

Verisk Analytics, Inc.  
Form 10-Q  
July 31, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-34480

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VERISK ANALYTICS, INC.  
(Exact name of registrant as specified in its charter)

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|  |                                      |
|--|--------------------------------------|
| Delaware   | 26-2994223                           |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

|  |            |
|--|------------|
| 545 Washington Boulevard                             | 07310-1686 |
| Jersey City, NJ                                      |            |
| (Address of principal executive offices)             | (Zip Code) |
| (201) 469-3000                                       |            |
| (Registrant's telephone number, including area code) |            |

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 27, 2018, there were 164,708,411 shares outstanding of the registrant's Common Stock, par value \$.001.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## VERISK ANALYTICS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of June 30, 2018 and December 31, 2017

|  | 2018  | 2017      |
|--|---|-----------|
|  | (In millions, except<br>for<br>share and per share<br>data) |           |
| <b>ASSETS</b>  |   |           |
| Current assets:  |   |           |
| Cash and cash equivalents  | \$132.0   | \$142.3   |
| Available-for-sale securities  | 3.8   | 3.8       |
| Accounts receivable, net of allowance for doubtful accounts of \$5.2 and \$4.6,<br>respectively  | 347.8   | 345.5     |
| Prepaid expenses   | 61.1  | 38.1      |
| Income taxes receivable  | 22.4  | 28.8      |
| Other current assets   | 58.0  | 39.1      |
| Total current assets   | 625.1   | 597.6     |
| Noncurrent assets:   |   |           |
| Fixed assets, net  | 501.9   | 478.3     |
| Intangible assets, net   | 1,289.5   | 1,345.3   |
| Goodwill, net  | 3,372.7   | 3,368.7   |
| Deferred income tax assets   | 15.7  | 15.9      |
| Other assets   | 234.7   | 214.5     |
| Total assets   | \$6,039.6   | \$6,020.3 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |   |           |
| Current liabilities:   |   |           |
| Accounts payable and accrued liabilities   | \$216.4   | \$225.4   |
| Short-term debt and current portion of long-term debt  | 736.9   | 724.4     |
| Deferred revenues  | 513.0   | 384.7     |
| Income taxes payable   | —   | 3.1       |
| Total current liabilities  | 1,466.3   | 1,337.6   |
| Noncurrent liabilities:  |   |           |
| Long-term debt   | 2,044.2   | 2,284.4   |
| Deferred income tax liabilities  | 349.6   | 337.8     |
| Other liabilities  | 105.9   | 135.1     |
| Total liabilities  | 3,966.0   | 4,094.9   |
| Commitments and contingencies  |   |           |
| Stockholders' equity:  |   |           |
| Common stock, \$0.001 par value per share; 2,000,000,000 shares authorized;<br>544,003,038 shares issued and 164,724,043 and 164,878,930 shares outstanding,<br>respectively | 0.1   | 0.1       |
| Additional paid-in capital   | 2,235.0   | 2,180.1   |
| Treasury stock, at cost, 379,278,995 and 379,124,108 shares, respectively  | (3,317.7)   | (3,150.5) |
| Retained earnings  | 3,630.4   | 3,308.0   |

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|  |           |           |
|--|-----------|-----------|
| Accumulated other comprehensive losses     | (474.2 )  | (412.3 )  |
| Total stockholders' equity                 | 2,073.6   | 1,925.4   |
| Total liabilities and stockholders' equity | \$6,039.6 | \$6,020.3 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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## VERISK ANALYTICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

For The Three and Six Months Ended June 30, 2018 and 2017

|  | Three Months Ended June 30,                        |             | Six Months Ended June 30, |             |
|--|--|-------------|---------------------------|-------------|
|  | 2018   | 2017        | 2018                      | 2017        |
|  | (In millions, except for share and per share data) |             |                           |             |
| Revenues   | \$601.3  | \$523.2     | \$1,182.5                 | \$1,025.8   |
| Expenses:  |  |             |                           |             |
| Cost of revenues (exclusive of items shown separately below) | 222.4  | 193.7       | 443.6                     | 376.6       |
| Selling, general and administrative                          | 93.0   | 78.8        | 184.9                     | 154.7       |
| Depreciation and amortization of fixed assets                | 41.6   | 31.8        | 82.0                      | 65.6        |
| Amortization of intangible assets                            | 32.0   | 23.9        | 65.2                      | 46.2        |
| Total expenses   | 389.0  | 328.2       | 775.7                     | 643.1       |
| Operating income   | 212.3  | 195.0       | 406.8                     | 382.7       |
| Other income (expense):                                      |  |             |                           |             |
| Investment income and others, net                            | 4.6  | 3.4         | 5.3                       | 5.3         |
| Interest expense   | (31.9)   | ) (28.5)    | ) (64.8)                  | ) (56.9)    |
| Total other expense, net                                     | (27.3)   | ) (25.1)    | ) (59.5)                  | ) (51.6)    |
| Income before income taxes                                   | 185.0  | 169.9       | 347.3                     | 331.1       |
| Provision for income taxes                                   | (31.5)   | ) (48.9)    | ) (60.8)                  | ) (101.3)   |
| Net income   | \$153.5  | \$121.0     | \$286.5                   | \$229.8     |
| Basic net income per share                                   | \$0.93   | \$0.73      | \$1.74                    | \$1.39      |
| Diluted net income per share                                 | \$0.91   | \$0.72      | \$1.70                    | \$1.36      |
| Weighted average shares outstanding:                         |  |             |                           |             |
| Basic  | 165,015,642  | 164,922,237 | 165,029,345               | 165,682,614 |
| Diluted  | 168,651,202  | 168,314,296 | 168,821,869               | 169,232,579 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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VERISK ANALYTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)  
For The Three and Six Months Ended June 30, 2018 and 2017

|   | Three Months   |         | Six Months     |         |
|---|----------------|---------|----------------|---------|
|   | Ended June 30, |         | Ended June 30, |         |
|   | 2018           | 2017    | 2018           | 2017    |
|   | (In millions)  |         |                |         |
| Net income                                      | \$153.5        | \$121.0 | \$286.5        | \$229.8 |
| Other comprehensive income (loss), net of tax:  |                |         |                |         |
| Foreign currency translation adjustment         | (165.6)        | 89.6    | (62.9)         | 122.7   |
| Available-for-sale securities adjustment        | —              | 0.1     | —              | 0.2     |
| Pension and postretirement liability adjustment | 0.7            | 0.8     | 1.7            | 1.5     |
| Total other comprehensive (loss) income         | (164.9)        | 90.5    | (61.2)         | 124.4   |
| Comprehensive (loss) income                     | \$(11.4)       | \$211.5 | \$225.3        | \$354.2 |

The accompanying notes are an integral part of these condensed consolidated financial statements.



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## VERISK ANALYTICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

For The Year Ended December 31, 2017 and The Six Months Ended June 30, 2018

|   | Common Stock<br>Issued | Par<br>Value | Additional<br>Paid-in<br>Capital | Treasury<br>Stock | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Losses | Total<br>Stockholders'<br>Equity |
|---|------------------------|--------------|----------------------------------|-------------------|----------------------|---|----------------------------------|
| (In millions, except for share data)  |                        |              |                                  |                   |                      |   |                                  |
| Balance, January 1, 2017  | 544,003,038            | \$ 0.1       | \$ 2,121.6                       | \$(2,891.4)       | \$ 2,752.9           | \$ (650.8 )                                     | \$ 1,332.4                       |
| Net income  | —                      | —            | —                                | —                 | 555.1                | —   | 555.1                            |
| Other comprehensive income  | —                      | —            | —                                | —                 | —                    | 238.5   | 238.5                            |
| Treasury stock acquired (3,356,360 shares)  | —                      | —            | —                                | (269.8 )          | —                    | —   | (269.8 )                         |
| Stock options exercised (1,125,004 shares reissued from treasury stock)                       | —                      | —            | 28.7                             | 9.2               | —                    | —   | 37.9                             |
| Restricted stock lapsed (143,557 shares reissued from treasury stock)                         | —                      | —            | (1.1 )                           | 1.1               | —                    | —   | —                                |
| Employee stock purchase plan (29,605 shares reissued from treasury stock)                     | —                      | —            | 2.2                              | 0.2               | —                    | —   | 2.4                              |
| Stock-based compensation  | —                      | —            | 31.8                             | —                 | —                    | —   | 31.8                             |
| Net share settlement from restricted stock awards (36,067 shares withheld for tax settlement) | —                      | —            | (2.9 )                           | —                 | —                    | —   | (2.9 )                           |
| Other stock issuances (21,352 shares reissued from treasury stock)                            | —                      | —            | (0.2 )                           | 0.2               | —                    | —   | —                                |
| Balance, December 31, 2017  | 544,003,038            | 0.1          | 2,180.1                          | (3,150.5)         | 3,308.0              | (412.3 )  | 1,925.4                          |
| Adjustments to opening retained earnings related to Topic 606 and ASU 2016-01                 | —                      | —            | —                                | —                 | 35.9                 | (0.7 )  | 35.2                             |
| Net income  | —                      | —            | —                                | —                 | 286.5                | —   | 286.5                            |
| Other comprehensive loss  | —                      | —            | —                                | —                 | —                    | (61.2 )   | (61.2 )                          |
| Treasury stock acquired (1,711,166 shares)  | —                      | —            | —                                | (180.4 )          | —                    | —   | (180.4 )                         |
| Stock options exercised (1,369,268 shares reissued from treasury stock)                       | —                      | —            | 38.7                             | 11.6              | —                    | —   | 50.3                             |
| Restricted stock lapsed (167,072 shares reissued from treasury stock)                         | —                      | —            | (1.4 )                           | 1.4               | —                    | —   | —                                |
| Employee stock purchase plan (14,779 shares reissued from treasury stock)                     | —                      | —            | 1.4                              | 0.1               | —                    | —   | 1.5                              |
| Stock-based compensation  | —                      | —            | 19.8                             | —                 | —                    | —   | 19.8                             |
| Net share settlement from restricted stock awards (33,499 shares withheld for tax settlement) | —                      | —            | (3.5 )                           | —                 | —                    | —   | (3.5 )                           |
| Other stock issuances (5,160 shares reissued from treasury stock)                             | —                      | —            | (0.1 )                           | 0.1               | —                    | —   | —                                |
| Balance, June 30, 2018  | 544,003,038            | \$ 0.1       | \$ 2,235.0                       | \$(3,317.7)       | \$ 3,630.4           | \$ (474.2 )                                     | \$ 2,073.6                       |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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## VERISK ANALYTICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For The Six Months Ended June 30, 2018 and 2017

|   | 2018          | 2017    |
|---|---------------|---------|
|   | (In millions) |         |
| Cash flows from operating activities:   |               |         |
| Net income  | \$286.5       | \$229.8 |
| Adjustments to reconcile net income to net cash provided by operating activities: |               |         |
| Depreciation and amortization of fixed assets                                     | 82.0          | 65.6    |
| Amortization of intangible assets   | 65.2          | 46.2    |
| Amortization of debt issuance costs and original issue discount                   | 2.1           | 2.1     |
| Provision for doubtful accounts   | 2.8           | 0.8     |
| Stock-based compensation  | 19.8          | 15.4    |
| Realized gain on available-for-sale securities, net                               | (0.1 )        | —       |
| Deferred income taxes   | (1.1 )        | (0.1 )  |
| Loss on disposal of fixed assets, net   | 0.1           | —       |
| Changes in assets and liabilities, net of effects from acquisitions:              |               |         |
| Accounts receivable   | (2.8 )        | 6.3     |
| Prepaid expenses and other assets   | (20.0 )       | (18.2 ) |
| Income taxes  | 3.2           | (3.3 )  |
| Accounts payable and accrued liabilities  | 1.8           | (16.6 ) |
| Deferred revenues   | 123.8         | 111.0   |
| Other liabilities   | (29.1 )       | (9.2 )  |
| Net cash provided by operating activities   | 534.2         | 429.8   |
| Cash flows from investing activities:   |               |         |
| Acquisitions, net of cash acquired of \$3.1 and \$4.0, respectively               | (61.4 )       | (109.8) |
| Escrow funding associated with acquisitions                                       | (6.3 )        | (12.5 ) |
| Capital expenditures  | (99.3 )       | (72.5 ) |
| Purchases of available-for-sale securities  | (0.1 )        | (0.2 )  |
| Proceeds from sales and maturities of available-for-sale securities               | 0.2           | 0.3     |
| Other investing activities, net   | (3.1 )        | —       |
| Net cash used in investing activities   | (170.0)       | (194.7) |
| Cash flows from financing activities:   |               |         |
| (Repayments) proceeds of short-term debt, net                                     | (235.0)       | 20.0    |
| Payment of debt issuance costs  | —             | (0.5 )  |
| Repurchases of common stock   | (179.4)       | (266.1) |
| Proceeds from stock options exercised   | 47.0          | 22.4    |
| Net share settlement from restricted stock awards                                 | (3.5 )        | (2.9 )  |
| Other financing activities, net   | (6.2 )        | (5.7 )  |
| Net cash used in financing activities   | (377.1)       | (232.8) |
| Effect of exchange rate changes   | 2.6           | 3.3     |
| (Decrease) increase in cash and cash equivalents                                  | (10.3 )       | 5.6     |
| Cash and cash equivalents, beginning of period                                    | 142.3         | 135.1   |
| Cash and cash equivalents, end of period  | \$132.0       | \$140.7 |
| Supplemental disclosures:   |               |         |
| Income taxes paid   | \$58.0        | \$105.7 |
| Interest paid   | \$63.9        | \$54.7  |

