the fiscal year 2014, revenue in Healthcare grew 16.2%, at the higher end of the direction we gave you for mid-teens growth. This is a strong outcome in the area of our business that is more transactional than the rest of Verisk.

As we look ahead to 2015, we want you to understand a change in one part of the revenue in the Medicare Advantage area of our RQI business at Verisk Health. We recently adjusted some of our contract language at Verisk Health to accommodate health plans that want to include prospective health assessment costs in their medical loss ratios. We preferred changing the contract language instead of becoming a licensed medical provider. There is no impact to our bottom line as we have always netted out these revenues and expenses. The only result is less pass-through revenue in 2015 than in prior years.

Overall we expect to see good growth for the full year versus comparable 2014 revenue number of \$279.5 million. Similar to 2014, revenue growth will be somewhat weighted to the latter part of the year and while we don't break out profitability at Verisk Health, we expect EBITDA to grow faster than revenue in 2015 as we continue with our program of operational improvements.

In the Specialized Markets category, revenue declined 0.5% in the fourth quarter 2014 and 0.8% for the full year. Good growth in weather and climate analytics and environmental health and safety solutions was more than offset by lower activity related to government customers. Verisk Climate continues to provide important analytic content for insurance customers and our supply chain related initiatives.

The Specialized category will return to growth in 2015, both as reported and organically.

Turning to Risk Assessment; for the fourth quarter, we reported revenue growth of 5.5% indicating the value to our long-standing insurance customers. The overall increase within the segment was due in part to 5.1% revenue growth of our industry standard insurance programs resulting primarily from growth in 2014 invoices effective January 1. Property specific rating and underwriting revenue increased 6.8% in the fourth quarter. Growth was a result of new sales with higher committed volumes. For the full year, Risk Assessment revenue grew 5.2% driven by 5.1% growth in industry-standard programs and 5.7% in property specific ratings in the underwriting category.

For the fourth-quarter 2014, EBITDA grew 13.4% to \$214.6 million with an EBITDA margin of 46.2%. For the fiscal year 2014, EBITDA grew 7.8% to \$803 million with an EBITDA margin of 46%. Excluding professional fees related to the FTC of \$6.9 million for the full-year 2014 including \$1.7 million in the fourth quarter as well as Risk Assessment reorganization costs of \$4.8 million in the fourth quarter 2014, EBITDA margin was 46.6% for the fiscal year 2014.

The fourth quarter 2014 EBITDA margin for Decision Analytics increased 41.1% from 38.5% in the fourth quarter of 2013. The fiscal year 2014 EBITDA margin in Decision Analytics was 39.6% versus 40.7% in the fiscal year 2013. Excluding the FTC-related costs, full-year Decision Analytics EBITDA margin was 40.2%.

Over the past year, we have been working to position our core Insurance business for sustained growth and innovation into the future. In the fourth quarter, we offered voluntary resignation packages to a group of our long tenured employees to honor their solid contributions to the business. The Risk Assessment reorganization was a talent realignment rather than simply a cost reduction exercise. We intend to reinvest the savings from those taking these packages back into our core business in the areas like product strategy, advanced analytics, technology platforms, and customer engagements which are crucial for sustained innovation.

The fourth-quarter 2014 EBITDA margin Risk Assessment decreased to 55.4% from 57% in fourth-quarter 2013. Reported fiscal year 2014 EBITDA margin for Risk Assessment was 56.7% versus 56.1% in the fiscal year 2013. Excluding the reorganization costs, EBITDA margin Risk Assessment was 58.3% and 57.4% in the fourth quarter of 2014 and fiscal year 2014 respectively, an increase versus the comparable periods in 2013.

Our interest expense was down nominally in the first quarter versus the respective period in 2013. This decrease was due to repayment of private placement debt of \$180 million during 2013. Our reported effective tax rate was 37.8% for the full quarter. For the full-year 2014, the effective tax rate was 37.2%.

Net income increased 15% in the fourth quarter 2014 driven by growth in the business. Net income grew 8.3% for the fiscal year 2014. Adjusted net income increased 13.5% for the fourth quarter 2014 and increased 6.4% for the fiscal year 2014.

Diluted adjusted EPS in the quarter was \$0.65 and \$2.40 for the full year reflecting growth of 18.2% and 8.6% respectively. The average diluted share count was 167.1 million shares in the quarter. On December 31, 2014, we had 161.1 million diluted shares outstanding reflecting the execution of the Accelerated Share Repurchase.

