

# Verisk Analytics

## Scott Stephenson, CEO

Blair's 2017 Growth Stock Conference



SERVE | ADD VALUE | INNOVATE

Contact Investor Relations  
[david.e.cohen@verisk.com](mailto:david.e.cohen@verisk.com)



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

## Forward-Looking Statements

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

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

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



## Financial Highlights



Track record of strong growth and cash flow generation



80%+ subscription revenue in 2016



Investment-grade debt ratings

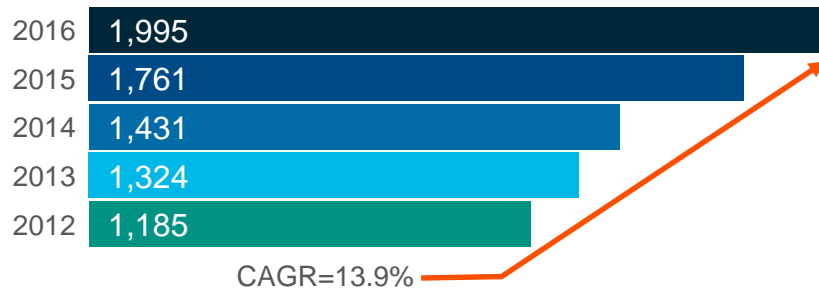
• Moody's: Baa3

• S&P: BBB-

• Fitch: BBB+

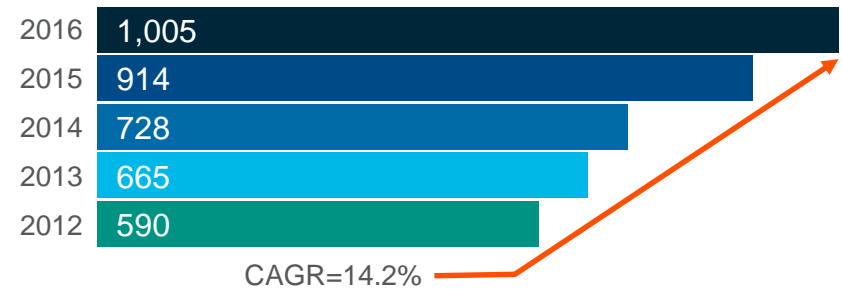
### Revenues<sup>1</sup>

\$ Millions



### Adjusted EBITDA<sup>1,2</sup>

\$ Millions

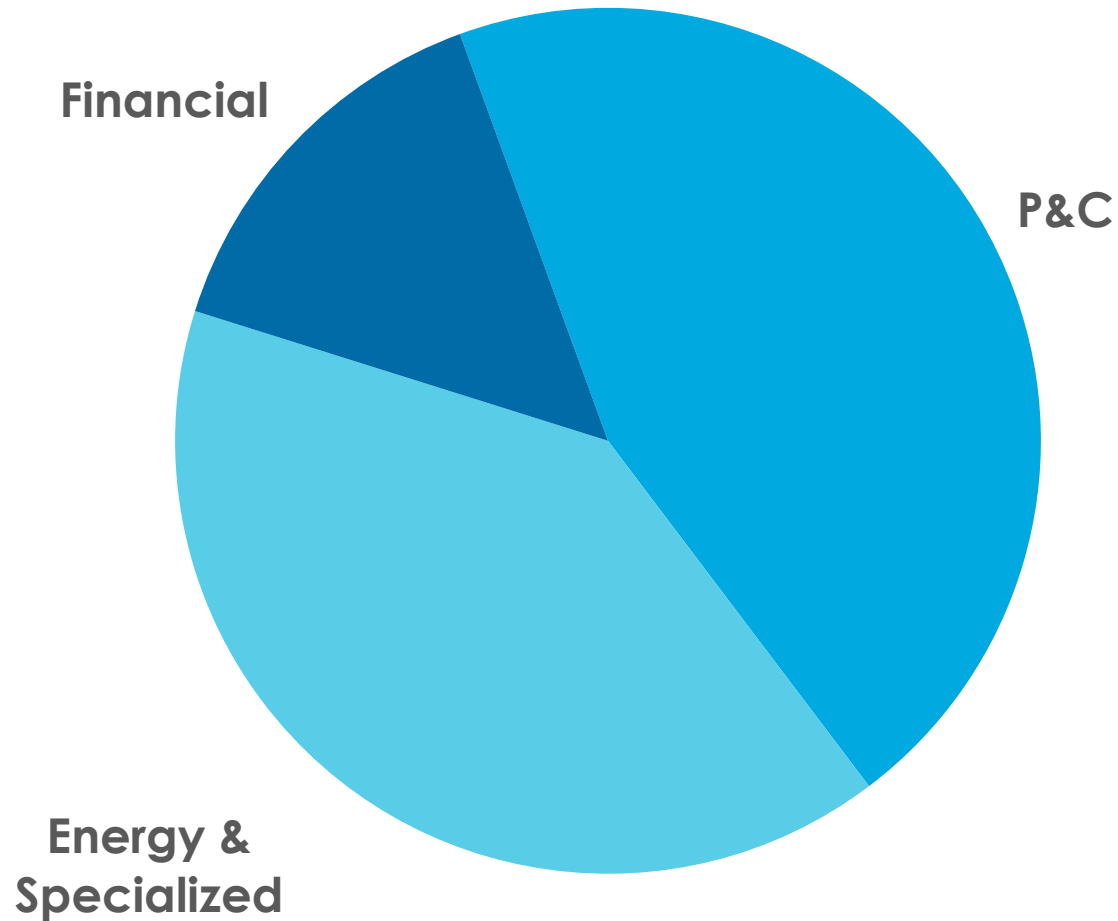


1. Excludes divested mortgage services and healthcare businesses.

2. Adjusted EBITDA is defined as net income from continuing operations before interest expense, provision for income taxes, depreciation and amortization expense, nonrecurring severance charges, and gain on sale of equity investments. Adjusted EBITDA excludes second-quarter 2015 nonrecurring items related to the Wood Mackenzie acquisition and a fourth-quarter 2016 nonrecurring ESOP payment.



## Verisk Addressable Market: \$16 billion





## Our People

### Specialists in:

Predictive Analytics	Economics	Data Science	Engineering	Actuarial Science	Meteorology	Chemistry and Physics	GIS Mapping
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### High performers characterized by:

