Verisk

3Q2019 Earnings Presentation

October 29, 2019

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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.

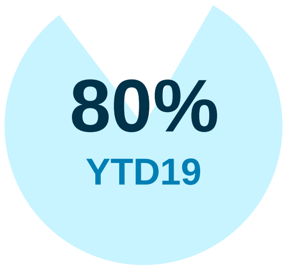
Business and Financial Highlights

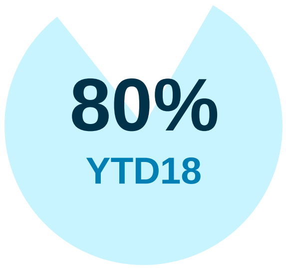
- Organic constant currency (OCC) revenue grew 7.6%, driven by continued strength in Insurance and solid improvement in Energy and Specialized Markets
- OCC adjusted EBITDA grew 7.7%, reflecting investments in future growth opportunities
- Adjusted EBITDA margins of 47.4% were flat with the prior year, as operating leverage in our core businesses was offset by investments and acquisitions
- Continued investments in new innovations across all segments, including Lens, Sequel, and telematics
- Returned more than $116M of capital to shareholders through share repurchases and dividends

Financial Summary

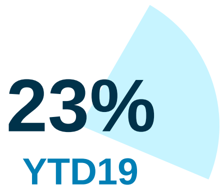
	Three months ended September 30		
	2019	2018	% change
Revenue	$653M	$599M	9.0%
Adjusted EBITDA	309	284	9.0
Adjusted EBITDA margin	47.4%	47.4%	-1 bps
Net income	33	166	-80.2
Adjusted net income	186	181	2.6
Free cash flow	153	171	-10.8
Diluted GAAP EPS	$0.20	$0.99	-79.8
Diluted adjusted EPS	$1.12	$1.08	3.7