In the fourth quarter of 2014, the Company executed a \$500 million Accelerated Share Repurchase. Under the ASR program, we received an aggregate initial delivery of approximately 6.4 million shares which represented an estimated 80% of the ASR at the then current prices. The total number of shares repurchased under the ASR will be based on a discount from the daily volume weighted average price of our common stock over the course of the program which will be run up to six months or conclude earlier at the broker's option. At final settlement, we expect to receive additional shares of our stock.

In the fourth quarter we also repurchased an additional 1.5 million shares for \$90.5 million prior to the announcement of the ASR. For those shares purchased in the quarter, the average price we paid was \$60.54. At December 31, 2014, the Company had about \$190 million remaining under our share repurchase authorization. Our share repurchase program has been successful to date generating annualized IRRs of about 20%.

Turning to the balance sheet, as of December 31, 2014, our cash and cash equivalents were \$39.4 million. Total debt, both short-term and long-term, totaled \$1.4 billion including about \$160 million of revolver borrowings. Today our incremental debt capacity is about \$1 billion and will grow with our EBITDA and free cash flow. Our total debt to EBITDA at December 31 was 1.8 times, below our steady state target.

In 2014, free cash flow defined as cash provided by operating activities, less capital expenditures, adjusted for the sale of our mortgage services business grew 3.4% compared with the prior period to \$329.5 million and represented 41% of EBITDA conversion in 12 months of 2014. Growth in free cash flow was driven by improved profitability of the business and stable CapEx partially offset by shifts in the timing of tax benefits in 2013 previously discussed as well as other timing items.

Capital expenditures were \$146.8 million in the 12 months ended December 31, 2014, an increase of \$0.8 million over the same period in 2013. Capital expenditures were 8.4% of revenue for the 12 months ended December 31, 2014.

As you think about your models for the full-year 2015, let me give you what our quarterly Verisk Health revenues for 2014 would have been if reported on the basis of the new contract language.

First quarter \$58.4 million; second quarter \$56 million; third-quarter \$81.1 million; fourth quarter \$84 million. That is \$279.5 million for the full year.

Turning to our full Company P&L, we anticipate amortization of intangibles of about \$53 million. Fixed assets, depreciation, amortization of about \$100 million and a tax rate around 38%. Because of the ASR, our share count will be down year-over-year in 2015 but we will continue to evaluate additional repurchases in the context of our broader capital allocation program and market conditions.

Based on the current debt balances and maturities, full-year interest expense will be about \$66 million with the first quarter interest expense around \$18 million, declining through the year. We expect CapEx of about \$150 million, up modestly from 2014.

Overall, we are pleased to report that our business is performing very well. We are seeing growth from multiple verticals and we are executing on our operational plans.

With that, let me turn it back over to Eva for a comment before Q&A.



Eva Huston - *Verisk Analytics, Inc. - SVP and Treasurer*

Thanks, Mark. We appreciate all the interest in Verisk. Given the large number of analysts we have covering us, we ask that you limit your questions to one question and one follow-up. This will give more people an opportunity to ask their questions.

With that, I will ask the operator to open up the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Tim McHugh, William Blair & Company.

Tim McHugh - *William Blair & Co. - Analyst*

Thanks. I guess the first question just on the margins I guess as we think towards next year. If I adjust for the new revenue presentation for Healthcare, I guess my quick math which could be wrong, tells me that is about a 90 basis point boost to the margin just because that is passthrough revenues and then there is another 60 basis points from stripping out the kind of professional fees and restructuring. Between those two, that puts you above the 45% to 47% range I guess you have talked about being within. Is that still the range then that we should think about next year or are there factors offsetting it that the underlying margins would be coming down?

Mark Anquillare - *Verisk Analytics, Inc. - EVP and CFO*

Tim, thanks for the question. I think your math is good to the extent you think about the FTC costs which we do agree are one time and the nature of the change in accounting, the 90 basis points is about right in both cases. I will continue to highlight that we have a high degree of good feelings about the business into 2015 especially around margin performance. We think that we have scale in all those businesses. What we continue to obviously balance is the investment in the business to make sure that we grow into the future. So our view is we are feeling pretty positive about where margins should be into 2015 moderated by what I would say is some overlap in the investment.