Respect for the Individual	Confidence/Humility	Integrity	Excellence	Passion	Teamwork	Persistence
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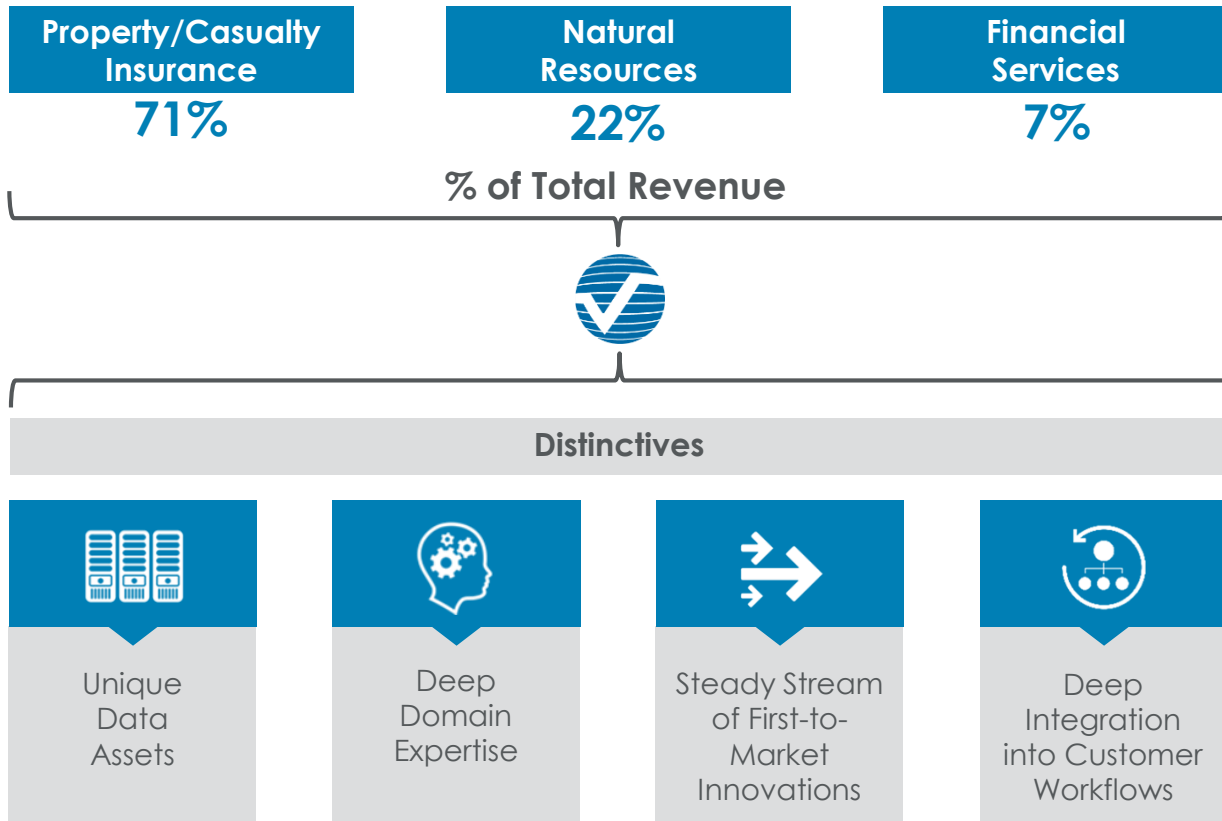
**6,500+** employees holding more than **2,000** advanced degrees and professional certifications



## Who We Are

The world's most effective and responsible data analytics company in pursuit of our customers' most strategic opportunities...

...providing predictive analytics and decision support solutions to customers in specific vertical markets



**\$14 Billion**  
market cap

**14 Petabytes**  
unique proprietary content in our data stores



## Strengthening Franchise





## Core Capabilities

**Predictive Analytics**

**Visualization of Data and Analytics**

**Large-Scale Data Integration**

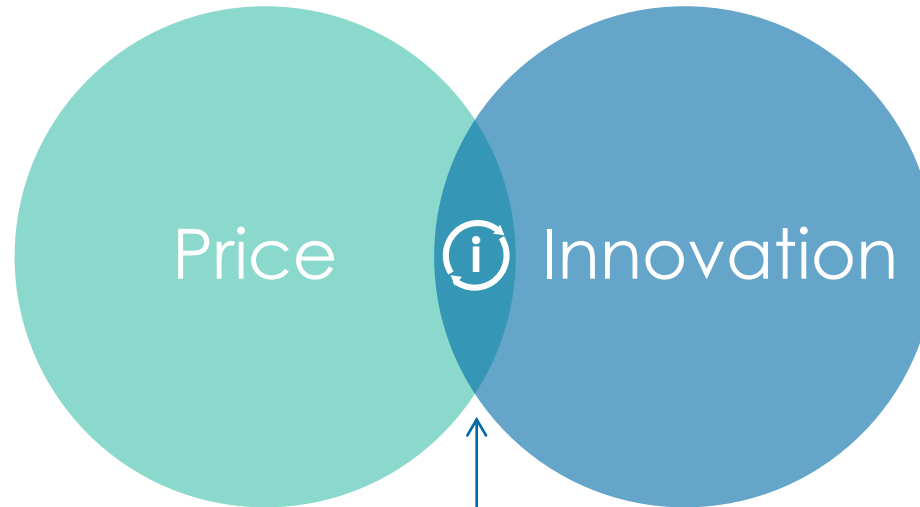
**Multitier, Multispectral Data Capture**







## Innovation Opportunities

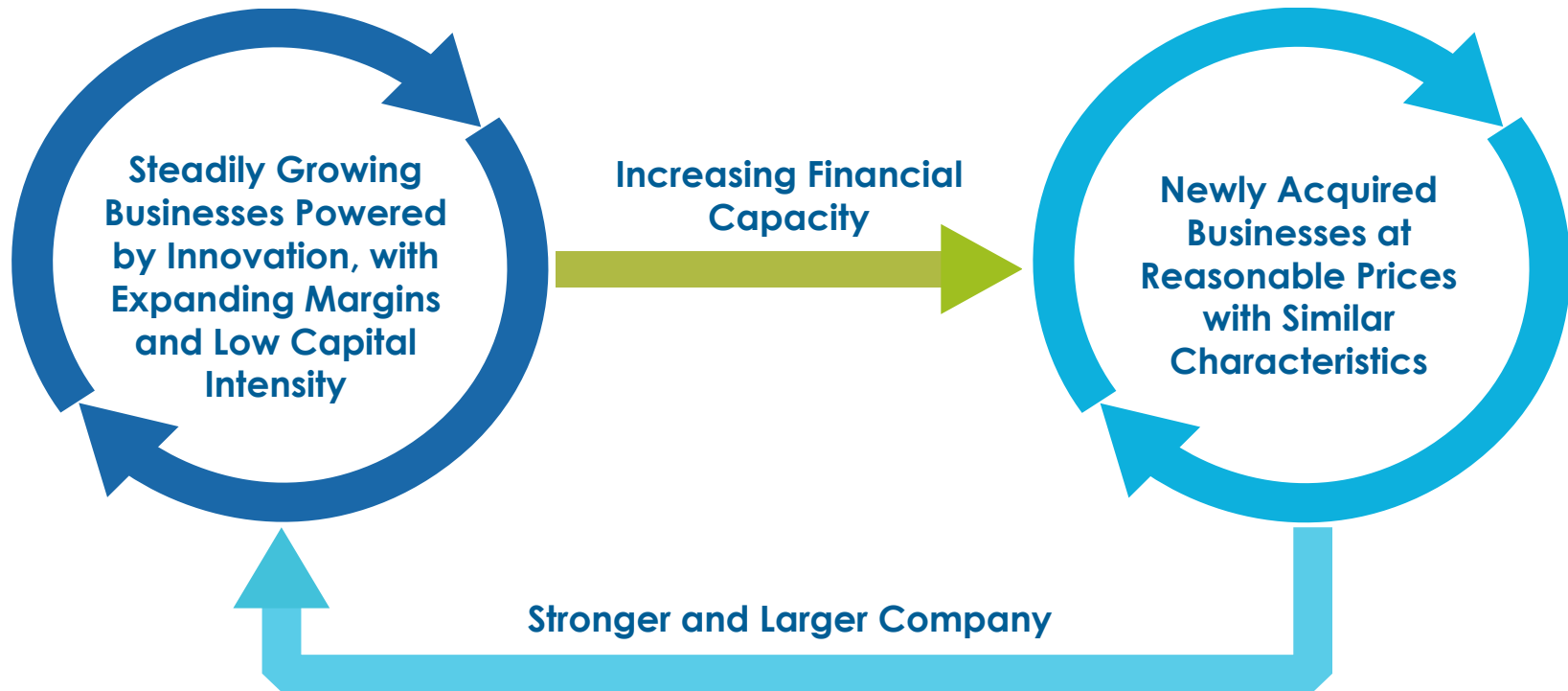


**“Small i” innovation may be bundled into existing offerings**

- Discrete programs, not built materially off of existing solutions
- Material incremental revenue streams
- Genuinely staffed with a 24/7 champion, i.e., someone whose success is directly tied to the success of the project
- Appropriate incentive programs
- May, though not necessarily, require incremental OpEx or CapEx