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Non-cash investing and financing activities:

|  |        |       |
|--|--------|-------|
| Repurchases of common stock included in accounts payable and accrued liabilities | \$ 1.0 | \$—   |
| Deferred tax liability established on date of acquisition                        | \$5.1  | \$8.0 |
| Capital lease obligations  | \$11.4 | \$0.5 |
| Fixed assets included in accounts payable and accrued liabilities                | \$0.9  | \$2.3 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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VERISK ANALYTICS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Amounts in millions, except for share and per share data, unless otherwise stated)

1. Organization:

Verisk Analytics, Inc. and its consolidated subsidiaries (“Verisk” or the “Company”) is a data analytics provider serving customers in insurance, energy and specialized markets, and financial services. Using various technologies to collect and analyze billions of records, Verisk draws on numerous data assets and domain expertise to provide first-to-market innovations that are integrated into customer workflows. Verisk offers predictive analytics and decision support solutions to customers in rating, underwriting, claims, catastrophe and weather risk, global risk analytics, natural resources intelligence, economic forecasting, and many other fields. Around the world, Verisk helps customers protect people, property, and financial assets.

Verisk was established to serve as the parent holding company of Insurance Services Office, Inc. (“ISO”) upon completion of the initial public offering (“IPO”), which occurred on October 9, 2009. ISO was formed in 1971 as an advisory and rating organization for the property and casualty (“P&C”) insurance industry to provide statistical and actuarial services, to develop insurance programs and to assist insurance companies in meeting state regulatory requirements. For over the past decade, the Company broadened its data assets, entered new markets, placed a greater emphasis on analytics, and pursued strategic acquisitions. Verisk trades under the ticker symbol “VRSK” on the Nasdaq Global Select Market.

2. Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the U.S. (“U.S. GAAP”). The preparation of financial statements in conformity with these accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include acquisition purchase price allocations, the fair value of goodwill, the realization of deferred tax assets and liabilities, acquisition related liabilities, fair value of stock-based compensation for stock options granted, and assets and liabilities for pension and postretirement benefits. Actual results may ultimately differ from those estimates. The condensed consolidated financial statements as of June 30, 2018 and for the three and six months ended June 30, 2018 and 2017, in the opinion of management, include all adjustments, consisting of normal recurring items, to present fairly the Company’s financial position, results of operations and cash flows. The operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year. Other than adopting Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (“Topic 606”) and ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU No. 2016-01”) as of January 1, 2018, the condensed consolidated financial statements and related notes for the three and six months ended June 30, 2018 have been prepared on the same basis as and should be read in conjunction with the annual report on Form 10-K for the year ended December 31, 2017. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules of the Securities and Exchange Commission (“SEC”). The Company believes the disclosures made are adequate to keep the information presented from being misleading.

Effective for the first quarter of 2018, the operating segments of the Company are Insurance, Energy and Specialized Markets, and Financial Services. Previously, its operating segments were Decision Analytics and Risk Assessment. (See Note 13).

(a) Revenue Recognition

The following describes the Company’s primary types of revenues and the applicable revenue recognition policies. The Company’s revenues are primarily derived from the sales of services and revenue is recognized when control of the promised services is transferred to our customers, in an amount that reflects the consideration that the Company expects to be entitled to in exchange for those services. Revenue is recognized net of applicable sales tax withholdings.

The Company recognizes revenues through subscriptions, long-term agreements and on a transactional basis, recurring and nonrecurring. Subscriptions for the solutions are generally paid in advance of rendering services either quarterly or in full upon commencement of the subscription period, which is usually for one year and automatically renewed each year. The long-term agreements are generally for periods of three to five years. The Company recognizes revenue from subscriptions ratably over the term of the subscription and most long-term agreements are recognized ratably over the term of the agreement. As the

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Company offers most of its solutions through a hosting environment, revenue on the majority of the contracts is recognized over time because of the customer's continuous right to use the solutions as soon as access is provided. In addition, the Company performs certain discrete project based consulting services which are recognized over time by measuring the progress toward complete satisfaction of the performance obligation, based on the input method of consulting hours worked; this aligns with the results achieved and value transferred to the customer. The hours consumed are best reflective of the measure of progress towards satisfying the performance obligation, as the resources hours worked directly tie to the progress of the services to be provided.

Certain solutions are also paid for by customers on a transactional basis. The Company recognizes these revenues as the solutions are delivered or services performed. In general, they are billed monthly at the end of each month.

### Insurance Revenue

Industry-standard insurance programs, statistical agent and data services and actuarial services are sold to participating insurance company customers under annual agreements covering a calendar year where the price is determined at the inception of the agreement. These arrangements include a series of distinct services that have the same pattern of transfer to the customer. In accordance with Topic 606, the Company recognizes revenue ratably over the term of these annual agreements under the series guidance, as services are performed and continuous access to information is provided over the entire term of the agreements.

Also within the Insurance segment, the Company licenses hosting solutions that provide continuous access to information in the areas of fraud detection, catastrophe modeling, loss estimation, and underwriting. These arrangements include a series of distinct services that have the same pattern of transfer to the customer. The Company recognizes revenue ratably over the term of these annual agreements under the series guidance, as services are performed and continuous access to information is provided over the entire term of the agreements.

There are also services within insurance, which are comprised of transaction-based fees for which revenue is recognized as information is delivered to customers, in an amount that reflects the consideration that the Company expects to be entitled to in exchange for those services.

### Energy and Specialized Markets Revenue

The Company licenses hosting solutions that provide continuous access to research information such as data analytics and commercial intelligence for the energy, chemicals, metals and mining verticals. These arrangements include a series of distinct services that have the same pattern of transfer to the customer. The Company recognizes revenue ratably over the term of these annual agreements. Furthermore, the Company performs certain discrete project based services; in these instances, revenue is recognized as control of the promised services is transferred to our customers, in an amount that reflects the consideration that the Company expects to be entitled to in exchange for these services.

### Financial Services Revenue

Financial services provide competitive benchmarking, scoring solutions, analytics, and customized service to financial services institutions. The Company primarily recognizes revenue ratably for these services over the term of the agreements, as services are performed and continuous service is provided over the entire term of the agreements. In addition, the Company performs certain discrete project based services that are unrelated and independent of the aforementioned continuous services; in these instances, revenue is recognized as control of the promised services is transferred to our customers, in an amount that reflects the consideration that the Company expects to be entitled to in exchange for these services.

### Practical Expedient and Exemption

The Company generally recognizes revenues, provided that all other revenue recognition criteria are met, and related costs when incurred in accordance with Topic 606 because the period of recognition would have been one year or less. These costs are recorded within "Cost of revenues" and "Selling, general and administrative" expenses in the condensed consolidated statements of operations.

### Accounts Receivables and Allowance for Doubtful Accounts

Accounts receivables is generally recorded at the invoiced amount. The allowance for doubtful accounts is estimated based on an analysis of the aging of the accounts receivable, historical write-offs, customer payment patterns,

individual customer credit worthiness, current economic trends, and/or establishment of specific reserves for customers in adverse financial condition. The Company assesses the adequacy of the allowance for doubtful accounts on a quarterly basis.

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Deferred Commissions

The incremental costs of obtaining a contract with a customer, which primarily consists of sales commissions, are deferred and amortized over a useful life of 5 years that is consistent with the transfer to the customer the services to which the asset relates. The Company classifies deferred commissions as current or noncurrent based on the timing of expense recognition. The current and noncurrent portions of deferred commissions are included in prepaid expenses and other assets, respectively, in the condensed consolidated balance sheets as of June 30, 2018. Amortization expense related to deferred commissions is computed on a straight-line basis over its estimated useful lives and included in the condensed consolidated statements of operations.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases ("ASU No. 2016-02"). This ASU amends the existing accounting considerations and treatments for leases through the creation of Topic 842, Leases, to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet and the disclosure of key information about lease arrangements. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from such leases.

The Company established a corporate implementation team, which engages with cross-functional representatives from all of its business verticals. The Company is utilizing a bottom-up approach to analyze the impact of the standard on its lease contract portfolio by reviewing current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to lease arrangements. In addition, the Company is in the process of identifying and/or implementing the appropriate changes to its business processes, systems and controls to support recognition and disclosure under the new standard.

The amendments in ASU No. 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and allows for modified retrospective adoption with early adoption permitted. The Company has decided not to early adopt the amendments. The Company is also assessing the impact associated with the adoption of ASU No. 2016-02 on the condensed consolidated balance sheet, which is expected to be material based upon review of the future contractual obligations.

In June 2018, the FASB issued an ASU No. 2018-07, Improvements to Nonemployee Share-Based Payment Accounting ("ASU No. 2018-07") intended to reduce cost and complexity and to improve financial reporting for share-based payments issued to nonemployees. This ASU expands the scope of Topic 718, Compensation - Stock Compensation ("Topic 718"), to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted. The Company has decided not to early adopt the amendments. The adoption of ASU No. 2018-07 is not expected to have a material impact on the Company's condensed consolidated financial statements.