The other thing I will highlight to the team I think we tried to bring it out inside of the conversation in the script is that the IPAS reorganization albeit a \$4.8 million number is probably something that will come back into the P&L in 2015. We are looking to redeploy those resources.

Tim McHugh - *William Blair & Co. - Analyst*

Okay. And the comment, the healthcare comment was, I guess I wasn't clear from a revenue growth perspective on the new revenue presentation, are you still looking for double-digit growth or midteens growth like you were talking about last year in that business or I guess on an underlying basis, how are you thinking about the outlook there?

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

We feel good about the business. The growth in 2014 was broadly based across many different solution sets. We expect 2015 to be broadly based across several solution sets. One of the metrics among several but one that some folks follow is the rate of growth in the Medicare Advantage population. It has been the case and we expect it will continue to be the case that in that segment of what we do, we would grow faster than the underlying market which is actually true of a lot of what Verisk does across our many solutions sets. So we feel very good about our growth into 2015.

Mark Anquillare - *Verisk Analytics, Inc. - EVP and CFO*

And we would take that growth and grow it off the \$279.5 million that we were describing throughout the day.

Tim McHugh - *William Blair & Co. - Analyst*

Okay, thanks.

Operator

Manav Patnaik, Barclays.

Manav Patnaik - *Barclays Capital - Analyst*

Thank you. Good morning, guys. So just to follow-up on the Healthcare like thinking longer-term, one of your competitors obviously just went public and they have thrown our long-term targets of 20% plus with some mid-30s margins and so forth. I was just curious if you guys could provide us any color? I know anecdotally you guys are very positive on this base but just trying to get a sense of how we should think about this over the next five years?

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

Our mix is by degree different from theirs and so we are certainly interested in an (inaudible) as a company with whom we compete in some categories but our reference point is really us and the solutions that we have got and the customers that we are serving. And this is one of the places inside of Verisk where as we have said in the past, we have actually got secular tailwinds in the form of just kind of the underlying demand in the market and it causes us to feel good about where we sit. We have strengthened the business operationally and expect to continue to do that.

So it is a positive outlook for us inside of the Healthcare space.

Manav Patnaik - *Barclays Capital - Analyst*

Okay, fair enough. And then just on your M&A pipeline so for a couple of years I guess we have heard you talk about a very active M&A pipeline and maybe the last year depending EVT deals that have held you guys back. But what is the sort of road block or what is the delay in terms of executing some of these deals that you have in your pipeline?

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

Maybe then other than sort of the obvious one about the FTC process last year. I wouldn't call it a road block but I would describe us as a very thoughtful acquirer. There are any number of transactions that we could have closed over the course of the last 12 to 18 months, some of which you actually would have heard about if you observed the space around us where just based upon our sense of valuation versus the seller's ambitions, we were definitely positioned to buy businesses but for valuation considerations chose not to. We don't actually feel constrained and are leaning very heavily into the M&A agenda.

Manav Patnaik - *Barclays Capital - Analyst*

Okay, thanks a lot, guys. Congrats on the quarter.



Operator

Joseph Foresi, Janney Montgomery.

Joseph Foresi - Janney Montgomery Scott - Analyst

I was wondering, can we dig a little deeper as to why the change in the accounting methodology and what opportunities either opens or changes from a demand perspective in the Healthcare business?

Scott Stephenson - Verisk Analytics, Inc. - President and CEO

Yes, so just to go back to fundamentally why we are making this change, our customers in the context of the Accountable Care Act are being measured and managed on their medical loss ratios and they need to make sure that they don't fall below levels that the government has identified as the benchmark. So what they are interested to do is to have as many costs reflected in the expense line which is the numerator of the calculation. One of those expenses that our customers would like to have in that numerator is the cost of prospective health assessments and that is the product line that Mark was describing.

In order for us to provide the service and book the gross revenue, we would have to be treated as if we were a provider, we would have to have a provider ID. We are not interested in being that, we are not interested in having the liability associated with being a provider. All we have done is we have said that the passthrough revenue associated with that service we are just not going to book as revenue anymore.

Otherwise we are still providing the service just as much as we did before, we are simply changing the way that we account for it and that is the only change and it really has zero interaction with our business going forward.

Joseph Foresi - Janney Montgomery Scott - Analyst

Got it. That is very helpful. And then on the Insurance business, maybe you could talk a little bit about what you are seeing from an underlying demand trend. I know that there has been no correlation between premium movements but how do you feel about that and how long does it take do you think to create that imagery business as opposed to the acquisition? Thanks.