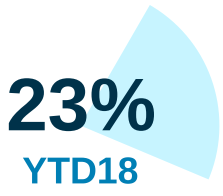
Subscription/Long-Term Revenue



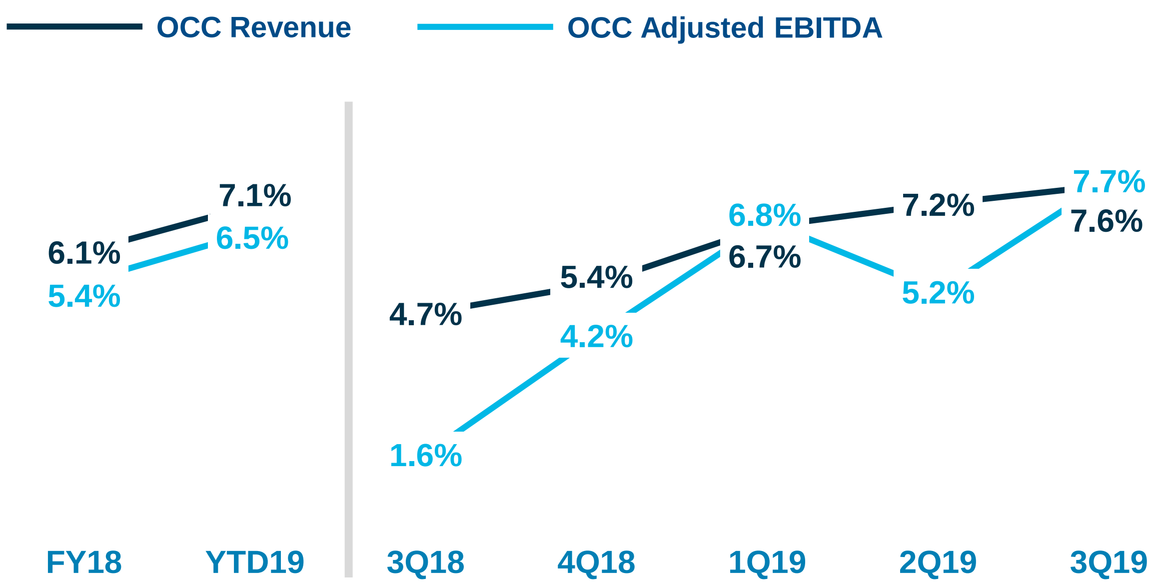


International Revenue



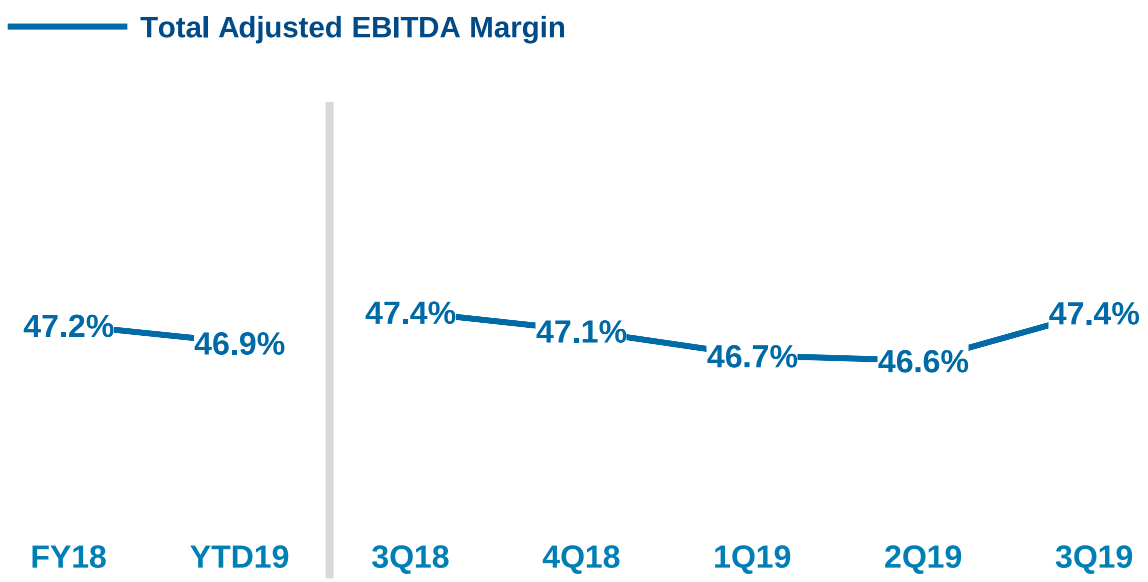


Organic Constant Currency Growth and Adjusted EBITDA Margins



Highlights

- OCC revenue grew 7.6%, a sequential improvement driven by continued strength in Insurance and improvements in Energy and Specialized Markets
- OCC adjusted EBITDA growth was 7.7%, reflecting leverage on our core business and investments in breakout opportunities



Highlights

- 3Q19 adjusted EBITDA margin was 47.4%, flat with the prior year, reflecting leverage in the core business, more than offset by investments and acquisitions
- Significant investments in future growth opportunities, including Lens, Sequel, and telematics

Segments

Insurance

Industry-leading data analytics and insights

Underwriting & Rating Solutions

ISO	Industry-standard insurance programs, property-specific underwriting & rating info, and underwriting solutions
AIR	Catastrophe and extreme event models covering natural and man-made risks such as terrorism
Sequel	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 claim outcomes and fighting fraud at every step of the process
Xactware	Loss quantification and repair cost estimating for professionals involved in all phases of building and repair
Geomni	Multitier, multispectral aerial imagery, dimensions, and structure history for residential and commercial roofs and properties

Historical Performance

Revenue

	FY16	FY17	FY18
Reported growth	9.3%	10.0%	
OCC growth	7.2%	7.2%	
Revenue	$1,419M	$1,551M	$1,706M

Adjusted EBITDA

	FY16	FY17	FY18
Reported growth	6.8%	8.3%	
OCC growth	7.2%	7.2%	
Adjusted EBITDA	$790M	$844M	$914M