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## 3. Revenues:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Topic 606, which replaces numerous requirements under Topic 605, Revenue Recognition ("Topic 605"), in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is recognized in a five-step model: 1) identify the contract with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when or as the company satisfies a performance obligation. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. Effective January 1, 2018, the Company adopted the requirements of Topic 606 using the modified retrospective method. The results of operations for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. The accounting policies related to Topic 605 were presented in the Form 10-K for the year ended December 31, 2017, for which the Company recognized revenue when the following four criteria were met: persuasive evidence of an arrangement existed, delivery had occurred or services had been rendered, fees and/or price was fixed or determinable, and collectability was reasonably assured. The following table shows cumulative effect of the changes made to the January 1, 2018 condensed consolidated balance sheet for the adoption of Topic 606 related to contracts that were entered into prior to and remained in progress subsequent to the adoption:

|                                 | December<br>31, 2017 | Adjustments<br>due to Topic<br>606 | January 1,<br>2018 |
|---------------------------------|----------------------|------------------------------------|--------------------|
| Accounts receivable             | \$ 345.5             | \$ 3.0 (1)                         | \$ 348.5           |
| Prepaid expenses                | \$ 38.1              | \$ 14.9 (2)                        | \$ 53.0            |
| Other assets                    | \$ 214.5             | \$ 27.0 (2)                        | \$ 241.5           |
| Deferred revenues               | \$ 384.7             | \$ (1.5 )                          | \$ 383.2           |
| Deferred income tax liabilities | \$ 337.8             | \$ 11.2                            | \$ 349.0           |
| Retained earnings               | \$ 3,308.0           | \$ 35.2                            | \$ 3,343.2         |

(1)Relates to unbilled receivables

(2)Relates to deferred commissions current and non-current, respectively

In accordance with Topic 606, the disclosure of the impact of adoption on the unaudited condensed consolidated statement of operations and the condensed consolidated balance sheet for and as of the three and six months ended June 30, 2018 are as follows:

|                                     | Three<br>months<br>ended<br>June 30,<br>2018<br>under<br>Topic<br>605 | Adjustments<br>due to Topic<br>606 | Three<br>months<br>ended<br>June 30,<br>2018<br>under<br>Topic<br>606 |
|-------------------------------------|---|------------------------------------|---|
| Revenues                            | \$601.3   | \$ —                               | \$601.3   |
| Selling, general and administrative | \$94.9  | \$ (1.9 )                          | \$93.0  |
| Provision for income taxes          | \$(31.0 )   | \$( 0.5 )                          | \$(31.5 )   |

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|                                     |           |              |           |
|-------------------------------------|-----------|--------------|-----------|
| Net income                          | \$152.1   | \$ 1.4       | \$153.5   |
|                                     | Six       |              | Six       |
|                                     | months    |              | months    |
|                                     | ended     | Adjustments  | ended     |
|                                     | June 30,  | due to Topic | June 30,  |
|                                     | 2018      | 606          | 2018      |
|                                     | under     |              | under     |
|                                     | Topic 605 |              | Topic 606 |
| Revenues                            | \$1,182.1 | \$ 0.4       | \$1,182.5 |
| Selling, general and administrative | \$187.8   | \$ (2.9 )    | \$184.9   |
| Provision for income taxes          | \$(60.0 ) | \$ (0.8 )    | \$(60.8 ) |
| Net income                          | \$284.0   | \$ 2.5       | \$286.5   |

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|  | As of<br>June 30,<br>2018<br>under<br>Topic<br>605 | Adjustments<br>due to Topic<br>606 | As of<br>June 30,<br>2018<br>under<br>Topic<br>606 |
|--|--|------------------------------------|--|
| Accounts receivable                      | \$343.1  | \$ 4.7                             | \$347.8  |
| Prepaid expenses                         | \$45.2   | \$ 15.9                            | \$61.1   |
| Other assets                             | \$204.7  | \$ 30.0                            | \$234.7  |
| Accounts payable and accrued liabilities | \$215.3  | \$ 1.1                             | \$216.4  |
| Deferred revenues                        | \$513.2  | \$ (0.2 )                          | \$513.0  |
| Deferred income tax liabilities          | \$337.6  | \$ 12.0                            | \$349.6  |
| Retained earnings                        | \$3,592.7  | \$ 37.7                            | \$3,630.4  |

Disaggregated revenues by type of service and by country are provided below for the three and six months ended June 30, 2018 and 2017. No individual country outside of the U.S. accounted for 10.0% or more of the Company's consolidated revenues for the three and six months ended June 30, 2018 or 2017.

|                                | Three Months<br>Ended June 30,<br>2018 |         | Six Months Ended<br>June 30,<br>2017 |           |
|--------------------------------|--|---------|--------------------------------------|-----------|
| Insurance:                     |  |         |                                      |           |
| Underwriting & rating          | \$288.9                                | \$262.0 | \$569.6                              | \$515.2   |
| Claims                         | 140.5                                  | 120.4   | 272.5                                | 234.1     |
| Total Insurance                | 429.4                                  | 382.4   | 842.1                                | 749.3     |
| Energy and Specialized Markets | 129.9                                  | 110.3   | 255.4                                | 216.6     |
| Financial Services             | 42.0                                   | 30.5    | 85.0                                 | 59.9      |
| Total revenues                 | \$601.3                                | \$523.2 | \$1,182.5                            | \$1,025.8 |

|                 | Three Months<br>Ended June<br>30,<br>2018 |         | Six Months Ended<br>June 30,<br>2017 |           |
|-----------------|---|---------|--------------------------------------|-----------|
| Revenues:       |   |         |                                      |           |
| U.S.            | \$460.4                                   | \$409.0 | \$909.9                              | \$805.0   |
| U.K.            | 36.0                                      | 26.1    | 71.0                                 | 49.8      |
| Other countries | 104.9                                     | 88.1    | 201.6                                | 171.0     |
| Total revenues  | \$601.3                                   | \$523.2 | \$1,182.5                            | \$1,025.8 |

The Company's remaining performance obligations represent future revenues not yet recorded for services that have not yet been performed. The Company's most significant remaining performance obligations relate to providing customers with the right to use content over the remaining contract term. Revenues expected to be recognized in the future related to performance obligations, included within our deferred revenue and other liabilities, that are unsatisfied at June 30, 2018 are \$515.6 million. Our disclosure of the timing for satisfying the performance obligation is based on the requirements of contracts with customers. However, from time to time, these contracts may be subject to modifications, impacting the timing of satisfying the performance obligations. These performance obligations, which are expected to be satisfied within one year and greater than one year, comprised 98.0% and 2.0% of the balance at June 30, 2018, respectively.

#### 4. Contract Assets and Contract Liabilities

Contract assets are defined as an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. As of June 30, 2018 and January 1, 2018, the Company had no contract assets. As of June 30, 2018 and January 1, 2018, the Company had contract liabilities of \$515.6 million and \$386.7 million, respectively. The \$128.9 million increase in

contract liabilities from January 1, 2018 to June 30, 2018 was primarily due to billings of \$376.2 million that were paid in advance, offset by \$246.8 million of revenue recognized in the six months ended June 30, 2018. Contract liabilities are included in "Deferred revenues" and "Other liabilities" in the condensed consolidated balance sheet as of June 30, 2018 and January 1, 2018.

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## 5. Fair Value Measurements:

Certain assets and liabilities of the Company are reported at fair value in the accompanying condensed consolidated balance sheets. To increase consistency and comparability of assets and liabilities recorded at fair value, ASC 820-10, Fair Value Measurements ("ASC 820-10"), established a three-level fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value. ASC 820-10 requires disclosures detailing the extent to which companies measure assets and liabilities at fair value, the methods and assumptions used to measure fair value and the effect of fair value measurements on earnings. In accordance with ASC 820-10, the Company applied the following fair value hierarchy:

Level 1 - Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments.

Level 2 - Assets and liabilities valued based on observable market data for similar instruments.

Level 3 - Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which are internally-developed, and considers risk premiums that market participants would require.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and short-term debt approximate their carrying amounts because of the short-term nature of these instruments.

The following table summarizes fair value measurements by level for registered investment companies that were measured at fair value on a recurring basis:

|  | Quoted Prices<br>in Active Markets<br>for Identical<br>Assets (Level 1) |
|--|---|
| June 30, 2018                                  |   |
| Registered investment companies <sup>(1)</sup> | \$ 3.8  |
| December 31, 2017                              |   |
| Registered investment companies <sup>(1)</sup> | \$ 3.8  |

<sup>(1)</sup> Registered investment companies are classified as available-for-sale securities and are valued using quoted prices in active markets multiplied by the number of shares owned.

The Company has not elected to carry its subordinated promissory note receivable and long-term debt at fair value. The carrying value of the subordinated promissory note receivable represents amortized cost and has been included in "Other assets" in the accompanying condensed consolidated balance sheets. The subordinated promissory note has a face value of \$100.0 million and an eight year maturity. The carrying value of the long-term debt represents amortized cost less unamortized discount and debt issuance costs. The Company assesses the fair value of these financial instruments based on an estimate of interest rates available to the Company for financial instruments with similar features, the Company's current credit rating and spreads applicable to the Company. The following table summarizes the carrying value and estimated fair value of these financial instruments as of June 30, 2018 and December 31, 2017, respectively:

|   |                      | 2018           |                      | 2017           |                      |
|---|----------------------|----------------|----------------------|----------------|----------------------|
|   | Fair Value Hierarchy | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Financial instruments not carried at fair value:                |                      |                |                      |                |                      |
| Subordinated promissory note receivable                         | Level 2              | \$106.2        | \$111.0              | \$95.3         | \$83.3               |
| Long-term debt excluding capitalized leases and credit facility | Level 2              | \$2,282.3      | \$2,335.0            | \$2,280.6      | \$2,439.8            |

The Company received a 10.0% non-participating interest in VCVH Holdings LLC in 2016 with the sale of the Company's healthcare business. As of June 30, 2018, the balance of this investment was \$8.4 million and accounted for as a cost based investment under ASC 323-10-25, The Equity Method of Accounting for Investments in Common Stock ("ASC 323-10-25"), because the interest is currently non-participating, and the Company does not have the ability to exercise significant influence over the investees' operating and financial policies. As of June 30, 2018, the Company also had an investment in a limited partnership of \$7.1 million accounted for in accordance with ASC 323-10-25 as an equity method investment.

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## 6. Acquisitions:

## 2018 Acquisitions

On June 20, 2018, the Company acquired 100 percent of the stock of Validus-IVC Limited ("Validus"), a provider of claims management solutions and developer of the subrogation portal in the UK, verify™, for a net cash purchase price of \$46.1 million, of which \$5.9 million represents contingent escrows. Validus has become part of the claims category within the Company's Insurance segment. The integration of Validus' verify™ platform with the Company's global claims analytic services allows insurers to take advantage of enhanced analytic and technology tools to help improve and automate the claims settlement process. The preliminary purchase price allocation of the acquisition is presented in the table below.

On February 21, 2018, the Company acquired 100 percent of the stock of Business Insight Limited ("Business Insight"), a provider of predictive analytics for insurers in the U.K. and Ireland, for a net cash purchase price of \$17.1 million, including a holdback of \$0.9 million. Business Insight has become part of the underwriting and ratings category within the Insurance segment. Business Insight offers a comprehensive set of peril models to support underwriting and rating for the commercial property and homeowners insurance market. The preliminary purchase price allocation of the acquisition is presented as part of "Others" in the table below.

On January 5, 2018, the Company acquired 100 percent of the stock of Marketview Limited ("Marketview") for a net cash purchase price of \$4.0 million, of which \$0.4 million represents indemnity escrows. Marketview is a provider of consumer spending analysis and insights across the retail, hospitality, property, and government sectors in New Zealand. Marketview has become part of the Financial Services segment. The acquisition helps expand the Company's solutions related to consumer spending analytics across the Australasia and Oceania regions by combining its domain expertise and proprietary data assets with those of Marketview. The preliminary purchase price allocation of the acquisition is presented as part of "Others" in the table below.

The preliminary purchase price allocations of the 2018 acquisitions resulted in the following:

|                            | Validus | Others  | Total   |
|----------------------------|---------|---------|---------|
| Cash and cash equivalents  | \$ 0.9  | \$ 2.2  | \$ 3.1  |
| Accounts receivable        | 1.3     | 1.1     | 2.4     |
| Current assets             | 6.2     | 0.3     | 6.5     |
| Fixed assets               | 0.5     | 0.2     | 0.7     |
| Intangible assets          | 20.7    | 8.3     | 29.0    |
| Goodwill                   | 25.3    | 15.8    | 41.1    |
| Other assets               | —       | 0.4     | 0.4     |
| Total assets acquired      | 54.9    | 28.3    | 83.2    |
| Current liabilities        | 4.1     | 1.0     | 5.1     |
| Deferred revenues          | 0.1     | 1.1     | 1.2     |
| Deferred income taxes, net | 3.5     | 1.6     | 5.1     |
| Other liabilities          | 0.2     | 1.3     | 1.5     |
| Total liabilities assumed  | 7.9     | 5.0     | 12.9    |
| Net assets acquired        | 47.0    | 23.3    | 70.3    |
| Cash acquired              | (0.9 )  | (2.2 )  | (3.1 )  |
| Net cash purchase price    | \$ 46.1 | \$ 21.1 | \$ 67.2 |

The preliminary amounts assigned to intangible assets by type for the 2018 acquisitions are summarized in the table below:

|                         | Weighted Average Useful Life | Total   |
|-------------------------|------------------------------|---------|
| Technology-related      | 6 years                      | \$ 12.6 |
| Marketing-related       | 8 years                      | 1.1     |
| Customer-related        | 10 years                     | 15.3    |
| Total intangible assets |                              | \$ 29.0 |





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The preliminary allocations of the purchase price for the 2017 and 2018 acquisitions with less than a year ownership are subject to revisions as additional information is obtained about the facts and circumstances that existed as of each acquisition date. The revisions may have a significant impact on the condensed consolidated financial statements. The allocations of the purchase price will be finalized once all information is obtained, but not to exceed one year from the acquisition date. The primary areas of the purchase price allocation that are not yet finalized relate to operating leases, income and non-income taxes, deferred revenues, the valuation of intangible assets acquired, and residual goodwill. The preliminary amounts assigned to intangible assets by type for these acquisitions were based upon the Company's valuation model and historical experiences with entities with similar business characteristics.