Scott Stephenson - Verisk Analytics, Inc. - President and CEO

Two very different questions, both good questions. So the insurance market has its ebbs and its flows. We are in a place right now where it certainly is not growing at high rates. It cycles around a little bit but as we have often described, our opportunity is really based on the amount of value that we can create for our customers, the amount of innovation we can put into existing and new solutions. And so our situation is very similar to what it has always been which is we love the insurance market and our customers. It is a steady market which is of course what we all look to insurance for and our performance is going to be a function of the innovation and value that we can bring.

On the aerial imagery front, I just really want to emphasize two things that I hope are clear but just to make sure. The first one is we have got fully dimensioned analytics already. The analytics are already built. And the second is that we have a set of images that cover the entire country. So we are all dressed up and ready to go.

The ongoing issue with respect to imagery is that we would like to see the quality of the images improved and in fact that was part of the thought process around EVT was that we would start with their library but improve it. We are now discussing multiple additional ways that we could go about doing that and we will inform you when we have chosen which of those paths we are going to go down but we feel very good about where we sit and we feel very bullish about the business going forward.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Thank you.

Operator

Toni Kaplan, Morgan Stanley.

Toni Kaplan - *Morgan Stanley - Analyst*

Thanks for taking my question. So in Healthcare just conceptually, how should we think about the trajectory of Healthcare growth rates in 2015 given seasonality but also given the fact that the comps are easier in the first half of the year?

Mark Anquillare - *Verisk Analytics, Inc. - EVP and CFO*

Toni, I just want to make sure I catch the question. Very similar to what we have talked in the past from a seasonal perspective, the sweeps regarding Medicare Advantage in the work that we do in RQI is second-half weighted. So we have always talked about 60% being in the second half, 40% in the first. And I think you will see that same type of ramp as we progress through the year.

If your question is a little broader, kind of to the one we had earlier, I think I will kind of reinforce Scott's position. I think we are feeling good about the business as a whole. I think we are feeling good about healthcare and one of the things I think you probably noted in the way we described the growth, RQI which is more transactional, has been strong but so has the Payment Accuracy side of the business which is a fundamental fraud fighting kind of expertise that we have and we felt good about that.

Final element or final component from a healthcare perspective, population management is the rage right now. Everyone is trying to find ways to better consume healthcare and probably get better outcomes for less cost. And that trend, that interest I think will continue to spur our enterprise analytics business. So across the board, I think we look forward to 2015.

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

Maybe just to amplify a little bit on that point, there are a couple of sort of emerging customer sets in the healthcare world. One would be the Accountable Care organizations and integrated delivery networks and their ilk and the other would be the exchanges, both public and private. And we feel very good about the territory we have been able to claim in both of those categories which is a source of encouragement for us on where we are headed.

Toni Kaplan - *Morgan Stanley - Analyst*

Okay, terrific. And then I have been reading a lot about the increasing popularity of cat bond light transactions. Can you just talk about how you expect that that trend may impact your business if at all? Thanks.

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

I appreciate the qualifier on your question because it is just important to bear in mind that cat bonds are one of many ways that catastrophe risk gets managed and transferred and in fact it is one of the lesser ways so it is identifiable because there are discrete transactions and we do very well in the category.



In 2014, we had about 80% of all those transactions but I just encourage you to keep it in context. Overall it is a small part, a very small part, of the revenue associated with what we do in catastrophe modeling.

So that said, cat bonds light, you are still going to need a calculation agent that is going to sort of stand as a third party to render a dispassionate and technically deep view of what is going on. And so if that was to expand that market overall a little bit, that would be great. We expect to be still highly competitive with respect to what is going on there.

Toni Kaplan - *Morgan Stanley - Analyst*

Terrific. Great quarter. Thanks.

Operator

Andrew Steinerman, JPMorgan.

Andrew Steinerman - *JPMorgan - Analyst*

I want to talk a little bit about the Risk Assessment business which accelerated in the fourth quarter. I remember third-quarter commentary about some shift in annualizing or annualized contracts with reinsurance customers. It seems like somehow we have overcome that so could you talk about how we accelerated in the fourth quarter? And given that 2015 invoices are out now, will the fourth-quarter trajectory for RA continue into 2015?

Mark Anquillare - *Verisk Analytics, Inc. - EVP and CFO*

Let me take that. This is Mark. First of all, I think we had a strong year for Risk Assessment. We have -- the fundamentals of the business are as strong as ever and the position we have is as strong as ever.