## The Verisk Formula



We can continue to drive leading organic growth

Strong capital structure

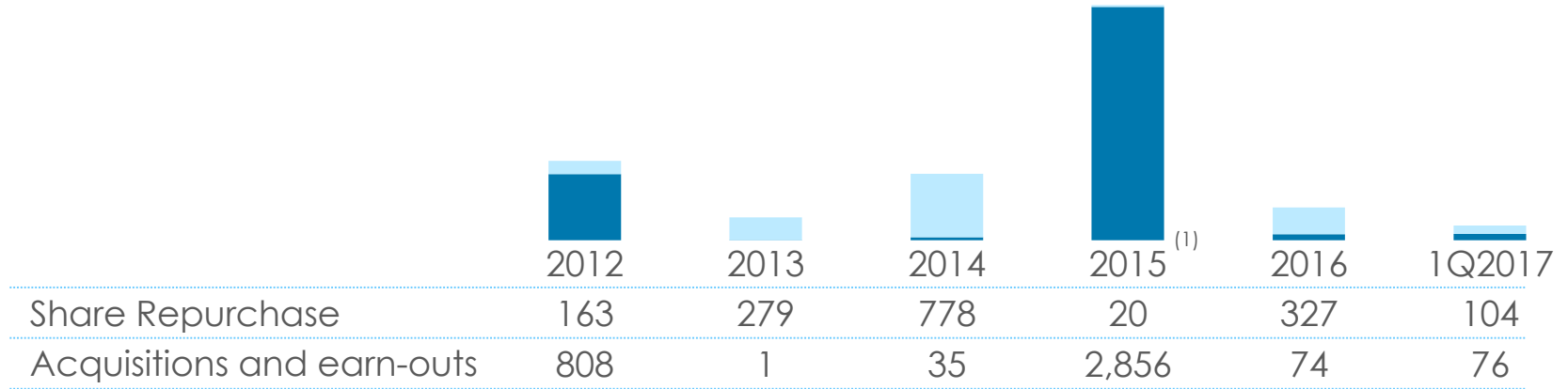
Balanced expectations for M&A spend

Return capital to shareholders

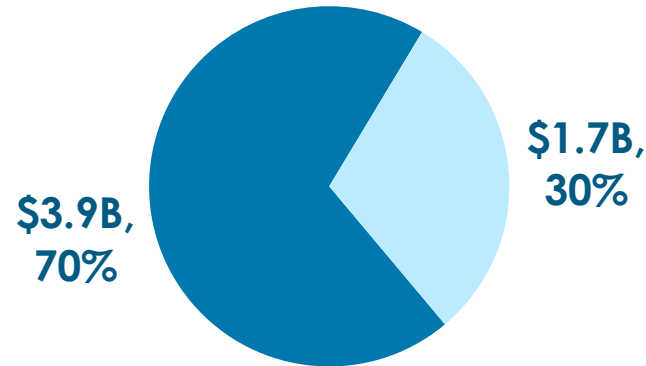


## Disciplined Capital Allocation

■ Acquisitions and earn-outs    ■ Share Repurchase  
(\$ millions)



### Cumulative Capital Allocation, \$ billions<sup>(2)</sup>



1. 2015 acquisition amount is net of currency hedges.

2. January 01, 2012 through March 31, 2017.

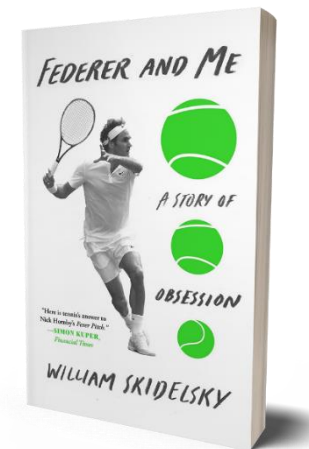


## Conclusion

### On average, outlook over time:

- Organic revenue growth consistent with historical performance
- Measured margin expansion
- Drive free cash-flow growth to increase shareholder value
- Long-term compounding of growth

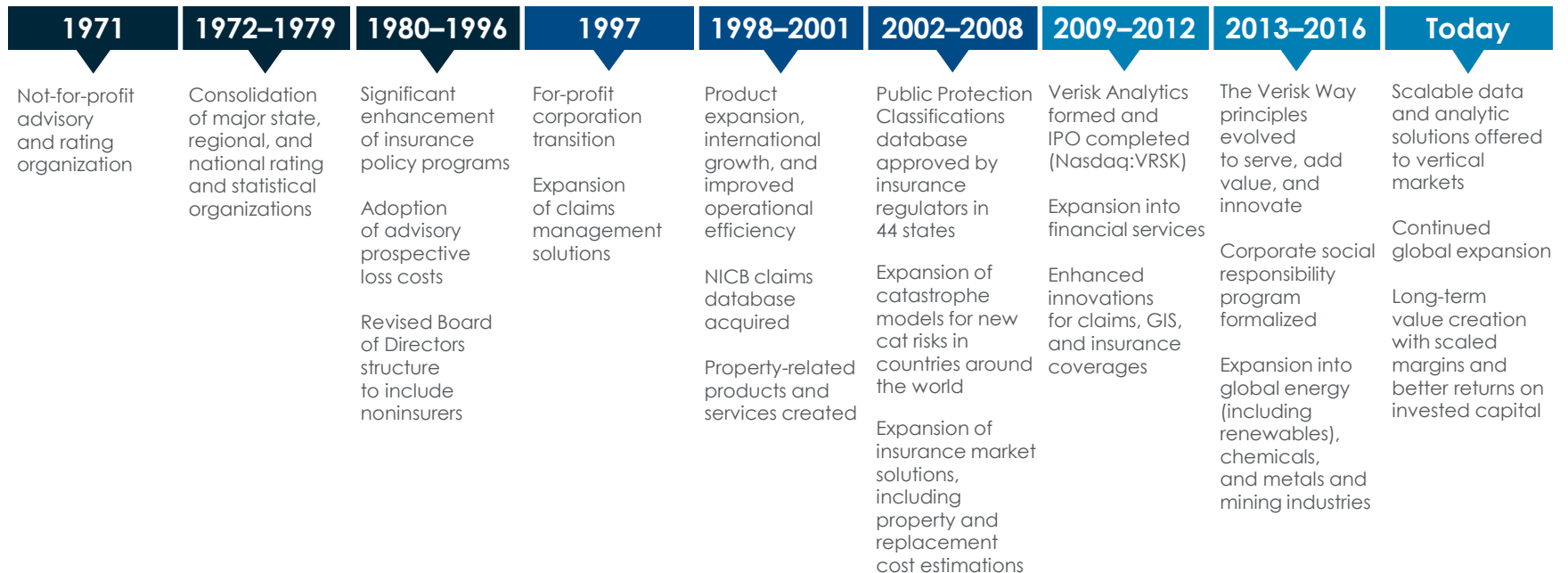
“It’s more on [our] racquet than on anyone else’s”