For the six months ended June 30, 2018, the Company finalized the purchase accounting for the acquisitions of Arium Limited ("Arium"), Healix International Holdings Limited ("Healix"), Emergent Network Intelligence Limited ("ENI"), Fintellix Solutions Private Limited ("Fintellix"), MAKE Consulting A/S ("MAKE"), and the net assets of Blue Skies Consulting, LLC, ControlCam, LLC, Krawietz Aerial Photography, LLC, Richard Crouse & Associates, Inc., Rocky Mountain Aerial Surveys, Inc., Skyview Aerial Photo, Inc., and Valley Air Photos, LLC (collectively referred to as "Aerial Imagery acquisitions") during the measurement periods in accordance with ASC 805, Business Combinations. The impact of finalization of the purchase accounting associated with these acquisitions were not material to the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2018 and 2017.

For the three and six months ended June 30, 2018, the Company incurred transaction costs of \$0.5 million and \$1.2 million, respectively for the 2018 acquisitions. For the three and six months ended June 30, 2017, the Company incurred transaction costs of \$1.4 million and \$2.7 million, respectively, related to the 2017 acquisitions. The transaction costs were included within "Selling, general and administrative" expenses in the accompanying condensed consolidated statements of operations. For the 2018 acquisitions, the goodwill of \$41.1 million associated with the stock purchases of Marketview, Business Insight and Validus is not deductible for tax purposes.

The 2018 acquisitions were immaterial, both individually and in the aggregate, to the Company's condensed consolidated financial statements for the three and six months ended June 30, 2018 and 2017 and therefore, supplemental information disclosure on an unaudited pro forma basis is not presented.

**Acquisition Escrows and Related Liabilities**

Pursuant to the related acquisition agreements, the Company has funded various escrow accounts to satisfy pre-acquisition indemnity and tax claims arising subsequent to the acquisition date, as well as a portion of the contingent payments. At June 30, 2018 and December 31, 2017, the current portion of the escrows amounted to \$44.9 million and \$22.9 million, and the noncurrent portion of the escrows amounted to zero and \$26.3 million, respectively. The current and noncurrent portions of the escrows have been included in "Other current assets" and "Other assets" in the accompanying condensed consolidated balance sheets, respectively.

The acquisitions of PowerAdvocate and Validus include acquisition related contingencies, for which the sellers of PowerAdvocate and Validus could receive additional payments by achieving the specific predetermined revenue and EBITDA earn-out targets for exceptional performance. As of each respective acquisition date, the Company recorded acquisition related liabilities and goodwill of \$34.2 million associated with PowerAdvocate and \$3.1 million associated with Validus. The Company believes that the liabilities recorded as of June 30, 2018 reflect the best estimate of acquisition contingent payments. The acquisition related liabilities of these acquisitions of \$7.5 million and \$29.8 million have been included in "Accounts payable and accrued liabilities" and "Other liabilities" in the accompanying condensed consolidated balance sheets as of June 30, 2018, respectively.

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## 7. Goodwill and Intangible Assets:

The following is a summary of the change in goodwill from December 31, 2017 through June 30, 2018, both in total and as allocated to the Company's operating segments:

|   | Insurance | Energy and<br>Specialized<br>Markets | Financial<br>Services | Total      |
|---|-----------|--------------------------------------|-----------------------|------------|
| Goodwill, net at December 31, 2017 <sup>(1)</sup> | \$ 749.5  | \$ 2,149.6                           | \$ 469.6              | \$ 3,368.7 |
| Current period acquisitions                       | 38.3      | —                                    | 2.8                   | 41.1       |
| Purchase accounting reclassification              | 4.7       | (1.9 )                               | 2.7                   | 5.5        |
| Foreign currency translation                      | (7.3 )    | (34.3 )                              | (1.0 )                | (42.6 )    |
| Goodwill, net at June 30, 2018 <sup>(1)</sup>     | \$ 785.2  | \$ 2,113.4                           | \$ 474.1              | \$ 3,372.7 |

<sup>(1)</sup> These balances are net of accumulated impairment charges of \$3.2 million that occurred prior to December 31, 2017.

Goodwill and intangible assets with indefinite lives are subject to impairment testing annually as of June 30, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Goodwill impairment testing compares the carrying value of each reporting unit to its fair value. If the fair value of the reporting unit exceeds the carrying value of the net assets, including goodwill assigned to that reporting unit, goodwill is not impaired. If the carrying value of the reporting unit's net assets including goodwill exceeds the fair value of the reporting unit, then the Company will determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment loss is recorded for the difference between the carrying amount and the implied fair value of goodwill. The Company completed the required annual impairment test as of June 30, 2018, and concluded that there was no impairment of goodwill.

The Company's intangible assets and related accumulated amortization consisted of the following:

|                         | Weighted<br>Average<br>Useful Life | Cost      | Accumulated<br>Amortization | Net        |
|-------------------------|------------------------------------|-----------|-----------------------------|------------|
| June 30, 2018           |                                    |           |                             |            |
| Technology-based        | 8 years                            | \$429.8   | \$ (239.2 )                 | \$ 190.6   |
| Marketing-related       | 16 years                           | 260.4     | (70.4 )                     | 190.0      |
| Contract-based          | 6 years                            | 5.0       | (5.0 )                      | —          |
| Customer-related        | 14 years                           | 711.9     | (199.2 )                    | 512.7      |
| Database-related        | 19 years                           | 465.6     | (69.4 )                     | 396.2      |
| Total intangible assets |                                    | \$1,872.7 | \$ (583.2 )                 | \$ 1,289.5 |
| December 31, 2017       |                                    |           |                             |            |
| Technology-based        | 8 years                            | \$421.0   | \$ (222.9 )                 | \$ 198.1   |
| Marketing-related       | 17 years                           | 263.9     | (62.9 )                     | 201.0      |
| Contract-based          | 6 years                            | 5.0       | (5.0 )                      | —          |
| Customer-related        | 14 years                           | 704.2     | (174.0 )                    | 530.2      |
| Database-related        | 19 years                           | 474.7     | (58.7 )                     | 416.0      |
| Total intangible assets |                                    | \$1,868.8 | \$ (523.5 )                 | \$ 1,345.3 |

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Amortization expense related to intangible assets for the three months ended June 30, 2018 and 2017 was \$32.0 million and \$23.9 million, respectively. Amortization expense related to intangible assets for the six months ended June 30, 2018 and 2017 was \$65.2 million and \$46.2 million, respectively. Estimated amortization expense for the remainder of 2018 and the years through 2023 and thereafter for intangible assets subject to amortization is as follows:

| Year                | Amount    |
|---------------------|-----------|
| 2018                | \$64.9    |
| 2019                | 129.2     |
| 2020                | 127.2     |
| 2021                | 116.7     |
| 2022                | 105.4     |
| 2023 and thereafter | 746.1     |
|                     | \$1,289.5 |

## 8. Income Taxes:

The Company's effective tax rate for the three and six months ended June 30, 2018 was 17.03% and 17.50%, compared to the effective tax rate for the three and six months ended June 30, 2017 of 28.80% and 30.59%. The effective tax rate for the three and six months ended June 30, 2018 is lower than the effective tax rate for the three and six months ended June 30, 2017 primarily due to the impact of tax reform lowering the U.S. tax rate from 35.0% to 21.0%, as well as the impact of greater tax benefits from equity compensation in the current period versus the prior period. The difference between statutory tax rates and the Company's effective tax rate is primarily due to tax benefits attributable to equity compensation, offset by additional state and local income taxes.

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## 9. Debt:

The following table presents short-term and long-term debt by issuance as of June 30, 2018 and December 31, 2017:

|   | Issuance<br>Date | Maturity<br>Date | 2018      | 2017      |
|---|------------------|------------------|-----------|-----------|
| Short-term debt and current portion of long-term debt:  |                  |                  |           |           |
| Syndicated revolving credit facility  | Various          | Various          | \$480.0   | \$715.0   |
| Capital lease obligations   | Various          | Various          | 7.2       | 9.4       |
| 4.875% senior notes, less unamortized discount and debt issuance costs of \$0.3 in 2018                 | 12/8/2011        | 1/15/2019        | 249.7     | —         |
| Short-term debt and current portion of long-term debt   |                  |                  | 736.9     | 724.4     |
| Long-term debt:   |                  |                  |           |           |
| Senior notes:   |                  |                  |           |           |
| 4.000% senior notes, less unamortized discount and debt issuance costs of \$8.5 and \$9.1, respectively | 5/15/2015        | 6/15/2025        | 891.5     | 890.9     |
| 5.500% senior notes, less unamortized discount and debt issuance costs of \$4.8 and \$4.9, respectively | 5/15/2015        | 6/15/2045        | 345.2     | 345.1     |
| 4.125% senior notes, less unamortized discount and debt issuance costs of \$2.6 and \$2.9, respectively | 9/12/2012        | 9/12/2022        | 347.4     | 347.1     |
| 4.875% senior notes, less unamortized discount and debt issuance costs of \$0.7 in 2017                 | 12/8/2011        | 1/15/2019        | —         | 249.3     |
| 5.800% senior notes, less unamortized discount and debt issuance costs of \$1.5 and \$1.8, respectively | 4/6/2011         | 5/1/2021         | 448.5     | 448.2     |
| Capital lease obligations   | Various          | Various          | 15.0      | 7.6       |
| Syndicated revolving credit facility debt issuance costs  | Various          | Various          | (3.4 )    | (3.8 )    |
| Long-term debt  |                  |                  | 2,044.2   | 2,284.4   |
| Total debt  |                  |                  | \$2,781.1 | \$3,008.8 |

As of June 30, 2018 and December 31, 2017, the Company had senior notes with an aggregate principal amount of \$2,300.0 million outstanding and was in compliance with their financial debt covenants.

As of June 30, 2018, the Company had a borrowing capacity of \$1,500.0 million under the committed senior unsecured Syndicated Revolving Credit Facility (the "Credit Facility") with Bank of America N.A., JP Morgan Chase, N.A., and a syndicate of banks. The Credit Facility may be used for general corporate purposes, including working capital needs and capital expenditures, acquisitions and the share repurchase program (the "Repurchase Program"). The Company was in compliance with all financial debt covenants under the Credit Facility as of June 30, 2018. As of June 30, 2018 and December 31, 2017, the Company had outstanding borrowings under the Credit Facility of \$480.0 million and \$715.0 million, respectively. Subsequent to June 30, 2018, the Company had borrowings of \$50.0 million and repayments of \$95.0 million under the Credit Facility.

## 10. Stockholders' Equity:

The Company's common shares have rights to any dividend declared by the board of directors (the "Board"), subject to any preferential or other rights of any outstanding preferred stock, and voting rights to elect all twelve members of the Board.

The Company has 80,000,000 shares of authorized preferred stock, par value \$0.001 per share. The preferred shares have preferential rights over the common shares with respect to dividends and net distribution upon liquidation. The Company did not issue any preferred shares as of June 30, 2018.



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## Share Repurchase Program

Since May 2010, the Company has authorized repurchases of up to \$3,300.0 million of its common stock through its Repurchase Program, including an additional authorization of \$500.0 million approved on May 16, 2018. The Company has repurchased shares with an aggregate value of \$2,614.2 million. The Company repurchased 1,711,166 shares of common stock with an aggregate value of \$180.4 million during the six months ended June 30, 2018. As of June 30, 2018, the Company had \$685.8 million available to repurchase shares through its Repurchase Program. On June 15, 2018, the Company entered into an Accelerated Share Repurchase ("ASR") agreement to repurchase shares of its common stock for an aggregate purchase price of \$50.0 million. The ASR agreement is accounted for as an initial treasury stock transaction and a forward stock purchase agreement indexed to the Company's own common stock. The forward stock purchase agreement is classified as an equity instrument under ASC 815-40, Contracts in Entity's Own Equity ("ASC 815-40") and was deemed to have a fair value of zero at the effective date. Upon payment of the aggregate purchase price on July 2, 2018, the Company received an initial delivery of 371,609 shares of its common stock at a price of \$107.64 per share, representing approximately \$40.0 million of the aggregate purchase price. The aggregate purchase price was recorded as a reduction to stockholders' equity, consisting of a \$40.0 million increase in treasury stock and a \$10.0 million decrease in additional paid-in capital, in the Company's condensed consolidated statements of changes in stockholders' equity subsequent to June 30, 2018. Upon the final settlement of the ASR agreement in September 2018, the Company may be entitled to receive additional shares of its common stock or, under certain limited circumstances, be required to deliver shares to the counterparty.