Contribution

72% of total Verisk

YTD19 Revenue

81% of total Verisk

YTD19 Adjusted EBITDA

Insurance Quarterly Performance

Financials

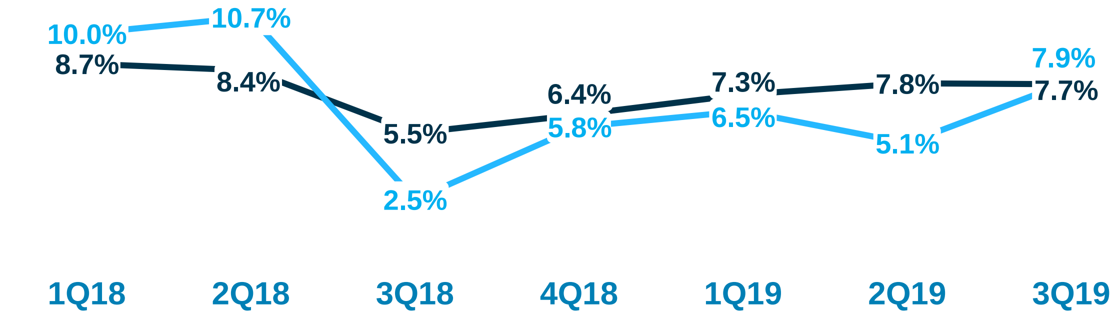
	3Q19	3Q18	% change Reported	% change OCC
UW & rating	$310M	$285M	8.8%	7.9%
Claims	157	143	9.8	7.4
Revenue	**467**	**428**	**9.2**	**7.7**
Adjusted EBITDA	**248**	**228**	**8.7**	**7.9**
Total margin	53.1%	53.3%		

Business Highlights

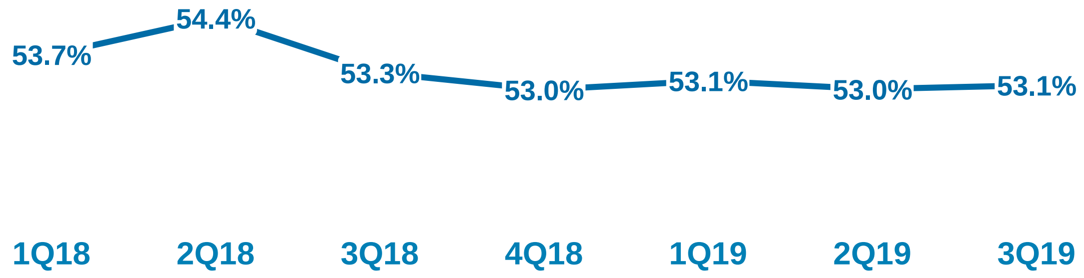
- UW & rating growth was broad-based with strong results in personal and commercial lines and in our international businesses
  - Industry-standard programs and catastrophe modeling solutions delivered solid growth with new customer wins
  - Solid contributions from new innovations, including LightSpeed Auto
- Claims growth driven by claims analytics, repair cost estimating, remote imagery and international solutions
- Total adjusted EBITDA margin declined 25 bps to 53.1%, reflecting investments in breakout solutions and acquisitions

Organic Constant Currency Growth

Revenue Adjusted EBITDA



Total Adjusted EBITDA Margin



Energy and Specialized Markets

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

Energy

Wood Mackenzie

Energy and natural resources solutions across Research & Analytics and Advisory Services

Providing engaging digital platforms and tools to support objective decision making for the oil and gas, metals and mining, chemicals, subsurface, and power and renewables industries