# Additional Information



# History of Growth and Innovation



Not-for-Profit

Privately Held

Publicly Held



## Differentiated Financial Model

### Strong, Stable Revenue Growth...

(\$ millions), (organic revenue growth)

<b>1,431</b>	<b>1,761</b>	<b>1,995</b>
<b>8.0%</b>	<b>7.7%</b>	<b>5.8%</b> constant FX
2014	2015	2016

### and Leading Margins Power EPS <sup>(1,2)</sup>

(% EBITDA/Revenue), (\$ Earnings per Share)

<b>50.9%</b>	<b>51.0%</b>	<b>50.4%</b>
<b>\$2.20</b>	<b>\$2.87</b>	<b>\$3.11</b>
2014	2015	2016

### Low Capital Intensity...

(CapEx as a % of Revenue)

<b>8.4%</b> <sup>(3)</sup>	<b>7.9%</b>	<b>7.3%</b>
2014	2015	2016

### enables Strong Free Cash Flow

(Cash from OPs less CapEx \$ millions)

<b>343</b> <sup>(3)</sup>	<b>412</b>	<b>479</b>
2014	2015	2016

1. 2015 EBITDA/Adj. EPS exclude 2Q2015 one-time items related to the WoodMac acquisition.

2. 2016 EBITDA/Adj. EPS exclude severance, gain on equity investment, and ESOP charge. 2015 EBITDA excludes gain on sale of warrants.

3. Not presented on a continuing operations basis.



# Insurance: Industry-Leading Analytics Solutions



## Risk Assessment

Industry-Standard Insurance Programs

Property Information

Underwriting Solutions



## Decision Analytics

Claims Adjudication and Fraud Detection Solutions

Property Damage Claims Estimating

Catastrophe Modeling



## Competitive Advantage

Extensive time-series data and coverage language in >200M policies

Comprehensive database of 3.7M commercial buildings & ratings on ~46,000 fire protection areas

Comprehensive industry-standard information

Industry database totaling 1 billion claims

100M structural estimation price points and integrated network

Advanced science, advanced software platform covering 100 countries

## Primary Competitors

Internal

Internal



Internal

Various

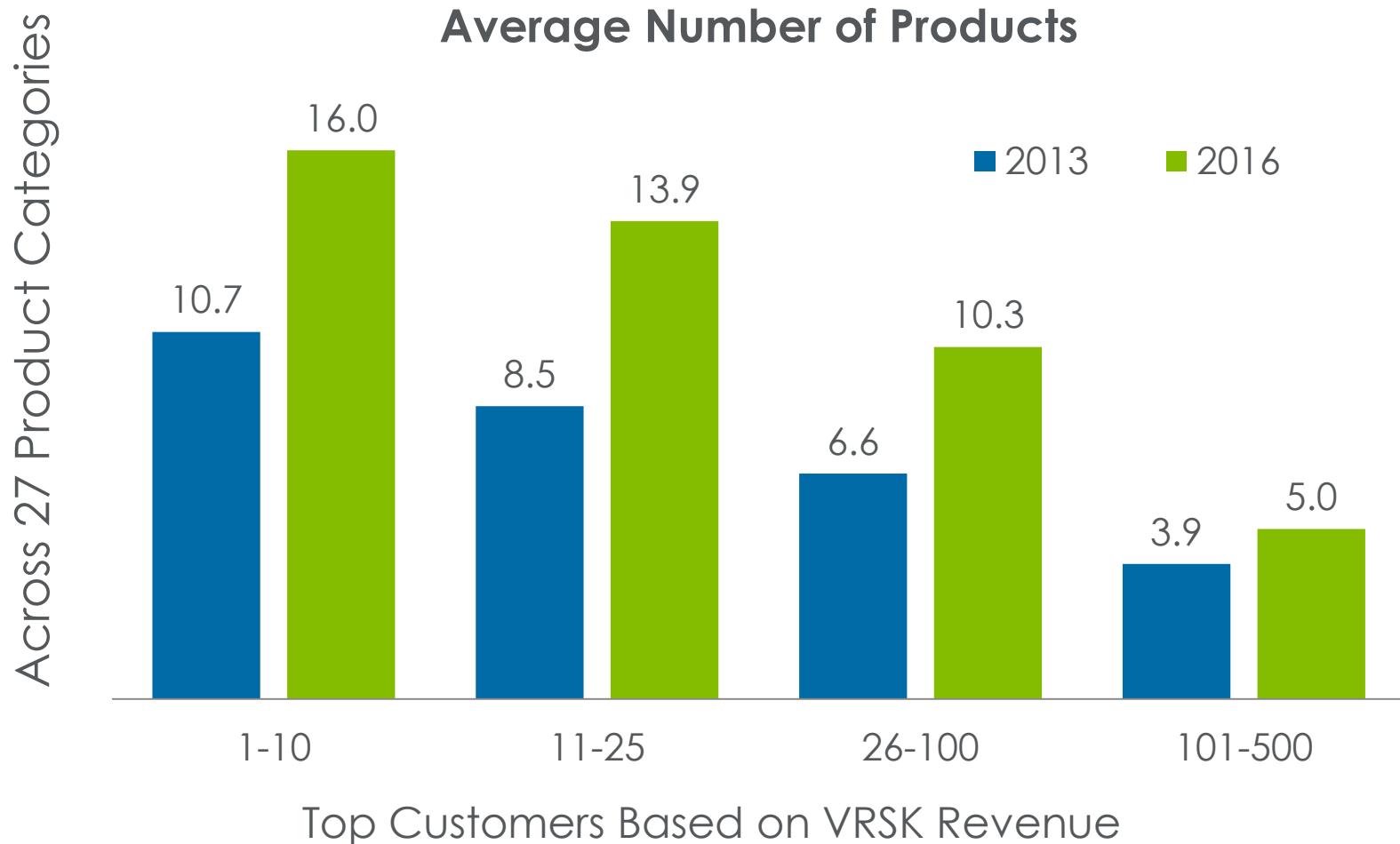


**Certain competitors offer point solutions that compete with Verisk, but no other firm provides the same depth of solutions and analytics**