## Treasury Stock

As of June 30, 2018, the Company's treasury stock consisted of 379,278,995 shares of common stock. During the six months ended June 30, 2018, the Company reissued 1,556,279 shares of common stock from the treasury shares at a weighted average price of \$8.47 per share.

## Earnings Per Share ("EPS")

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period. The computation of diluted EPS is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding, using the treasury stock method, if the dilutive potential common shares, including stock options, nonvested restricted stock awards, nonvested restricted stock units, and nonvested deferred stock units, had been issued.

The following is a presentation of the numerators and denominators of the basic and diluted EPS computations for the three and six months ended June 30, 2018 and 2017:

|   | Three Months Ended June |             | Six Months Ended June 30, |             |
|---|-------------------------|-------------|---------------------------|-------------|
|   | 30,                     | 2017        | 2018                      | 2017        |
|   | 2018                    |             |                           |             |
| Numerator used in basic and diluted EPS:  |                         |             |                           |             |
| Net income  | \$ 153.5                | \$ 121.0    | \$ 286.5                  | \$ 229.8    |
| Denominator:  |                         |             |                           |             |
| Weighted average number of common shares used in basic EPS  | 165,015,642             | 164,922,237 | 165,029,345               | 165,682,614 |
| Effect of dilutive shares:  |                         |             |                           |             |
| Potential common shares issuable from stock options and stock awards                              | 3,635,560               | 3,392,059   | 3,792,524                 | 3,549,965   |
| Weighted average number of common shares and dilutive potential common shares used in diluted EPS | 168,651,202             | 168,314,296 | 168,821,869               | 169,232,579 |

The potential shares of common stock that were excluded from diluted EPS were 906,866 and 2,722,518 for the three months ended June 30, 2018 and 2017, and 455,292 and 2,002,341 for the six months ended June 30, 2018 and 2017, respectively, because the effect of including these potential shares was anti-dilutive.





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## Accumulated Other Comprehensive Losses

The following is a summary of accumulated other comprehensive losses as of June 30, 2018 and December 31, 2017:

|   | 2018             | 2017      |
|---|------------------|-----------|
| Foreign currency translation adjustment                               | \$(397.3)        | \$(334.4) |
| Unrealized holding gains on available-for-sale securities, net of tax | — <sup>(1)</sup> | 0.7       |
| Pension and postretirement adjustment, net of tax                     | (76.9 )          | (78.6 )   |
| Accumulated other comprehensive losses                                | \$(474.2)        | \$(412.3) |

(1) Includes an adjustment of \$0.7 million to opening retained earnings related to adoption of ASU 2016-01 at January 1, 2018.

The before tax and after tax amounts of other comprehensive income for the three and six months ended June 30, 2018 and 2017 are summarized below:

|  | Before Tax  | Tax (Expense)<br>Benefit | After Tax   |
|--|-------------|--------------------------|-------------|
| For the Three Months Ended June 30, 2018   |             |                          |             |
| Foreign currency translation adjustment  | \$ (165.6 ) | \$ —                     | \$ (165.6 ) |
| Pension and postretirement adjustment before reclassifications   | 1.6         | (0.2 )                   | 1.4         |
| Amortization of net actuarial loss and prior service benefit reclassified from accumulated other comprehensive losses <sup>(1)</sup> | (0.9 )      | 0.2                      | (0.7 )      |
| Pension and postretirement adjustment  | 0.7         | —                        | 0.7         |
| Total other comprehensive loss   | \$ (164.9 ) | \$ —                     | \$ (164.9 ) |
| For the Three Months Ended June 30, 2017   |             |                          |             |
| Foreign currency translation adjustment  | \$ 89.6     | \$ —                     | \$ 89.6     |
| Unrealized holding gain on available-for-sale securities before reclassifications <sup>(1)</sup>                                     | 0.1         | —                        | 0.1         |
| Unrealized holding gain on available-for-sale securities   | 0.1         | —                        | 0.1         |
| Pension and postretirement adjustment before reclassifications   | 2.7         | (1.1 )                   | 1.6         |
| Amortization of net actuarial loss and prior service benefit reclassified from accumulated other comprehensive losses <sup>(1)</sup> | (1.3 )      | 0.5                      | (0.8 )      |
| Pension and postretirement adjustment  | 1.4         | (0.6 )                   | 0.8         |
| Total other comprehensive gain   | \$ 91.1     | \$ (0.6 )                | \$ 90.5     |

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|  | Before Tax | Tax (Expense)<br>Benefit | After Tax  |
|--|------------|--------------------------|------------|
| For the Six Months Ended June 30, 2018   |            |                          |            |
| Foreign currency translation adjustment  | \$ (62.9 ) | \$ —                     | \$ (62.9 ) |
| Pension and postretirement adjustment before reclassifications   | 3.7        | (0.7 )                   | 3.0        |
| Amortization of net actuarial loss and prior service benefit reclassified from accumulated other comprehensive losses <sup>(1)</sup> | (1.8 )     | 0.5                      | (1.3 )     |
| Pension and postretirement adjustment  | 1.9        | (0.2 )                   | 1.7        |
| Total other comprehensive loss   | \$ (61.0 ) | \$ (0.2 )                | \$ (61.2 ) |
| For the Six Months Ended June 30, 2017   |            |                          |            |
| Foreign currency translation adjustment  | \$ 122.7   | \$ —                     | \$ 122.7   |
| Unrealized holding gain on available-for-sale securities before reclassifications  | 0.3        | (0.1 )                   | 0.2        |
| Unrealized holding gain on available-for-sale securities   | 0.3        | (0.1 )                   | 0.2        |
| Pension and postretirement adjustment before reclassifications   | 5.0        | (2.0 )                   | 3.0        |
| Amortization of net actuarial loss and prior service benefit reclassified from accumulated other comprehensive losses <sup>(1)</sup> | (2.5 )     | 1.0                      | (1.5 )     |
| Pension and postretirement adjustment  | 2.5        | (1.0 )                   | 1.5        |
| Total other comprehensive gain   | \$ 125.5   | \$ (1.1 )                | \$ 124.4   |

These accumulated other comprehensive loss components, before tax, are included under “Cost of revenues” and “Selling, general and administrative” in the accompanying condensed consolidated statements of operations. These components are also included in the computation of net periodic (benefit) cost (see Note 12 Pension and Postretirement Benefits for additional details).

## 11. Equity Compensation Plans:

## Equity Compensation Plans

All of the Company’s outstanding stock options and restricted stock awards are covered under the 2013 Incentive Plan, 2009 Incentive Plan or the 1996 Incentive Plan. Awards under the 2013 Incentive Plan may include one or more of the following types: (i) stock options (both nonqualified and incentive stock options), (ii) stock appreciation rights, (iii) restricted stock, (iv) restricted stock units, (v) performance awards, (vi) other share based awards, and (vii) cash. Employees, directors and consultants are eligible for awards under the 2013 Incentive Plan. The Company issued common stock under these plans from the Company’s treasury shares. As of June 30, 2018, there were 5,616,912 shares of common stock reserved and available for future issuance under the 2013 Incentive Plan. Cash received from stock option exercises for the six months ended June 30, 2018 and 2017 was \$47.0 million and \$22.4 million, respectively.

The Company granted equity awards to key employees of the Company. The nonqualified stock options have an exercise price equal to the closing price of the Company’s common stock on the grant date, with a ten-year contractual term. The fair value of the restricted stock is determined using the closing price of the Company’s common stock on the grant date. The restricted stock is not assignable or transferable until it becomes vested. Performance share units (“PSU”) vest at the end of a three-year performance period, subject to the recipient’s continued service. Each PSU represents the right to receive one share of Verisk common stock and the ultimate realization is based on the Company’s achievement of certain market performance criteria and may range from 0% to 200% of the recipient’s target levels established on the grant date. The fair value of performance share units is determined on the grant date using the Monte Carlo Simulation model. The Company recognizes the expense of the equity awards ratably over the vesting period. A summary of the equity awards granted for the six months ended

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June 30, 2018 is presented below.

| Grant Date                 | Service Vesting Period   | Stock Options | Restricted Stock | Performance Share Units |
|----------------------------|--------------------------|---------------|------------------|-------------------------|
| January 1 to June 30, 2018 | Four-year graded vesting | 944           | 194              | —                       |
| April 1, 2018              | Four-year graded vesting | 873,383       | 187,462          | —                       |
| April 1, 2018              | Three-year cliff vesting | —             | —                | 46,705                  |
| April 16, 2018             | Four-year graded vesting | 11,491        | 2,338            | —                       |
|                            |                          | 885,818       | 189,994          | 46,705                  |

On July 1, 2018, the Company granted 1,858 shares of common stock and 19,798 shares of nonqualified stock options that were immediately vested, 17,402 non-qualified stock options with a one-year service period that vests ratably over twelve months, and 12,716 deferred stock units to the Directors of the Company.

The fair value of the stock options granted for the six months ended June 30, 2018 and 2017 was estimated using a Black-Scholes valuation model that uses the weighted average assumptions noted in the following table:

| Option pricing model                                    | 2018          |   | 2017          |   |
|---|---------------|---|---------------|---|
|   | Black-Scholes |   | Black-Scholes |   |
| Expected volatility                                     | 18.52         | % | 18.71         | % |
| Risk-free interest rate                                 | 2.51          | % | 1.82          | % |
| Expected term in years                                  | 4.4           |   | 4.5           |   |
| Dividend yield  | —             | % | —             | % |
| Weighted average grant date fair value per stock option | \$21.23       |   | \$15.64       |   |

The expected term for the stock options granted was estimated based on studies of historical experience and projected exercise behavior. However, for certain awards granted, for which no historical exercise pattern exists, the expected term was estimated using the simplified method. The risk-free interest rate is based on the yield of U.S. Treasury zero coupon securities with a maturity equal to the expected term of the equity award. The volatility factor is calculated using historical daily closing prices over the most recent period that is commensurate with the expected term of the stock option award. The expected dividend yield was based on the Company's expected annual dividend rate on the date of grant.

A summary of the stock options outstanding and exercisable as of December 31, 2017 and June 30, 2018 and changes during the interim period are presented below:

|                                  | Number of Options | Weighted Average Exercise Price | Aggregate Intrinsic Value |
|----------------------------------|-------------------|---------------------------------|---------------------------|
| Outstanding at December 31, 2017 | 8,907,109         | \$ 53.31                        | \$ 380.2                  |
| Granted                          | 885,818           | \$ 104.04                       |                           |
| Exercised                        | (1,369,268)       | \$ 36.70                        | \$ 92.9                   |
| Cancelled or expired             | (222,517 )        | \$ 77.11                        |                           |
| Outstanding at June 30, 2018     | 8,201,142         | \$ 60.92                        | \$ 383.2                  |
| Exercisable at June 30, 2018     | 5,685,763         | \$ 49.06                        | \$ 333.1                  |
| Exercisable at December 31, 2017 | 5,995,339         | \$ 41.50                        | \$ 326.8                  |

Intrinsic value for stock options is calculated based on the exercise price of the underlying awards and the quoted price of Verisk common stock as of the reporting date. Excess tax benefits from exercised stock options were recorded as income tax benefit in the condensed consolidated statements of operations. This tax benefit is calculated as the excess of the intrinsic value of options exercised and restricted stock lapsed in excess of compensation recognized for financial reporting purposes. Stock-based compensation expense for the six months ended June 30, 2018 and 2017 was \$19.8 million and \$15.4 million, respectively.