Power Advocate

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

Specialized Markets

aer

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

Verisk Maplecroft

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

Verisk 3E

Supports compliance with global environmental health and safety requirements

Historical Performance

	FY16	FY17	FY18
Reported growth		0.4%	15.4%
OCC growth		1.4%	4.9%

Revenue

	FY16	FY17	FY18
Reported growth		-12.9%	16.4%
OCC growth		-6.2%	1.9%

Adjusted EBITDA

Contribution

YTD19 Revenue

YTD19 Adjusted EBITDA

Energy and Specialized Markets Quarterly Performance

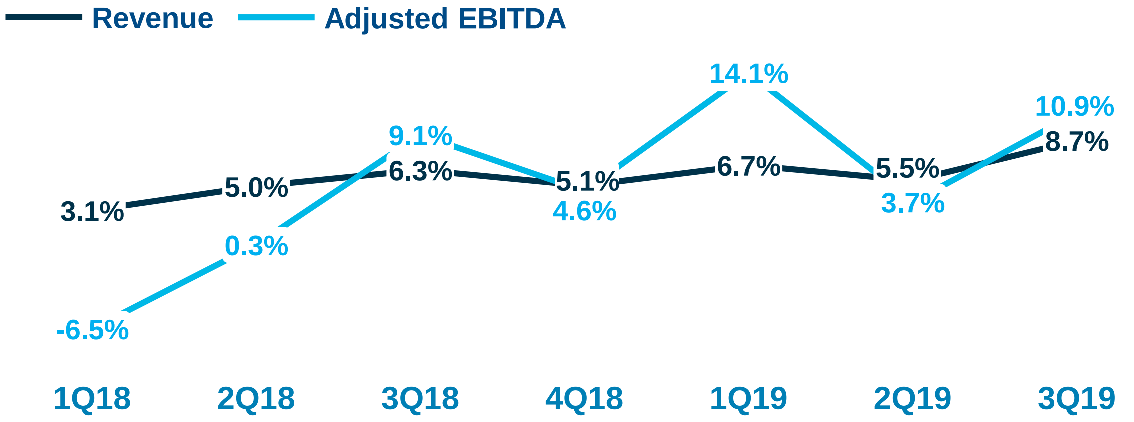
Financials

	3Q19	3Q18	% change Reported	% change OCC
Revenue	**$143M**	**$128M**	**11.6%**	**8.7%**
Adjusted EBITDA	**47**	**40**	**17.2**	**10.9**
Total margin	33.3%	31.7%		

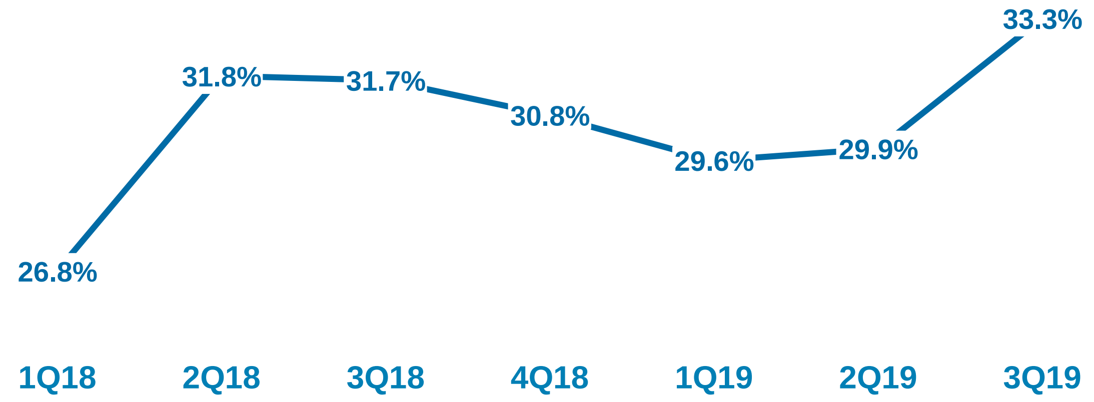
Business Highlights

- OCC revenue growth of 8.7%, driven by market and cost intelligence solutions and core research and consulting revenues
  - Solid growth in breakouts, including subsurface, chemicals and the energy transition practice
- Total adjusted EBITDA margin expanded to 33.3%, reflecting leverage on strong sales and cost discipline offset in part by continued investment in breakouts

Organic Constant Currency Growth



Total Adjusted EBITDA Margin



Financial Services

Big data, predictive analytics, and insights

Portfolio Analytics, Regulatory Data Management, and Marketing

Verisk Financial | Argus — Solutions for financial institutions, including competitive benchmarking, decisioning algorithms, and advisory services, and data management platforms

Verisk Financial | Fintellix — Regulatory reporting solutions for the banking sector and data management platforms

Verisk Financial | Marketview — Consumer spending analysis and insights

Credit Risk Management, Fraud, and Abuse

Verisk Financial | LCI — Risk management tools associated with bankruptcy management and debt collection

Verisk Financial | G2 — Solutions detecting illicit, fraudulent, and noncompliant merchant activity for e-commerce and payments companies