## Insurance: Growth Opportunities Cross-Sell 2013 - 2016





# Insurance: Building on Our Unique Heritage



## Growth Opportunities



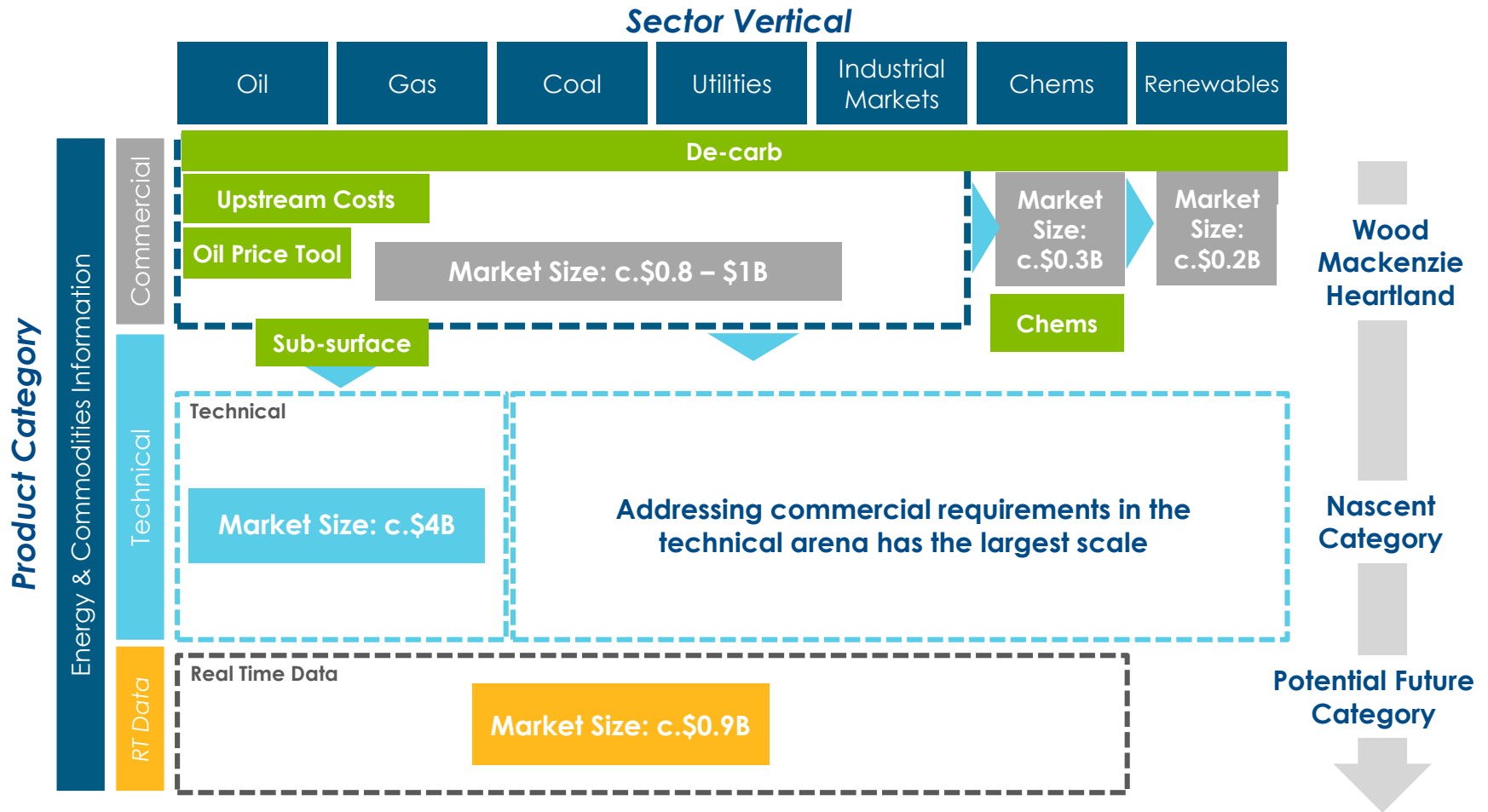
Industrywide Focus	New Solutions	New Customer Sets
<ul style="list-style-type: none"> <li>• Big Data &amp; Predictive Analytics</li> <li>• Automation: Flow Underwriting &amp; Claims Adjudication</li> <li>• Digital Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Telematics / IoT</li> <li>• Remote Imagery</li> <li>• Cyber</li> <li>• Claim Experience</li> </ul>	<ul style="list-style-type: none"> <li>• Global</li> <li>• Excess &amp; Surplus Lines</li> <li>• Marketing Departments</li> <li>• Energy</li> </ul>