The Company estimates expected forfeitures of equity awards at the date of grant and recognizes compensation expense only for those awards that the Company expects to vest. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Changes in the forfeiture assumptions may impact the total amount of expense ultimately recognized over the requisite service period and may impact the timing of expense recognized over the requisite

service period.

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A summary of the status of the restricted stock and performance share units awarded under the 2013 Incentive Plan as of December 31, 2017 and June 30, 2018 and changes during the interim period are presented below:

|                                  | Number<br>of Shares | Weighted Average Grant<br>Date Fair Value Per Share |
|----------------------------------|---------------------|---|
| Outstanding at December 31, 2017 | 604,464             | \$ 78.28  |
| Granted                          | 236,699             | \$ 111.27   |
| Vested                           | (205,731)           | \$ 75.09  |
| Forfeited                        | (44,246 )           | \$ 87.66  |
| Outstanding at June 30, 2018     | 591,186             | \$ 91.87  |

The Company's employee stock purchase plan ("ESPP") offers eligible employees the opportunity to purchase shares of the Company's common stock at a discount of its fair market value at the time of purchase. During the six months ended June 30, 2018 and 2017, the Company issued 14,779 and 15,854 shares of common stock at a weighted discounted price of \$100.57 and \$78.65 for the ESPP, respectively.

As of June 30, 2018, there was \$90.0 million of total unrecognized compensation costs, exclusive of the impact of vesting upon retirement eligibility, related to nonvested share-based compensation arrangements granted under the 2009 and 2013 Incentive Plans. That cost is expected to be recognized over a weighted average period of 2.83 years. As of June 30, 2018, there were 2,515,379 and 590,945 nonvested stock options and restricted stock, respectively, of which 2,119,518 and 512,356 are expected to vest. The total grant date fair value of options vested was \$7.7 million during the six months ended June 30, 2018 and 2017. The total grant date fair value of restricted stock vested during the six months ended June 30, 2018 and 2017 was \$9.1 million and \$8.3 million, respectively.

#### 12. Pension and Postretirement Benefits:

The Company maintained a frozen qualified defined benefit pension plan for certain of its employees through membership in the Pension Plan for Insurance Organizations (the "Pension Plan"), a multiple-employer trust. The Company has applied a cash balance formula to determine future benefits. Under the cash balance formula, each participant has an account, which is credited annually based on the interest earned on the previous year-end cash balance. The Company also has a frozen non-qualified supplemental cash balance plan ("SERP") for certain employees. The SERP is funded from the general assets of the Company.

The Company also provides certain healthcare and life insurance benefits to certain qualifying active and retired employees. The Postretirement Health and Life Insurance Plan (the "Postretirement Plan"), which has been frozen, is contributory, requiring participants to pay a stated percentage of the premium for coverage. The components of net periodic (benefit) cost for the three and six months ended June 30, are summarized below:

|                                      | Pension Plan and SERP<br>For the Three Months Ended June<br>30, |          |           |        |
|--------------------------------------|---|----------|-----------|--------|
|                                      | 2018  | 2017     | 2018      | 2017   |
| Interest cost                        | \$4.0   | \$4.4    | \$ 0.1    | \$ 0.1 |
| Expected return on plan assets       | (8.7)   | (7.7)    | —         | (0.1 ) |
| Amortization of prior service credit | 0.1   | —        | (0.1 )    | —      |
| Amortization of net actuarial loss   | 0.8   | 1.2      | 0.1       | 0.1    |
| Net periodic (benefit) cost          | \$(3.8)   | \$(2.1)  | \$ 0.1    | \$ 0.1 |
| Employer contributions, net          | \$0.3   | \$0.3    | \$ (0.2 ) | \$ 0.2 |
|                                      | Pension Plan and SERP<br>For the Six Months Ended June 30,      |          |           |        |
|                                      | 2018  | 2017     | 2018      | 2017   |
| Interest cost                        | \$7.6   | \$8.6    | \$ 0.2    | \$ 0.2 |
| Expected return on plan assets       | (16.4)  | (15.5)   | (0.1 )    | (0.2 ) |
| Amortization of prior service cost   | 0.1   | 0.1      | (0.1 )    | —      |
| Amortization of net actuarial loss   | 1.6   | 2.2      | 0.2       | 0.2    |
| Net periodic (benefit) cost          | \$(7.1 )  | \$(4.6 ) | \$ 0.2    | \$ 0.2 |

Employer contributions, net      \$0.5    \$0.5    \$ (0.3 )    \$ 0.6

The expected contributions to the Pension Plan, SERP and Postretirement Plan for the year ending December 31, 2018 are consistent with the amounts previously disclosed as of December 31, 2017.

### 13. Segment Reporting:

ASC 280-10, Disclosures About Segments of an Enterprise and Related Information (“ASC 280-10”), establishes standards for reporting information about operating segments. ASC 280-10 requires that a public business enterprise reports financial and descriptive information about its operating segments. Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance. The Company’s President and CEO is identified as the CODM as defined by ASC 280-10.

The Company previously reported results based on its two operating segments, Decision Analytics and Risk Assessment. During the first quarter of 2018, the CODM changed how he makes operating decisions, assesses the performance of the business, and allocates resources in a manner that caused its operating segments to change. Consequently, effective as of the first quarter of 2018, the operating segments of the Company are based on three vertical markets it serves: Insurance, Energy and Specialized Markets, and Financial Services. These three operating segments are also the Company's reportable segments, which have been recast to reflect the new segments for the three and six months ended June 30, 2017.

**Insurance:** The Company is the leading provider of statistical, actuarial and underwriting data for the U.S. P&C insurance industry. The Company’s databases include cleansed and standardized records describing premiums and losses in insurance transactions, casualty and property risk attributes for commercial buildings and their occupants and fire suppression capabilities of municipalities. The Company uses this data to create policy language and proprietary risk classifications that are industry standards and to generate prospective loss cost estimates used to price insurance policies. The Company also develops solutions that its customers use to analyze key processes in managing risk. The Company’s combination of algorithms and analytic methods incorporates its proprietary data to generate solutions. In most cases, the Company’s customers integrate the solutions into their models, formulas or underwriting criteria in order to predict potential loss events, ranging from hurricanes to earthquakes. The Company develops catastrophe and extreme event models and offers solutions covering natural and man-made risks, including acts of terrorism. The Company further develops solutions that allow customers to quantify costs after loss events occur. The Company's multitier, multispectral terrestrial imagery and data acquisition, processing, analytics, and distribution system using the remote sensing and machine learning technologies help gather, store, process, and deliver geographic and spatially referenced information that supports uses in many markets. Additionally, the Company offers fraud-detection solutions including review of data on claim histories, analysis of claims to find emerging patterns of fraud, and identification of suspicious claims in the insurance sector. The Company’s underwriting & rating, insurance anti-fraud claims, catastrophe modeling, loss quantification and aerial imagery solutions are included in this segment.

**Energy and Specialized Markets:** The Company is a leading provider of data analytics for the global energy, chemicals, and metals and mining industries. Its research and consulting solutions focus on exploration strategies and screening, asset development and acquisition, commodity markets, and corporate analysis in the areas of business environment, business improvement, business strategies, commercial advisory, and transaction support. The Company gathers and manages proprietary information, insight, and analysis on oil and gas fields, mines, refineries and other assets across the interconnected global energy sectors to advise customers in making asset investment and portfolio allocation decisions. The Company also helps businesses and governments better anticipate and manage climate and weather-related risks. The Company's analytical tools measure and observe environmental properties and translate those measurements into actionable information based on customer needs. The Company further offers a suite of data and information services that enable improved compliance with global Environmental Health and Safety requirements related to the safe manufacturing, distribution, transportation, usage, and disposal of chemicals and products. The Company’s energy business, environmental health and safety services and, weather risk solutions are included in this segment.

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Financial Services: The Company maintains a bank account consortia to provide competitive benchmarking, decisioning algorithms, business intelligence, and customized analytic services that help financial institutions, payment networks and processors, alternative lenders, regulators and merchants make better strategy, marketing, and risk decisions. Customers apply the Company's solutions in the areas of tailored data management and media effectiveness that include business intelligence platforms, profile views, mobile data solutions, enterprise database services, and fraud risk scoring algorithms for marketing, fraud, and risk mitigation. In addition, the Company's bankruptcy management solutions assist creditors, debt servicing businesses and credit services to enhance regulatory compliance by eliminating stay violation and portfolio valuation risk. The Company's financial services and retail analytics solutions are included in this segment.

The three aforementioned operating segments represent the segments for which discrete financial information is available and upon which operating results are regularly evaluated by the CODM in order to assess performance and allocate resources. The Company uses EBITDA as the profitability measure for making decisions regarding ongoing operations. EBITDA is net income before interest expense, provision for income taxes, depreciation and amortization of fixed and intangible assets. EBITDA is the measure of operating results used to assess corporate performance and optimal utilization of debt and acquisitions. Operating expenses consist of direct and indirect costs principally related to personnel, facilities, software license fees, consulting, travel, and third-party information services. Indirect costs are generally allocated to the segments using fixed rates established by management based upon estimated expense contribution levels and other assumptions that management considers reasonable. The Company does not allocate interest expense and provision for income taxes, since these items are not considered in evaluating the segment's overall operating performance. In addition, the CODM does not evaluate the financial performance of each segment based on assets. See Note 3 Revenues for information on disaggregated revenues by type of service and by country. The following table provides the Company's revenue and EBITDA by reportable segment for the three and six months ended June 30, 2018 and 2017, and the reconciliation of EBITDA to operating income as shown in the accompanying condensed consolidated statements of operations:

|   | For the Three Months Ended |                                      |                       |         | June 30, 2017 |                                      |                       |         |
|---|----------------------------|--------------------------------------|-----------------------|---------|---------------|--------------------------------------|-----------------------|---------|
|   | June 30, 2018              |                                      | June 30, 2017         |         | June 30, 2017 |                                      | June 30, 2017         |         |
|   | Insurance                  | Energy and<br>Specialized<br>Markets | Financial<br>Services | Total   | Insurance     | Energy and<br>Specialized<br>Markets | Financial<br>Services | Total   |
| Revenues  | \$429.4                    | \$ 129.9                             | \$ 42.0               | \$601.3 | \$382.4       | \$ 110.3                             | \$ 30.5               | \$523.2 |
| Expenses:   |                            |                                      |                       |         |               |                                      |                       |         |
| Cost of revenues<br>(exclusive of items<br>shown separately<br>below) | (141.6)                    | (56.3 )                              | (24.5 )               | (222.4) | (125.9)       | (48.8 )                              | (19.0 )               | (193.7) |
| Selling, general and<br>administrative                                | (53.3 )                    | (34.9 )                              | (4.8 )                | (93.0 ) | (49.1 )       | (27.7 )                              | (2.0 )                | (78.8 ) |
| Investment income and<br>others, net                                  | 1.8                        | 2.5                                  | 0.3                   | 4.6     | 3.0           | 0.3                                  | 0.1                   | 3.4     |
| EBITDA  | 236.3                      | 41.2                                 | 13.0                  | 290.5   | 210.4         | 34.1                                 | 9.6                   | 254.1   |
| Depreciation and<br>amortization of fixed<br>assets                   | (25.0 )                    | (11.0 )                              | (5.6 )                | (41.6 ) | (21.8 )       | (8.5 )                               | (1.5 )                | (31.8 ) |
| Amortization of<br>intangible assets                                  | (5.4 )                     | (21.2 )                              | (5.4 )                | (32.0 ) | (2.9 )        | (17.4 )                              | (3.6 )                | (23.9 ) |
| Less: Investment income<br>and others, net                            | (1.8 )                     | (2.5 )                               | (0.3 )                | (4.6 )  | (3.0 )        | (0.3 )                               | (0.1 )                | (3.4 )  |
| Operating income  | \$204.1                    | \$ 6.5                               | \$ 1.7                | 212.3   | \$182.7       | \$ 7.9                               | \$ 4.4                | 195.0   |
|   |                            |                                      |                       | 4.6     |               |                                      |                       | 3.4     |

|                                      |         |         |
|--------------------------------------|---------|---------|
| Investment income and others,<br>net |         |         |
| Interest expense                     | (31.9 ) | (28.5 ) |
| Income before income<br>taxes        | \$185.0 | \$169.9 |