Historical Performance

	FY16	FY17	FY18
Reported growth	12.5%	17.3%	
OCC growth	-2.9%	-1.8%	

Revenue

	FY16	FY17	FY18
Reported growth		6.4%	3.6%
OCC growth		-1.7%	-12.0%

Adjusted EBITDA

Contribution

7% of total Verisk

YTD19 Revenue

5% of total Verisk

YTD19 Adjusted EBITDA

Financial Services Quarterly Performance

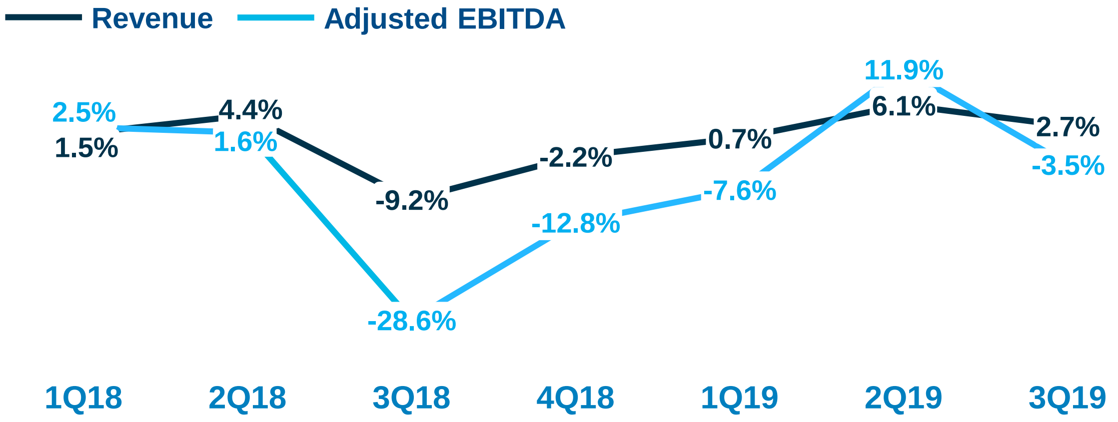
Financials

	3Q19	3Q18	% change Reported	% change OCC
Revenue	**$43M**	**$43M**	**0.1%**	**2.7%**
Adjusted EBITDA	**14**	**15**	**-7.4**	**-3.5**
Total margin	32.8%	35.5%		

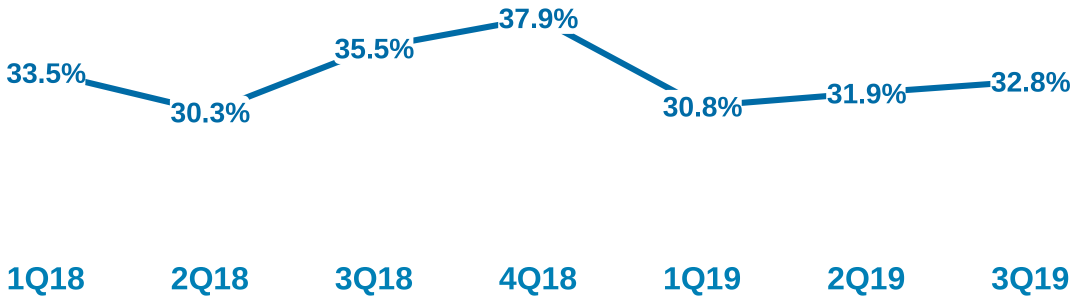
Business Highlights

- OCC revenue grew 2.7%, resulting primarily from increases in enterprise data management and fraud and credit risk management
- Delivered higher subscription growth in the quarter offset in part by headwinds from non-recurring consulting revenues
- Total adjusted EBITDA margin reflects softer sales growth and investments in future growth opportunities