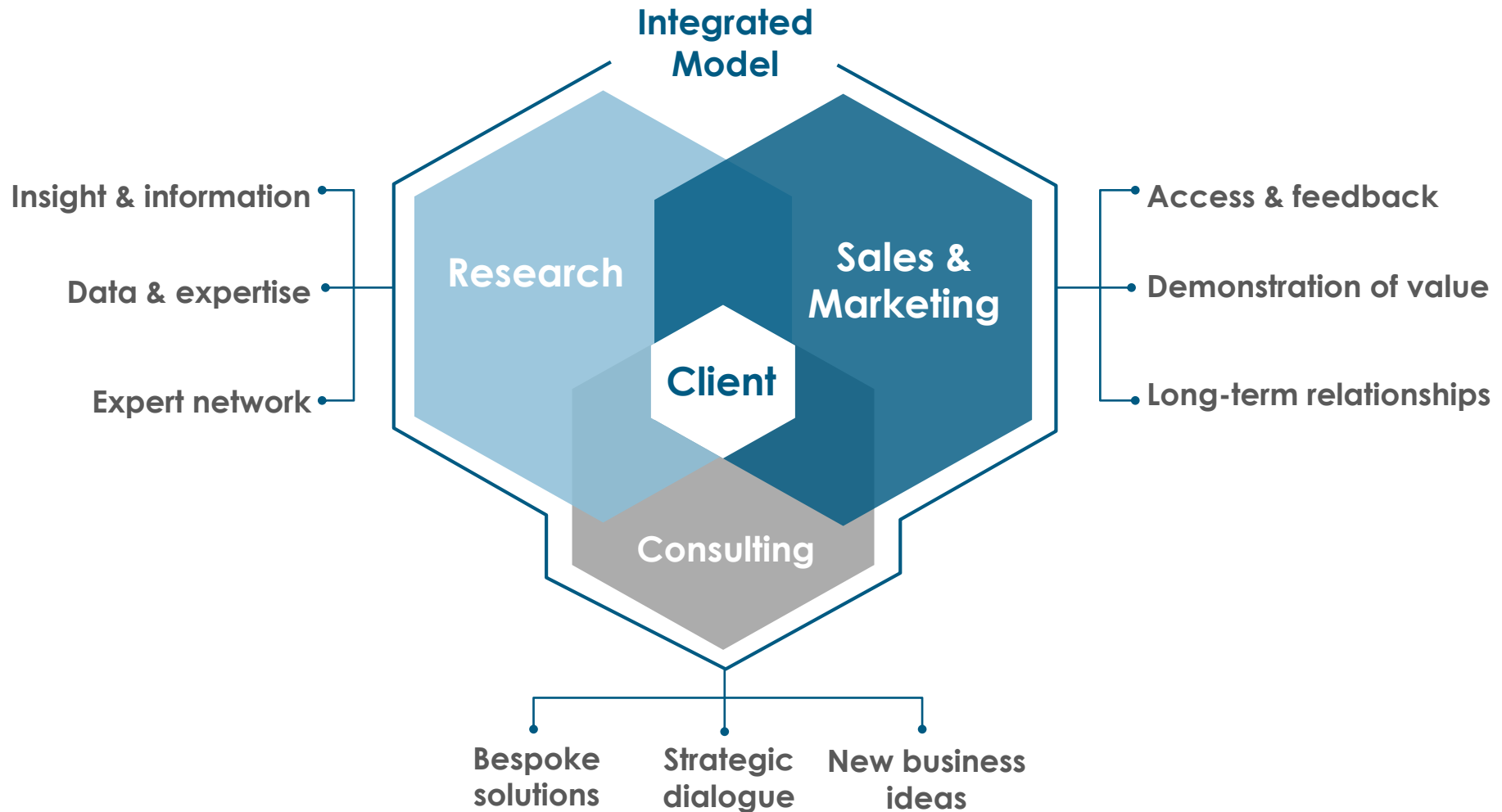
# Energy: Large Addressable Market

## Existing Wood Mackenzie Markets, Emerging Verticals and Adjacent Categories





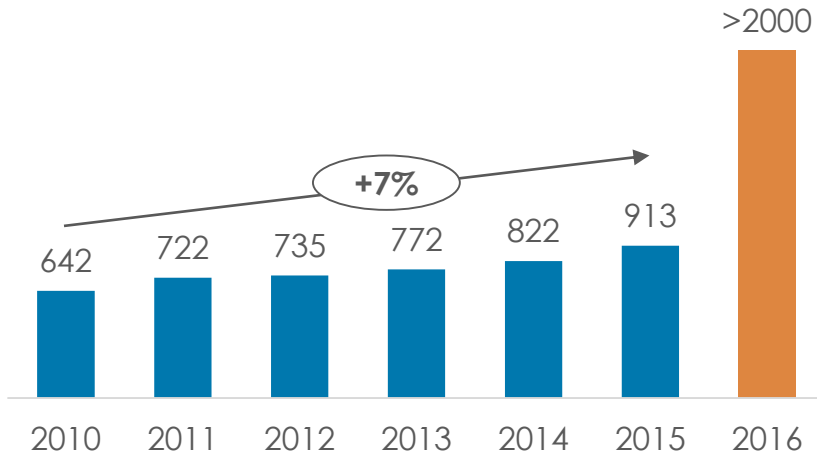
## Energy: Simple Business Model Focused on Clients



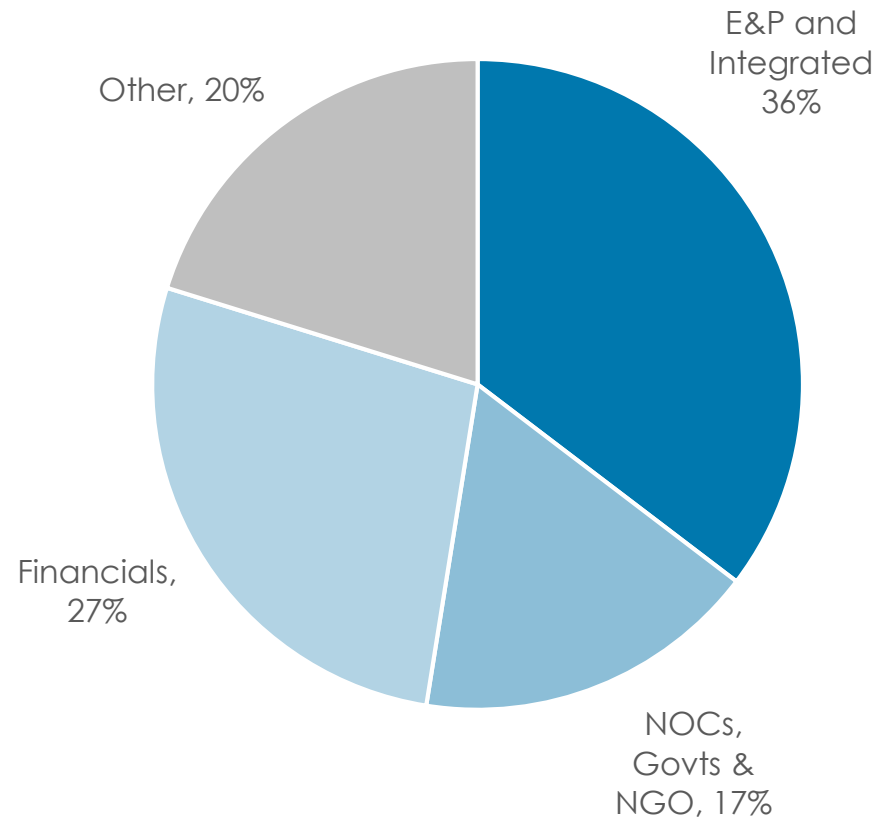


# Energy: Diverse Subscription Customer Set

## Growing No. of Customers (1)



## End User Mix (2)



## Low Customer Concentration (1)

**24%**

Top 10 Client  
Subscription Value  
(Nov 2016)

**<4%**

Maximum  
Individual  
Customer Value

1. Wood Mackenzie core only pre-2016, excludes Acquisitions, who add approx. 1,100 new subscription clients.

2. Represents figures for Nov 2016 for Wood Mackenzie core subscriptions only. NOC = National Oil Company; NGO = Nongovernment Organization; E&P = Exploration & Production; Other includes Utilities, Manufacturing, Conglomerates, and Professional Services.



# Financial: Our Solution Groups

## Benchmarking Studies

### Help Understand the External Environment

- Customized... Ever-green subscriptions
- Pricing... annual with modest inflation-type cost increases
- Based on wallet-level customer, account & transaction data
- Users: business heads, product & portfolio managers, risk officers a& regulators

## Product Solutions

### Make Proprietary Data Accessible & Actionable

- Customized... recurring licenses
- Pricing... installation fees & annual site licensing/maintenance fees
- Data platforms, reg reporting, stress-testing, wallet-based stochastic algorithms
- Users: IT, risk/compliance, decision management, marketing

## Analytical Services

### Strategic Insights, Planning & Execution Support

- Annual retainers or strategy engagements
- Pricing... annual (retainer) or monthly run-rates, value/time-materials based
- Argus analysts mine its consortia data sets to build & support bank strategies
- Users: business heads, product & portfolio managers, risk officers & associations

## Media Effectiveness

### Measure Effectiveness & Optimize Targeting of Ads

- Custom installs or partner platforms
- Pricing... multiyear licenses, beta tests, rev-share with partner
- Media & ad effectiveness insights & software
- Users: marketing heads, agencies, bank partners/retailers, ad platforms



## Financial: Unique Data Enabling Valuable & Differentiated Solutions

	Description	Argus-Verisk <sup>(1)</sup>	Credit Bureaus	Payment Networks	Payment Processors
<b>Daily POS Transactions</b>	POS & online transaction detail (merchant, location, amount, date)				
<b>Payment Instruments</b>	Credit card, deposits, checking, and money market account performance				
<b>Product Attributes</b>	Features including pricing, value propositions, pricing, promo detail				
<b>Account-Level P&amp;L</b>	Revenue and cost details including finance charges, fees, losses, OpEx				
<b>Customer Behavior</b>	Usage details including spend, fraud, channel, payment, etc.				
<b>Customer &amp; Wallet Views</b>	Complete consumer view (share of wallet) across issuers and instruments				
<b>Argus Partnerships</b>	Complementary data assets on one common platform (including media)				

**Data on millions of merchants, billions of accounts, trillions of \$'s in transactions... updated daily**

1. Some Argus data assets have been developed in partnership with non-Verisk institutions.



## Guidelines for Capital Allocation Future Success

### For M&A

- **Reasonable prices for good businesses**
  - Identify businesses that fit strategy and grow cash flow
  - Seek sticky subscription revenue
- **ROIC provides an additional measure with nearer-term horizon**

### For Buyback

- **Remain disciplined**
  - Volume/price targets
  - Share reduction secondary outcome