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|   | For the Six Months Ended |                                      |                       |           | June 30, 2017 |                                      |                       |           |
|---|--------------------------|--------------------------------------|-----------------------|-----------|---------------|--------------------------------------|-----------------------|-----------|
|   | June 30, 2018            |                                      | June 30, 2017         |           | June 30, 2017 |                                      | June 30, 2017         |           |
|   | Insurance                | Energy and<br>Specialized<br>Markets | Financial<br>Services | Total     | Insurance     | Energy and<br>Specialized<br>Markets | Financial<br>Services | Total     |
| Revenues  | \$842.1                  | \$ 255.4                             | \$ 85.0               | \$1,182.5 | \$749.3       | \$ 216.6                             | \$ 59.9               | \$1,025.8 |
| Expenses:   |                          |                                      |                       |           |               |                                      |                       |           |
| Cost of revenues<br>(exclusive of items<br>shown separately<br>below) | (280.2)                  | (112.0 )                             | (51.4 )               | (443.6 )  | (246.1)       | (94.5 )                              | (36.0 )               | (376.6 )  |
| Selling, general and<br>administrative                                | (105.9)                  | (69.0 )                              | (10.0 )               | (184.9 )  | (94.5 )       | (55.8 )                              | (4.4 )                | (154.7 )  |
| Investment income and<br>others, net                                  | 4.3                      | 0.4                                  | 0.6                   | 5.3       | 5.6           | (0.5 )                               | 0.2                   | 5.3       |
| EBITDA  | 460.3                    | 74.8                                 | 24.2                  | 559.3     | 414.3         | 65.8                                 | 19.7                  | 499.8     |
| Depreciation and<br>amortization of fixed<br>assets                   | (52.3 )                  | (22.0 )                              | (7.7 )                | (82.0 )   | (45.4 )       | (17.0 )                              | (3.2 )                | (65.6 )   |
| Amortization of<br>intangible assets                                  | (10.9 )                  | (42.8 )                              | (11.5 )               | (65.2 )   | (5.0 )        | (34.3 )                              | (6.9 )                | (46.2 )   |
| Less: Investment income<br>and others, net                            | (4.3 )                   | (0.4 )                               | (0.6 )                | (5.3 )    | (5.6 )        | 0.5                                  | (0.2 )                | (5.3 )    |
| Operating income  | \$392.8                  | \$ 9.6                               | \$ 4.4                | 406.8     | \$358.3       | \$ 15.0                              | \$ 9.4                | 382.7     |
| Investment income and others,<br>net                                  |                          |                                      |                       | 5.3       |               |                                      |                       | 5.3       |
| Interest expense  |                          |                                      |                       | (64.8 )   |               |                                      |                       | (56.9 )   |
| Income before income<br>taxes   |                          |                                      |                       | \$347.3   |               |                                      |                       | \$331.1   |

Long-lived assets by country are provided below:

|                         | June 30,<br>2018 | December 31,<br>2017 |
|-------------------------|------------------|----------------------|
| Long-lived assets:      |                  |                      |
| U.S.                    | \$2,461.9        | \$ 2,438.6           |
| U.K.                    | 2,627.9          | 2,656.6              |
| Other countries         | 324.7            | 327.5                |
| Total long-lived assets | \$5,414.5        | \$ 5,422.7           |

#### 14. Related Parties:

The Company considers its stockholders that own more than 5.0% of the outstanding common stock to be related parties as defined within ASC 850, Related Party Disclosures. As of June 30, 2018 and December 31, 2017, the Company had no material transactions with related parties.

#### 15. Commitments and Contingencies:

The Company is a party to legal proceedings with respect to a variety of matters in the ordinary course of business, including the matter described below. With respect to the ongoing matter, the Company is unable, at the present time, to determine the ultimate resolution of or provide a reasonable estimate of the range of possible loss attributable to this matter or the impact it may have on the Company's results of operations, financial position or cash flows. Although the Company believes it has strong defenses and intends to vigorously defend this matter, the Company could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations, financial position or cash flows.



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Xactware Solutions, Inc. Patent Litigation

On October 8, 2015, the Company was served with a summons and complaint in an action titled Eagle View Technologies, Inc. and Pictometry International Group, Inc. v. Xactware Solutions, Inc. and Verisk Analytics, Inc. filed in the United States District Court for the District of New Jersey. The complaint alleges that the Company's Roof InSight (now known as Geomni Roof), Property InSight product (now known as Geomni Property) and Aerial Sketch product in combination with the Company's Xactimate product infringe seven patents owned by Eagle View and Pictometry namely, Patent Nos. 436, 840, 152, 880, 770, 732 and 454. On November 30, 2015, plaintiffs filed a First Amended Complaint adding Patent Nos. 376 and 737 to the lawsuit. The First Amended Complaint seeks an entry of judgment by the Court that defendants have and continue to directly infringe and/or indirectly infringe, including by way of inducement the Patents-in-Suit, permanent injunctive relief, damages, costs and attorney's fees. On May 19, 2017, the District Court so ordered a Joint Stipulated Order of Partial Dismissal with Prejudice dismissing all claims or assertions pertaining to Pictometry Patents Nos. 880 and 732 and certain asserted claims of the Eagle View Patents Nos. 436, 840, 152, 770, 454, 376 and 737 (collectively the "Patents in Suit"). Eagle View further reduced the number of asserted claims pertaining to the Patents in Suit to 18 asserted claims. Fact discovery and expert discovery are now closed and summary judgment motions are due on August 31, 2018. At this time, it is not reasonably possible to determine the ultimate resolution of, or estimate the liability related to, this matter.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our historical financial statements and the related notes included in our annual report on Form 10-K, or 2017 10-K, dated and filed with the Securities and Exchange Commission on February 20, 2018. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by any of the forward-looking statements as a result of various factors, including but not limited to those listed under "Risk Factors" and "Special Note Regarding Forward Looking Statements" in our 2017 10-K.

Verisk is a leading data analytics provider serving customers in insurance, energy and specialized markets, and financial services. Using advanced technologies to collect and analyze billions of records, we draw on unique data assets and deep domain expertise to provide innovations that may be integrated into customer workflows. We offer predictive analytics and decision support solutions to customers in rating, underwriting, claims, catastrophe and weather risk, natural resources intelligence, economic forecasting, and many other fields. In the United States, or U.S., and around the world, we help customers protect people, property, and financial assets.

Our customers use our solutions to make better decisions about risk and opportunities with greater efficiency and discipline. We refer to these products and services as solutions due to the integration among our services and the flexibility that enables our customers to purchase components or a comprehensive package. These solutions take various forms, including data, expert insight, statistical models and tailored analytics all designed to allow our customers to make more logical decisions. We believe our solutions for analyzing risk positively impact our customers' revenues and help them better manage their costs.

We previously reported results based on our two operating segments, Decision Analytics and Risk Assessment. During the first quarter of 2018, the CODM changed how he makes operating decisions, assesses the performance of the business, and allocates resources in a manner that caused its operating segments to change. Consequently, effective as of the first quarter of 2018, our operating segments are based on three vertical markets we serve: Insurance, Energy and Specialized Markets, and Financial Services. These three operating segments are also our reportable segments, which have been recast to reflect the new segments for the three and six months ended June 30, 2017.

Our Insurance segment provides underwriting and ratings, and claims insurance data for the U.S. P&C insurance industry. This segment's revenues represented approximately 71.2% and 73.0% of our revenues for the six months ended June 30, 2018 and 2017, respectively. Our Energy and Specialized Markets segment provides research and consulting data analytics for the global energy, chemicals, and metals and mining industries. Our Energy and Specialized Markets segment's revenues represented 21.6% and 21.1% of our revenues for the six months ended June 30, 2018 and 2017, respectively. Our Financial Services segment provides competitive benchmarking, decisioning algorithms, business intelligence, and customized analytic services to financial institutions, payment networks and processors, alternative lenders, regulators and merchants. Our Financial Services segment's revenues represented 7.2% and 5.8% of our revenues for the six months ended June 30, 2018 and 2017, respectively.

Executive Summary

Key Performance Metrics

We believe our business' ability to generate recurring revenue and positive cash flow is the key indicator of the successful execution of our business strategy. We use year-over-year revenue growth and EBITDA margin as metrics to measure our performance. EBITDA and EBITDA margin are non-GAAP financial measures (See footnote 1 within the Condensed Consolidated Results of Operations section of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations). The respective GAAP financial measures are net income and net income margin.

Revenue growth. We use year-over-year revenue growth as a key performance metric. We assess revenue growth based on our ability to generate increased revenue through increased sales to existing customers, sales to new customers, sales of new or expanded solutions to existing and new customers, and strategic acquisitions of new businesses.

EBITDA growth. We use EBITDA growth as a proxy for the cash generated by the business and as an indicator of segment performance. EBITDA growth serves as a measure of our ability to balance the size of revenue growth with

cost management and investing for future growth.

EBITDA margin. We use EBITDA margin as a metric to assess segment performance and scalability of our business. We assess EBITDA margin based on our ability to increase revenues while controlling expense growth.

#### Revenues

We recognize revenues through subscriptions, long-term agreements and on a transactional basis. Subscriptions for our solutions are generally paid in advance of rendering services either quarterly or in full upon commencement of the subscription period, which is usually for one year and automatically renewed each year. As a result, the timing of our cash flows generally precedes our recognition of revenues and income and our cash flow from operations tends to be higher in the first quarter as we receive subscription payments. Examples of these arrangements include subscriptions that allow our customers to access our standardized coverage language, our claims fraud database or our actuarial services throughout the subscription period. In general, we experience minimal revenue seasonality within the business. Our long-term agreements are generally for periods of three to five years. We recognize revenue from subscriptions ratably over the term of the subscription and most long-term agreements are recognized ratably over the term of the agreement.

Approximately 81.0% and 82.0% of the revenues in our Insurance segment for the six months ended June 30, 2018 and 2017, respectively, were derived from subscriptions and long-term agreements for our solutions. Our customers in this segment include most of the P&C insurance providers in the U.S. Approximately 79.0% and 82.0% of the revenues in our Energy and Specialized Markets segment for the six months ended June 30, 2018 and 2017, respectively, were derived from subscriptions and long-term agreements for our solutions. Our customers in this segment include most of the top 10 global energy providers around the world. Approximately 75.0% and 81.0% of the revenues in our Financial Services segment for the six months ended June 30, 2018 and 2017, respectively, were derived from subscriptions and long-term agreements for our solutions, respectively. Our customers in this segment include all of the top 30 credit card issuers in North America, the United Kingdom, and Australia.

Certain of our solutions are also paid for by our customers on a transactional basis, recurring and non-recurring. For example, we have solutions that allow our customers to access property-specific rating and underwriting information to price a policy on a commercial building, or compare a P&C insurance or workers' compensation claim with information in our databases. We also provide advisory services which help our customers get more value out of our analytics and their subscriptions. For the six months ended June 30, 2018 and 2017, approximately 20.0% and 18.0%, respectively, of our revenues were derived from providing transactional recurring and non-recurring solutions. We recognize these revenues as our solutions are delivered or services performed. In general, transactions are billed monthly at the end of each month.

#### Principal Operating Costs and Expenses

Personnel expenses are the major component of both our cost of revenues and selling, general and administrative expenses. Personnel expenses, which represented 50.5% and 48.2% of our total expenses for the six months ended June 30, 2018 and 2017, respectively, include salaries, benefits, incentive compensation, equity compensation costs, sales commissions, employment taxes, recruiting costs, and outsourced temporary agency costs.

We assign personnel expenses between two categories, cost of revenues and selling, general and administrative expense, based on the actual costs associated with each employee. We categorize employees who maintain our solutions as cost of revenues, and all other personnel, including executive managers, sales people, marketing, business development, finance, legal, human resources, and administrative services, as selling, general and administrative expenses. A significant portion of our other operating costs, such as facilities and communications, is also either captured within cost of revenues or selling, general and administrative expenses based on the nature of the work being performed.