A couple of things to highlight as I think about the fourth quarter. First of all, some of our content is actually licensed through vendors and that revenue is strong, it has been a component of a license and there are some royalties so we saw some pickup there. So that is good news and hopefully that will continue into 2015.

And I think I have highlighted some other elements of Risk Assessment. We have talked about Risk Analyzer which is our predictive modeling. We have moved from very much focused on personal auto but into homeowners as well as into the commercial line space and that has been -- the uptake there has been very strong and very good. We have had some good news around what is our Electronic Rating Content. That is the way we take our loss cost and our rules and embed it deeply into our customers' workflows. And finally, even Workers' Comp, which we haven't talked a lot about, has some good legs in the quarter and we think will continue.

So those are the features of fourth quarter which I think will bode well into 2015.

And to answer the second part of your question, at this point you referenced about invoices. You are right, they are out and I think we have done what we have consistently tried to do. We tried to deliver value to our customers, reflect that in the invoices. At this point in time though, you have to remember that more than 50% of the way we are contracted with customers it really is about longer-term contracts now. They are committed to, they are multiple year so it is not as much annual recalculations. And I think we are going to see a consistent growth reflecting the value we provide.



Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

I will just add, those multiyear contracts Mark was referencing, they always carry year-over-year price escalators.

Andrew Steinerman - *JPMorgan - Analyst*

Perfect. Thanks, guys.

Operator

David Togut, Evercore.

David Togut - *Evercore ISI - Analyst*

Thanks. You saw a very nice acceleration in organic revenue growth in the quarter to 11% from what had really been trend line organic revenue growth in the high single digits over the last couple of years or so. So my question really is are the drivers of the higher growth rate more specific to the fourth quarter or are you generally seeing an improving demand trend that might support more of a low double-digit type organic growth rate going forward?

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

Well of course what we do is extremely broadly-based. We are in multiple verticals, etc. so I don't think there is one answer really to your question. I would say that the demand factors across the vertical markets that we serve are at least as strong as they have been. So if you sort of think of that as foundational I would say at least as strong as they have been in the recent and intermediate past. And as is always the case with our Company in 2014 including in the fourth quarter, we found ways based upon value, to grow our business at a rate which was greater than that of our customers and the underlying markets and we believe that that dynamic will continue to apply in 2015. And we have definitely been doing a lot of investing into the business to try to create new solutions, to try to re-platform existing solutions. All of these things are pro-growth and we are definitely focused on the organic growth of our business.

David Togut - *Evercore ISI - Analyst*

Appreciate that. Just as a quick follow-up, you saw a nice acceleration in growth in financial services in the quarter. I think Mark called out some project specific work behind that. But are there other factors that might support more sustained higher growth like what we saw in the fourth quarter?

Mark Anquillare - *Verisk Analytics, Inc. - EVP and CFO*

Thanks for the question. I think what we have seen inside of the financial services category is really the fundamentals of the business where we have been able to actually take that product and extend it internationally has helped. That is progress and I think that is something you will continue to see in 2015.

The other thing that is a little bit more project work, I don't want to suggest that is a big, big number but that is a typical kind of bit of a surge at year end where people and customers have some dollars to spend and they try to get their money's worth at year end. So I wouldn't necessarily annualize that piece but the underlying fundamentals internationally are very good. And the other thing that I will highlight is the world of marketing and advertising effectiveness, which is a way to go about helping advertisers understand how good and how effective their advertising is based upon the consumer and the spend, is a very big category for us and that continues to grow nicely and will have legs into 2015.



David Togut - *Evercore ISI - Analyst*

Understood. Thanks so much.

Operator

Anj Singh, Credit Suisse.

Anj Singh - *Credit Suisse - Analyst*

Thanks for taking my questions. So earlier in the call you had referenced growth in Medicare Advantage. I am just trying to balance that with some forecast that we have seen indicate that growth may inflect negative in the coming years. Just wondering how you think about the impact from that. Is there any risk to the Healthcare category's growth or is it safe to say that demand for the analytics within that space should easily offset that?

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

We don't see kind of what you were hypothesizing there. We don't actually see that. The long-term factor inside of Medicare Advantage is an aging population and a preference for the Medicare Advantage product. So I'm not quite sure whose projection you are referencing.