**Balanced strategy creates flexibility**



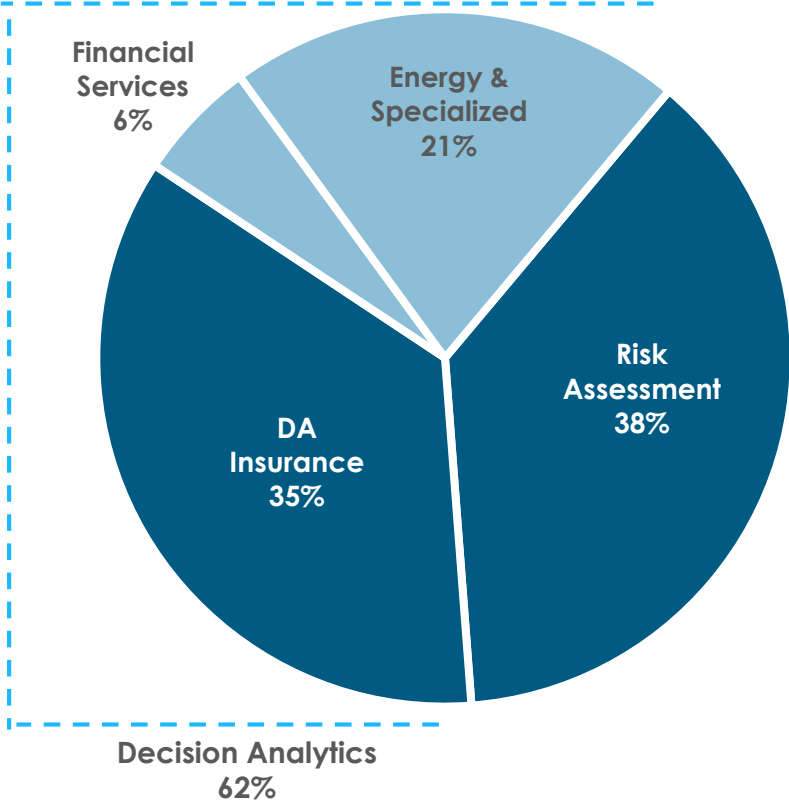
# Appendix

## Supplemental Slides and Non-GAAP Reconciliations

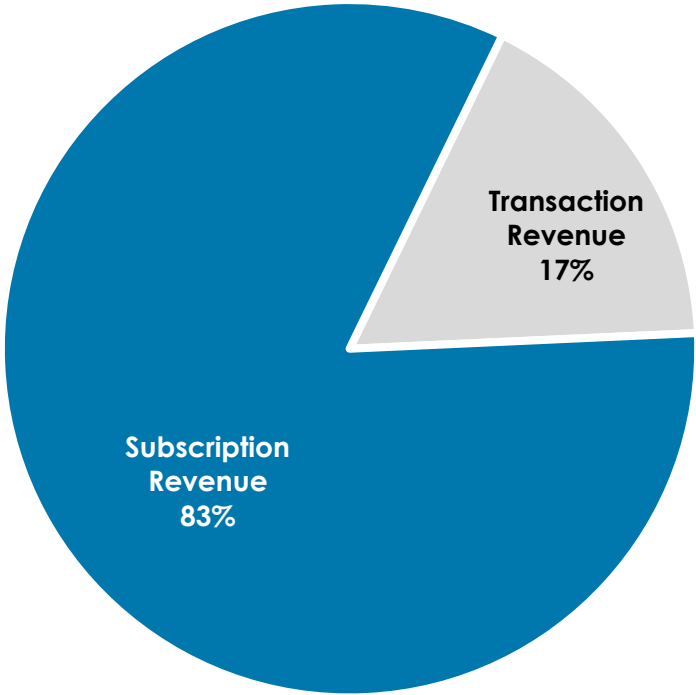


# Diverse, Highly Recurring Revenue Sources

1Q2017 Revenue Distribution



1Q2017 Subscription Base





# Strong Capital Structure to Support Growth

as of 3/31/2017

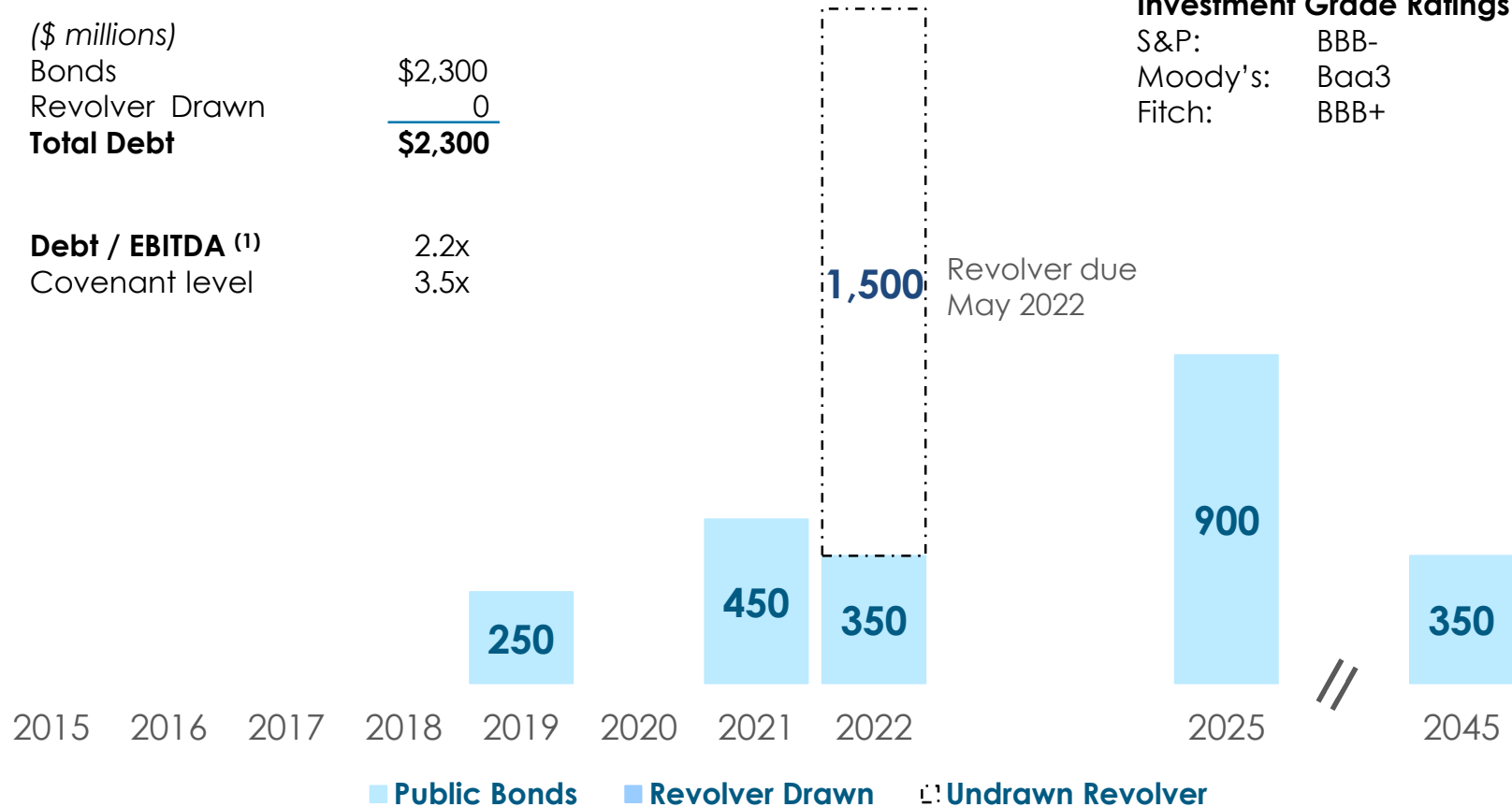
(\$ millions)