Organic Constant Currency Growth



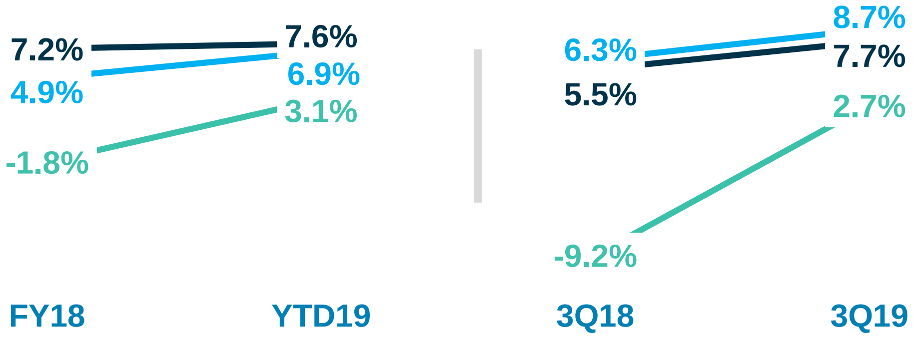
Total Adjusted EBITDA Margin



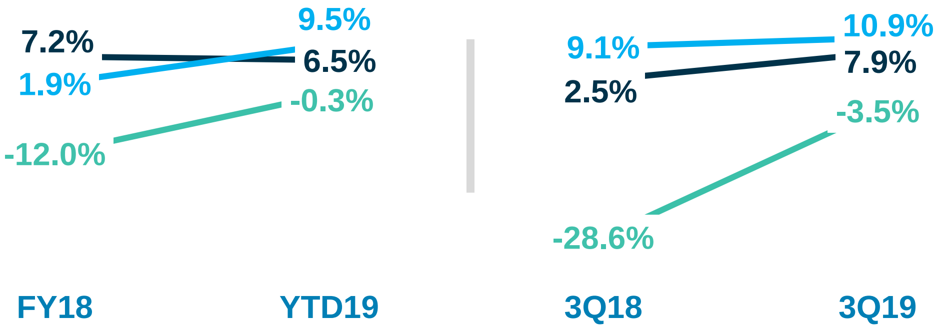
Segment Trends

Insurance Energy Financial

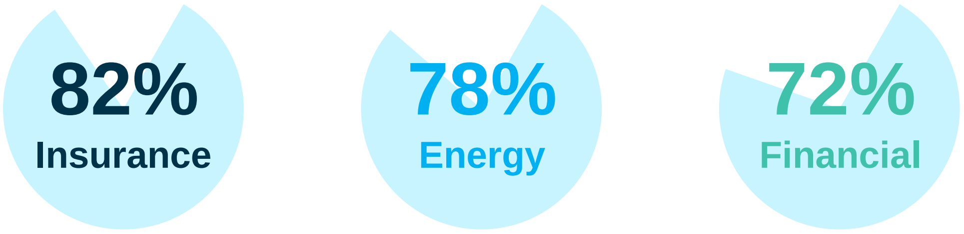
Organic Constant Currency Revenue Growth



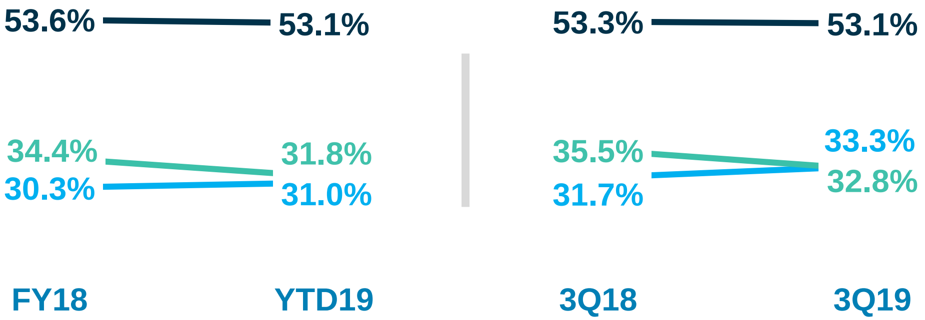
Organic Constant Currency Adjusted EBITDA Growth



YTD2019, % Subscription/Long-Term Contracts



Total Adjusted EBITDA Margins



Cash Flow and Capital

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Cash Flow Utilization

(in $ millions)	2017	2018	YTD19	3Q18	3Q19
Net cash provided by operating activities	$744M	$934M	$780M	$227M	$214M
Capital expenditures	(184)	(231)	(153)	(55)	(61)
Free cash flow (FCF)	560	703	627	172	153
Acquisitions, net of cash acquired	(915)	(153)	(114)	—	(45)
Proceeds from sale of subs, and settlement of related note	—	121	2	—	2
Net debt (repayments) borrowings	615	(300)	(35)	(195)	162
Repurchases of common stock	(276)	(439)	(200)	(103)	(75)
Dividends paid	—	—	(123)	—	(41)