First, the most recent look at growth in the enrolled populations was actually very strong high-single digits. So between that and our own work to make what we do valuable for our customers, we feel good about the environment.

Anj Singh - *Credit Suisse - Analyst*

Got it. Yes, it is the CMS office of the Actuary that I believe has those forecasts a little bit further out showing that the growth there dips.

But I guess moving on to my next question, wondering if you can discuss the headcount reductions in Decision Analytics during the fourth quarter. Can you tell us which category this was attributable to? Is there more room for efficiency there? And perhaps how you think about your SG&A going forward in light of it being remarkably flat the past few years?

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

So first of all just to make sure you are clear, the headcount reduction was in Risk Assessment, not Decision Analytics. Basically it was we took the opportunity really on a one-time basis to reset the talent inside of that business. As Mark said, we are trying to make the unit more analytic and more capable of the kind of high-value growth that we are looking for. So it really was a moment in time readjustment and this is inside of what is really the oldest part of Verisk ISO and so we just made our assessments.

Clearly what we did has made us stronger and will continue to make us stronger into the future. So we feel very, very good about it. The transition was quite smooth and in line with what we expected.

Mark, do want to talk about SG&A at all?



Mark Anquillare - *Verisk Analytics, Inc. - EVP and CFO*

Sure. I believe your question there was on a broader context, the SG&A category throughout the corporation. I think we have a constant goal to try to be continuously improving those operations and inside the SG&A category, I think we have been pretty successful there.

A couple of things that I will highlight. We have done some datacenter consolidation. We continue to see benefits from that. I am not sure if those benefits will increase as much into 2015.

The other thing that helped us in 2014 was pension and the pension assets performed extremely well so there was good news and a reduction to the pension cost in 2014. As we roll into 2015, the mortality tables have changed offsetting what was good news inside of the pension asset return. So the pension will actually cost us more into 2015. I think those couple of things are more or less offsetting. I would just see some gradual increase in SG&A maybe up a little from what you have seen in 2015.

Anj Singh - *Credit Suisse - Analyst*

Okay, that is helpful. Thank you.

Operator

James Friedman, SIG.

James Friedman - *Susquehanna Financial Group/SIG - Analyst*

Great way to end the year, guys. I had a couple of questions. I guess I will ask them up front. So Mark, you had mentioned project related work in financial service. I think we have become more accustomed to seeing that in Insurance DA. Anything to call out there?

The other one is, Scott, relative to Dart and Maplecroft, as we are trying to figure out the contribution for 2015, I realize you gave an organic for the fourth quarter. Did those deals close early or late in the quarter so we can try and annualize those? Thank you.

Mark Anquillare - *Verisk Analytics, Inc. - EVP and CFO*

So from a project related work, the things that typically come to mind both in our Cat Modeling category and what we refer to as the loss quantification, which is Xactware, sometimes there is work that is done on behalf of a customer to more deeply integrate the model into their environment. Obviously cat bonds is the other element. Although these are big sometimes they do flux into fourth quarter. I don't think there was anything to call out in the fourth quarter inside the Insurance category. It was probably a little bit more than other quarters but nothing unusual.

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

To your question, Dart closed in November and Maplecroft closed in December.

James Friedman - *Susquehanna Financial Group/SIG - Analyst*

Got it. Thank you.

Operator

Andre Benjamin, Goldman Sachs.



Andre Benjamin - *Goldman Sachs - Analyst*

Good morning. Two questions, one on imagery, one on healthcare. First on imagery, I know you said you are going to be measured in your comments but I know at the time you bought EagleView you were pretty clear you thought they were a very strong competitor. Now they are going to remain a competitor. So I was just wondering how we should think about how you are thinking about competing, how aggressively you are willing to spend to become a leader and whether we should characterize imagery as remaining at the top of your priority list that you are going to pursue aggressively or if that is kind of overstating its importance relative to the whole business?

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

Imagery is a high priority for us and we believe that imagery will play a number of roles inside of Verisk. So the first order role is sort of the existing product set which is using images in the process of responding to property claims.

The next most important use will be as it relates to a higher degree of automation in the underwriting process where imagery will play a role in that. And beyond that, we think that the interpretation of images whether they are taken from 50 miles above the earth or a couple thousand feet above the earth or a couple hundred feet above the earth from a drone, all of those need to be brought together into kind of one unified way of dealing with imagery so that you get the best solution at the lowest cost.