Bonds	\$2,300
Revolver Drawn	<u>0</u>
<b>Total Debt</b>	<b>\$2,300</b>

<b>Debt / EBITDA <sup>(1)</sup></b>	2.2x
Covenant level	3.5x

### Investment Grade Ratings

S&P:	BBB-
Moody's:	Baa3
Fitch:	BBB+



1. Per bank covenant.



# Property/Casualty Insurance

## Industry-leading data analytics and insights

### Solutions

Industry-Standard  
Insurance Programs

Property and Business  
Information

Underwriting

Extreme Event  
Modeling

Claims Adjudication  
and Fraud Detection

Property Damage  
Claims Estimating

### Advantages

**5PB** time-series data and coverage language in **200M+** policies

**3.9M+** commercial buildings and details on licensing, violations, sales volume, and employee count for **26M** businesses; **~47K** fire protection area gradings

**7B** trip miles of analyzed driving data and **90M+** residential properties with building information and risk data

**100+** countries covered across property, casualty, life and health, and marine lines in an advanced software platform

**1B+** claims in the industry's leading database

**100M** structural estimation price points and integrated network



# Natural Resources

## Data analytics and commercial intelligence

### Solutions

Subscription Services

Research Reports

Consulting

Country Risk Data

Assessing and  
Evaluating  
Opportunities and Risks

### Advantages

**500+** research professionals directly accessible around the world

**14,000+** reports and forecasts at the asset, company, and market level for online purchase through e-commerce service

**100+** professional industry consultants providing innovative advice and bespoke solutions

**200+** monitored risks, including terrorism, conflict, civil unrest, corruption, human rights violations, and natural hazards

**55M+** data points describing global upstream oil and gas assets



# Financial Services Information, analytics, and data management

## Solutions

Syndicated  
Benchmarking Studies

Predictive Algorithms,  
Business Intelligence,  
and Analytical Tools

Advisory Services

Risk and  
Regulatory Practice

Media Effectiveness

Spend Analytics

## Advantages

**1.5B** account-level records for consumer credit, debit, and savings accounts covering **10+ years**, with studies in **7 countries**

**100+** models of consumer behavior across the customer life cycle for prospecting, acquisition, and customer management

**100+** worldwide clients given unique views into a customer's actual wallet that enhance relevance and wallet share






**\$5T** in assets analyzed for loss forecasting, capital modeling, and regulatory submissions for global banks across **30+ countries**

**125M** consumers targeted with custom digital solutions covering **\$2.0T** of annualized spend

**\$6.7T** total consumer spend tracked each year on **140B** unique transactions, along with innovative delivery mechanisms to inform retail partners and merchants



# 2016 Acquisitions

	 	 <b>Analyze Re</b>	<b>Quest Offshore</b>			
<b>Date</b>	Nov 2016	Nov 2016	Oct 2016	Aug 2016	Jul 2016	Apr 2016
<b>Description</b>	Provides market intelligence data and analytics to the property & casualty insurance market	Provides large-scale mapping services and geospatial data and analytic solutions to a wide array of companies and more than 300 public sector organizations	Provides a software analytics suite designed for the reinsurance and insurance industries	Provides strategic market intelligence to the global oil and gas community through subscriptions to their eight proprietary market-forecast databases	Delivers business-to-business news, market analysis, and conferences that inform and connect players in the global clean energy market	Provides value-added services focused on fraud detection, compliance, risk control, and process automation
<b>Vertical</b>	Insurance	Insurance	Insurance	Natural Resources	Natural Resources	Insurance
<b>Location</b>	Middletown, Connecticut	Cambridge, United Kingdom	Halifax, Nova Scotia	Sugar Land, Texas	Boston, Massachusetts	Dublin, Ireland



## 2017 Acquisitions

 **MAKE FINTELLIX**



Date	May 2017	Mar 2017	Feb 2017	Feb 2017	Jan 2017
Description	Provides intelligence for the renewable energy industry – specializing in onshore and offshore wind.	Provides analytics, risk, and compliance solutions for the banking sector enabling agility in risk and regulatory reporting practices.	Provides U.K. domestic insurers with technological innovations that enable them to process claims more efficiently and to detect fraud.	Provides automated medical risk assessment for travel insurance industry allowing insurers to identify and assess risks at point of sale.	Provides liability risk modeling and decision support, primarily for the reinsurance industry, using a unique methodology based on dependency theory.
Vertical	Natural Resources	Financial	Insurance	Insurance	Insurance
Location	Aarhus, Denmark	Bangalore, India	Newcastle, United Kingdom	Surrey, United Kingdom	London, United Kingdom





## Non-GAAP Reconciliations

### Constant currency revenue growth

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



## Non-GAAP Reconciliations

### Adjusted EBITDA <sup>(1)</sup> (\$ millions)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Income from continuing operations	451.5	487.5	354.0	318.9	288.7
Interest expense	120.0	121.4	70.0	76.1	72.5
Provision for income taxes	202.2	196.6	208.5	184.8	162.7
Depreciation and amortization of fixed assets and intangible assets	211.6	167.0	95.5	85.3	65.8
Less: Nonrecurring items related to the Wood Mackenzie acquisition	--	(58.6)	--	--	--
Plus: Nonrecurring severance charges	2.1	--	--	--	--
Plus: Nonrecurring ESOP charge	18.8	--	--	--	--
Less: Gain on sale of equity investments	(1.5)	--	--	--	--
Adjusted EBITDA from continuing operations	1,004.7	913.9	728.0	665.2	589.7

1. Figures may not sum due to rounding.



## Non-GAAP Reconciliations

### Adjusted EPS <sup>(1)</sup>

*(\$ millions, except shares and per share amounts)*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Income from continuing operations	451.5	487.5	354.0
Plus: Amortization of intangibles	92.5	70.4	30.1
Less: Income tax effect on amortization of intangibles	(24.1)	(19.2)	(11.4)
Plus: Nonrecurring items related to the Wood Mackenzie acquisition	--	-45.2	--
Plus: Nonrecurring ESOP charges	18.8	--	--
Less: Income tax effect on one-time items related to the Wood Mackenzie acquisition	--	-10.7	--
Less: Income tax effect on nonrecurring ESOP charge	(7.2)	--	--
Adjusted net income from continuing operations	531.5	482.8	372.7
Basic adjusted EPS from continuing operations	\$3.16	\$2.92	\$2.25
Diluted adjusted EPS from continuing operations	\$3.11	\$2.87	\$2.20
Weighted average shares outstanding (in millions)			
Basic	168.2	165.1	165.8
Diluted	171.2	168.5	169.1

1. Figures may not sum due to rounding.



## Non-GAAP Reconciliations

### Free Cash Flow <sup>(1)</sup> (\$ millions)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net cash provided by operating activities	546.1	623.7	489.4
less: Net cash provided by operating activities from discontinued operations	(21.4)	(73.2)	--
Capital expenditures	(156.5)	(166.1)	(146.8)
less: Capital expenditures from discontinued operations	10.6	27.4	--
plus: taxes paid related to the sale of the healthcare business	100	--	--
Free Cash Flow	478.8	411.8	342.6

1. Figures may not sum due to rounding.