Capital Structure

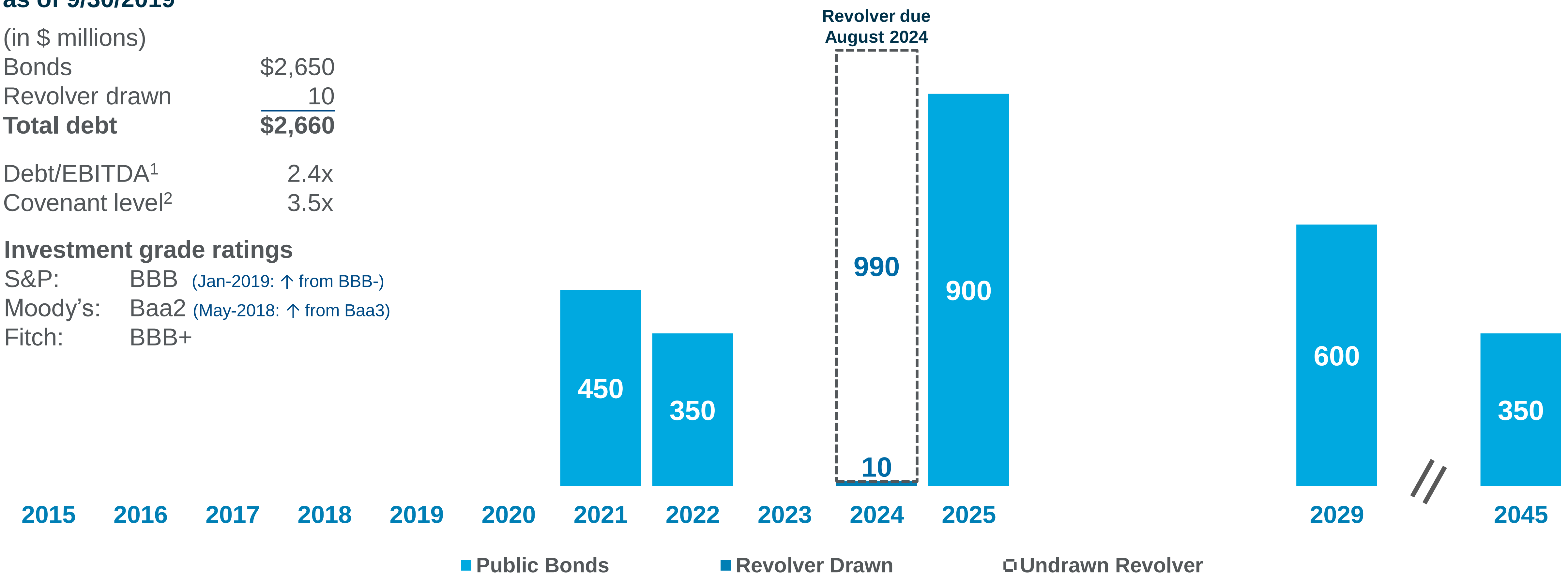
as of 9/30/2019

(in $ millions)

Bonds	$2,650
Revolver drawn	10
Total debt	**$2,660**
Debt/EBITDA[1]	2.4x
Covenant level[2]	3.5x

Investment grade ratings

S&P: BBB (Jan-2019: ↑ from BBB-)
Moody's: Baa2 (May-2018: ↑ from Baa3)
Fitch: BBB+



Notes: 1. Per bank covenant. Leverage based on reported (face) EBITDA is 2.4x.
2. At Verisk's election, covenant may increase once to 4.25x and once to 4.00x for a period of up to 12 months twice in the facility life. The facility matures in 2024. The second step-up in the leverage covenant level can occur only if actual leverage is < 3.00 times at two consecutive quarter ends after the occurrence of the first step-up.

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
- 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/or Non-GAAP Reconciliations

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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 (earn-outs), 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) nonrecurring gain/loss, net of tax; and (iv) 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 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 is excluded from organic at the beginning of the calendar quarter in which the disposition occurs. 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

Segment Results and EBITDA | Current and Prior-Year Period

Segment Results Summary and Adjusted EBITDA Reconciliation	3Q19			3Q18		
	Insurance	E&SM	FS	Insurance	E&SM	FS
Revenues	$466.8M	$142.5M	$43.4M	$427.7M	$127.7M	$43.3M
Revenues from acquisitions and disposition	(7.1)	(5.8)	(0.1)	—	—	(1.1)
Organic revenues	**459.6**	**136.7**	**43.3**	**427.7**	**127.7**	**42.2**
EBITDA	112.2	29.0	8.1	240.1	41.2	16.6
Litigation reserve	125.0	—	—	—	—	—
Acquisition-related costs (earn-out)	10.4	18.4	—	—	0.2	—
Nonrecurring loss	—	—	6.2	—	—	—
Realized gain and interest income on subordinated note receivable	—	—	—	(12.1)	(1.0)	(1.2)
Adjusted EBITDA	**247.6**	**47.4**	**14.3**	**228.0**	**40.4**	**15.4**
Adjusted EBITDA from acquisitions and disposition	(2.2)	(2.2)	0.3	—	—	(0.1)
Organic adjusted EBITDA	**245.4**	**45.2**	**14.6**	**228.0**	**40.4**	**15.3**