EagleView plays at one of those levels today primarily. We intend to play at all of those levels. That is part of what we think is important here. And the other part is that just like with most of what we do, there is also a very important requirement to distinguish based on analytics and the workflow by which the analyzed output gets into the customer's own process. We intend to be doing all of those things in order to make it happen for our customers.

So we believe the category is important. We believe that we will bring a lot of strength to this and as I said, the only part of it that might register as a question is where will the images come from? Again, just want to underline we already have images for the entire country and the objective for us is to get yet more precise images and we feel very confident that we are able to do that and we are really sorting among the options for doing that right now.

Andre Benjamin - *Goldman Sachs - Analyst*

And then the second question was on RQI. I was just wondering if you could talk about your level of penetration of the client base and the updated thoughts on the size of the market? I know you've got an analyst day coming up so you may be looking to save it for then. Specifically I was interested in how many of the countries' biggest plans that have the large data and analytics firms are currently clients?

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

So we feel very good about the customer list. We have many of the name brand commercial carriers among customers for what it is that we do. Our sense is that we are a share leader in the business. It is also clear to us however that we don't work with everyone and we don't have all of the available business from those with whom we do work.

Operator

Bill Warmington, Wells Fargo.

Bill Warmington - Wells Fargo Securities - Analyst

Good morning, everyone. So I have a question for you about what impact if any you think the severe weather in the Northeast potentially has on some different parts of your business. It seems like near-term potentially you have some benefit from Xactware and XactContent from a transaction piece there but could it also be impacting Cat Modeling demand and possibly even premium growth for the coming years?

Scott Stephenson - Verisk Analytics, Inc. - President and CEO

I think you answered your own question.

Bill Warmington - Wells Fargo Securities - Analyst

Does that make sense though?

Scott Stephenson - Verisk Analytics, Inc. - President and CEO

Yes, definitely. Those are the places where our business actually responds to events. Now that said, in the course of a year, there are lots of natural events and I'm trying not to say catastrophes. There are a lot of claims that are not related to catastrophes. And so the overall claims volume is going to be a function of not just one event but a whole lot of events, some larger, some smaller, some that relate more to flooding, some that relate more to atmospherically driven events.

So I would encourage you not to get overly focused and sort of think that there is some enormous surge based on any one event but it is the case that when there are more property claims, there is more call upon the Xactware platform, we have by the way in that business we have worked to have a balance between committed subscriptions and transaction-based revenues and in fact the mix has shifted more towards the committed volumes side so that dampens the effect somewhat.

Definitely it's the case that everybody gets more sensitized to the need for good modeling when there are large-scale events that go on. And yes, rates generally tend to harden when there are more claims. I think you did identify sort of the cause and effect levers that are in there.

Again I would just say any one event or any one moment in the course of a year don't overweight it too much because there are a lot of different ways that there is damage to property and claims are being filed.

Bill Warmington - Wells Fargo Securities - Analyst

Excellent. Thank you very much.

Operator

(Operator Instructions). (inaudible) SunTrust.

Unidentified Participant

Good morning. Thanks for taking my question. I know you have mentioned in the past that you continue to balance returns of capital versus M&A. Just wondering can we expect returns of capital of a similar magnitude to the \$500 million ASR in the future or should this be viewed as a one-time in nature just given the EagleView?



Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

It is one time. We had earmarked capital for a \$650 million acquisition which we were in pursuit of for about a year and we felt that when it was clear that for the reasons I stated earlier, we were not going to do the transaction that the responsible thing to do where our shareholders were concerned was to return the capital to them. It doesn't infringe our opportunity to do M&A in the future but at the same time, we felt that it was a responsible move at a particular moment in time but definitely in response to the one-time event of the EVT transaction.

Mark Anquillare - *Verisk Analytics, Inc. - EVP and CFO*

I will highlight I think we have always said we have a preference to invest in our business and we always balance between acquisitions and share repurchases and this was just the right time given market conditions.

Unidentified Participant

Okay, thank you.

Operator

As there are no further questions on the phone lines at this time, I will now turn the call back to Mr. Scott Stevenson.

Scott Stephenson - *Verisk Analytics, Inc. - President and CEO*

Thank you. We appreciate everybody joining us here for our fourth-quarter 2014 earnings call. Appreciate your interest and we look forward to seeing many of you at Investor Day next week and of course, we will speak to you next quarter. Thanks for your time today.

Operator

This concludes today's conference call. You may now disconnect.

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