Non-GAAP Reconciliations

Segment Results and EBITDA | Current and Prior-Year Period

Segment Results Summary and Adjusted EBITDA Reconciliation	YTD19			YTD18		
	Insurance	E&SM	FS	Insurance	E&SM	FS
Revenues	$1,386.5M	$413.1M	$130.7M	$1,269.7M	$383.1M	$128.4M
Revenues from acquisitions and disposition	(24.4)	(11.6)	(0.1)	(0.8)	—	(1.1)
Organic revenues	**1,362.1**	**401.5**	**130.6**	**1,268.9**	**383.1**	**127.3**
EBITDA	588.2	104.5	35.4	700.4	116.0	40.9
Litigation reserve	125.0	—	—	—	—	—
Acquisition-related costs (earn-out)	22.5	23.5	—	—	0.7	3.5
Nonrecurring loss	—	—	6.2	—	—	—
Realized gain and interest income on subordinated note receivable	—	—	—	(17.2)	(1.4)	(1.8)
Adjusted EBITDA	**735.7**	**128.0**	**41.6**	**683.2**	**115.3**	**42.6**
Adjusted EBITDA from acquisitions and disposition	(8.4)	(3.8)	0.4	0.3	—	(0.1)
Organic adjusted EBITDA	**727.3**	**124.2**	**42.0**	**683.5**	**115.3**	**42.5**

Non-GAAP Reconciliations

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

Adjusted Net Income and EPS	YTD19	YTD18	3Q19	3Q18
Net income	$317.7M	$452.5M	$32.9M	$166.0M
plus: Amortization of intangible assets	100.1	98.5	33.3	33.2
less: Tax effect on amortization of intangible assets	(21.0)	(20.7)	(7.0)	(6.9)
plus: Litigation reserve	125.0	—	125.0	—
less: Income tax effect on litigation reserve	(29.9)	—	(29.9)	—
plus: Acquisition-related liabilities (earn-out) and related interests	46.8	4.2	29.1	0.2
less: Income tax effect on acquisition-related costs (earn-out)	(2.8)	(1.3)	(2.0)	—
plus: Loss on sale of assets	6.2	—	6.2	
less: Income tax effect on loss on sale of assets	(1.5)	—	(1.5)	
less: Realized gain and interest income on subordinated promissory note receivable	—	(20.4)	—	(14.3)
plus: Income tax effect on realized gain and interest income on subordinated promissory note receivable	—	4.8	—	3.3
Adjusted net income	**540.6**	**517.6**	**186.1**	**181.5**
Diluted EPS	**$1.91**	**$2.68**	**$0.20**	**$0.99**
Diluted adjusted EPS	**$3.24**	**$3.07**	**$1.12**	**$1.08**
Weighted-average diluted shares outstanding	166.7	168.6	166.8	168.2

Free Cash Flow	YTD19	YTD18	3Q19	3Q18
Net cash provided by operating activities	$779.9M	$761.0M	$213.6M	$226.6M
less: Capital expenditures	(152.8)	(154.5)	(60.7)	(55.2)
Free cash flow	**627.1**	**606.5**	**152.9**	**171.4**

Non-GAAP Reconciliations

Adjusted EBITDA | Historical Full-Year Periods

Segment Adjusted EBITDA Reconciliation	2018	2017	2016
Insurance Segment – EBITDA	$932.2M	$855.8M	$779.2M
Insurance Segment – Acquisition-related costs (earn-out)	0.8	0.2	—
Insurance Segment – Gain and interest income on subordinated promissory note receivable	17.2	11.6	6.5
Insurance Segment – Nonrecurring ESOP charge	—	—	(18.8)
Insurance Segment – Gain on sale of equity investments	—	—	1.5
Insurance Segment – Adjusted EBITDA	**914.2**	**844.0**	**790.0**
Energy and Specialized Markets Segment – EBITDA	154.4	133.6	151.2
Energy and Specialized Markets Segment – Acquisition-related costs (earn-out)	(2.4)	—	—
Energy and Specialized Markets Segment – Gain and interest income on subordinated promissory note receivable	1.4	—	—
Energy and Specialized Markets Segment – Nonrecurring severance charges	—	—	(2.1)
Energy and Specialized Markets Segment – Adjusted EBITDA	**155.4**	**133.6**	**153.3**
Financial Services Segment – EBITDA	58.9	58.4	54.9
Financial Services Segment – Acquisition-related costs (earn-out)	(3.5)	—	—
Financial Services Segment – Gain and interest income on subordinated promissory note receivable	1.8	—	—
Financial Services Segment – Adjusted EBITDA	**60.6**	**58.4**	**54.9**

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