While we expect to grow our headcount over time to take advantage of our market opportunities, we believe that the economies of scale in our operating model will allow us to grow our personnel expenses at a lower rate than revenues. Historically, our EBITDA margin has improved because we have been able to increase revenues without a proportionate corresponding increase in expenses. However, part of our corporate strategy is to invest in new solutions which may offset margin expansion.

Cost of Revenues. Our cost of revenues consists primarily of personnel expenses. Cost of revenues also includes the expenses associated with the acquisition and verification of data, the maintenance of our existing solutions and the development and enhancement of our next-generation solutions. Our cost of revenues excludes depreciation and

amortization.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses consist primarily of personnel costs. A portion of the other costs such as facilities, insurance and communications is also allocated to selling, general and administrative expenses based on the nature of the work being performed by the employee. Our selling, general and administrative expenses exclude depreciation and amortization.

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## Condensed Consolidated Results of Operations

|  | Three Months Ended June 30, |             | Percentage Change |   | Six Months Ended June 30, |             | Percentage Change |   |
|--|-----------------------------|-------------|-------------------|---|---------------------------|-------------|-------------------|---|
|  | 2018                        | 2017        |                   |   | 2018                      | 2017        |                   |   |
| (In millions, except for share and per share data)           |                             |             |                   |   |                           |             |                   |   |
| Statement of income data:                                    |                             |             |                   |   |                           |             |                   |   |
| Revenues:  |                             |             |                   |   |                           |             |                   |   |
| Insurance  | \$429.4                     | \$382.4     | 12.3              | % | \$842.1                   | \$749.3     | 12.4              | % |
| Energy and Specialized Markets                               | 129.9                       | 110.3       | 17.7              | % | 255.4                     | 216.6       | 17.9              | % |
| Financial Services Revenues                                  | 42.0                        | 30.5        | 37.7              | % | 85.0                      | 59.9        | 41.9              | % |
|  | 601.3                       | 523.2       | 14.9              | % | 1,182.5                   | 1,025.8     | 15.3              | % |
| Expenses:  |                             |             |                   |   |                           |             |                   |   |
| Cost of revenues (exclusive of items shown separately below) | 222.4                       | 193.7       | 14.8              | % | 443.6                     | 376.6       | 17.8              | % |
| Selling, general and administrative                          | 93.0                        | 78.8        | 18.0              | % | 184.9                     | 154.7       | 19.5              | % |
| Depreciation and amortization of fixed assets                | 41.6                        | 31.8        | 30.6              | % | 82.0                      | 65.6        | 25.0              | % |
| Amortization of intangible assets                            | 32.0                        | 23.9        | 34.1              | % | 65.2                      | 46.2        | 41.3              | % |
| Total expenses   | 389.0                       | 328.2       | 18.5              | % | 775.7                     | 643.1       | 20.6              | % |
| Operating income   | 212.3                       | 195.0       | 8.9               | % | 406.8                     | 382.7       | 6.3               | % |
| Other income (expense):                                      |                             |             |                   |   |                           |             |                   |   |
| Investment income and others, net                            | 4.6                         | 3.4         | 36.7              | % | 5.3                       | 5.3         | (0.7)             | % |
| Interest expense   | (31.9)                      | (28.5)      | 12.1              | % | (64.8)                    | (56.9)      | 13.7              | % |
| Total other expense, net                                     | (27.3)                      | (25.1)      | 8.8               | % | (59.5)                    | (51.6)      | 15.2              | % |
| Income before income taxes                                   | 185.0                       | 169.9       | 8.9               | % | 347.3                     | 331.1       | 4.9               | % |
| Provision for income taxes                                   | (31.5)                      | (48.9)      | (35.6)            | % | (60.8)                    | (101.3)     | (40.0)            | % |
| Net Income   | \$153.5                     | \$121.0     | 26.9              | % | \$286.5                   | \$229.8     | 24.7              | % |
| Basic net income per share:                                  | \$0.93                      | \$0.73      | 27.4              | % | \$1.74                    | \$1.39      | 25.2              | % |
| Diluted net income per share:                                | \$0.91                      | \$0.72      | 26.4              | % | \$1.70                    | \$1.36      | 25.0              | % |
| Weighted average shares outstanding:                         |                             |             |                   |   |                           |             |                   |   |
| Basic  | 165,015,642                 | 164,922,237 | 0.1               | % | 165,029,345               | 165,682,614 | (0.4)             | % |
| Diluted  | 168,651,202                 | 168,314,296 | 0.2               | % | 168,821,869               | 169,232,579 | (0.2)             | % |

The financial operating data below sets forth the information we believe is useful for investors in evaluating our overall financial performance:

## Other data:

EBITDA <sup>(1)</sup>:

|                                       |         |         |      |   |         |         |      |   |
|---------------------------------------|---------|---------|------|---|---------|---------|------|---|
| Insurance EBITDA                      | \$236.3 | \$210.4 | 12.3 | % | \$460.3 | \$414.3 | 11.1 | % |
| Energy and Specialized Markets EBITDA | 41.2    | 34.1    | 20.8 | % | 74.8    | 65.8    | 13.7 | % |
| Financial Services EBITDA             | 13.0    | 9.6     | 36.3 | % | 24.2    | 19.7    | 22.6 | % |
| EBITDA                                | \$290.5 | \$254.1 | 14.3 | % | \$559.3 | \$499.8 | 11.9 | % |

The following is a reconciliation of net income to EBITDA:

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|   |          |          |        |    |          |          |        |    |
|---|----------|----------|--------|----|----------|----------|--------|----|
| Net income  | \$ 153.5 | \$ 121.0 | 26.9   | %  | \$ 286.5 | \$ 229.8 | 24.7   | %  |
| Depreciation and amortization<br>of fixed assets and<br>intangible assets | 73.6     | 55.7     | 32.1   | %  | 147.2    | 111.8    | 31.8   | %  |
| Interest expense  | 31.9     | 28.5     | 12.1   | %  | 64.8     | 56.9     | 13.7   | %  |
| Provision for income taxes  | 31.5     | 48.9     | (35.6) | )% | 60.8     | 101.3    | (40.0) | )% |
| EBITDA  | \$ 290.5 | \$ 254.1 | 14.3   | %  | \$ 559.3 | \$ 499.8 | 11.9   | %  |

EBITDA is a financial measure that management uses to evaluate the performance of our Company. "EBITDA" is defined as net income before interest expense, provision for income taxes, and depreciation and amortization of fixed and intangible assets. In addition, this Management's Discussion and Analysis of Financial Condition and Results of Operations includes references to EBITDA margin, which is computed as EBITDA divided by revenues.

- (1) See Note 13 of our condensed consolidated financial statements included in this Form 10-Q filing. Although EBITDA is a non-GAAP financial measure, EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies. EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for an analysis of our results of operations or cash flows from operating activities reported under GAAP. Management uses EBITDA in conjunction with GAAP operating performance measures as part of its overall assessment of company performance. Some of these limitations are:



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EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

Although depreciation and amortization are noncash charges, the assets being depreciated and amortized often will have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and

Other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

## Consolidated Results of Operations

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

## Revenues

Revenues were \$601.3 million for the three months ended June 30, 2018 compared to \$523.2 million for the three months ended June 30, 2017, an increase of \$78.1 million or 14.9%. Excluding revenues of \$35.0 million from Aerial Imagery, Sequel, Rebmark, Service Software, Business Insight, and Validus, our recent acquisitions within the Insurance segment, MAKE and PowerAdvocate, our recent acquisitions within the Energy and Specialized Markets segment, and G2, LCI, and Marketview, our recent acquisitions within the Financial Services segment, all collectively referred to as our recent acquisitions, our consolidated revenue increased \$43.1 million or 8.3%. Revenues within our Insurance segment, excluding our recent acquisitions named above, increased \$32.2 million or 8.4%. Revenues within our Energy and Specialized Markets segment, excluding our recent acquisitions named above, increased \$9.6 million or 8.7%. Revenues within our Financial Services segment, excluding our recent acquisitions named above, increased \$1.3 million or 4.4%. Refer to the Results of Operations by Segment within this section for more information regarding our revenues.

|                                | Three Months<br>Ended June 30, |         | Percentage<br>change |   | Percentage<br>change<br>excluding<br>recent<br>acquisitions |   |
|--------------------------------|--------------------------------|---------|----------------------|---|---|---|
|                                | 2018                           | 2017    | change               |   |   |   |
|                                | (In millions)                  |         |                      |   |   |   |
| Insurance                      | \$429.4                        | \$382.4 | 12.3                 | % | 8.4   | % |
| Energy and Specialized Markets | 129.9                          | 110.3   | 17.7                 | % | 8.7   | % |
| Financial Services             | 42.0                           | 30.5    | 37.7                 | % | 4.4   | % |
| Total Revenues                 | \$601.3                        | \$523.2 | 14.9                 | % | 8.3   | % |

## Cost of Revenues

Cost of revenues was \$222.4 million for the three months ended June 30, 2018 compared to \$193.7 million for the three months ended June 30, 2017, an increase of \$28.7 million or 14.8%. Our recent acquisitions accounted for an increase of \$18.2 million in cost of revenues, primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased \$10.5 million or 5.4%. The increase was primarily due to increases in salaries and employee benefits of \$7.2 million, data costs of \$0.5 million, information technology expenses of \$0.5 million, and other operating expenses of \$2.3 million.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses, or SGA, were \$93.0 million for the three months ended June 30, 2018 compared to \$78.8 million for the three months ended June 30, 2017, an increase of \$14.2 million or 18.0%. Our recent acquisitions accounted for an increase of \$6.4 million in SGA, primarily related to salaries and employee benefits, and transaction costs of \$0.5 million. Excluding costs associated with our recent acquisitions, our SGA increased \$7.8 million or 10.0%. The increase was primarily due to increases in salaries and employee benefits of \$5.8 million, information technology expenses of \$0.9 million, professional consulting costs of \$0.8 million and other general expenses of \$0.3 million.

## Depreciation and Amortization of Fixed Assets

Depreciation and amortization of fixed assets was \$41.6 million for the three months ended June 30, 2018 compared to \$31.8 million for the three months ended June 30, 2017, an increase of \$9.8 million or 30.6%. The increase in depreciation and amortization of fixed assets includes depreciation and amortization related to our capital expenditures of \$4.2 million and fixed assets associated with recent acquisitions of \$5.6 million.

#### Amortization of Intangible Assets

Amortization of intangible assets was \$32.0 million for the three months ended June 30, 2018 compared to \$23.9 million for the three months ended June 30, 2017, an increase of \$8.1 million or 34.1%. The increase was primarily due to amortization related to our recent acquisitions of \$6.7 million and currency fluctuations impacting amortization denominated in currencies other than U.S. dollars.

#### Investment Income and Others, net

Investment income and others, net was a gain of \$4.6 million for the three months ended June 30, 2018, compared to a gain of \$3.4 million for the three months ended June 30, 2017. The increase of \$1.2 million was primarily due to net gains on foreign currencies.

#### Interest Expense

Interest expense was \$31.9 million for the three months ended June 30, 2018, compared to \$28.5 million for the three months ended June 30, 2017, an increase of \$3.4 million or 12.1%. The increase was due to our higher average outstanding borrowings for the three months ended June 30, 2018 related to the credit facility. These higher average outstanding borrowings in 2018 were primarily associated with the funding of the acquisitions of G2, LCI, Sequel, and PowerAdvocate, which occurred during the second half of 2017.

#### Provision for Income Taxes

The provision for income taxes was \$31.5 million for the three months ended June 30, 2018 compared to \$48.9 million for the three months ended June 30, 2017, a decrease of \$17.4 million or 35.6%. The effective tax rate was 17.0% for the three months ended June 30, 2018 compared to 28.8% for the three months ended June 30, 2017. The effective rate for the three months ended June 30, 2018 was lower than the June 30, 2017 effective tax rate primarily due to the impact of tax reform lowering the U.S. tax rate from 35.0% to 21.0%, as well as the impact of greater tax benefits from equity compensation in the current period versus the prior period.

#### Net Income Margin

The net income margin for our consolidated results was 25.5% for the three months ended June 30, 2018 compared to 23.1% for the three months ended June 30, 2017.

#### EBITDA Margin

The EBITDA margin for our consolidated results was 48.3% for the three months ended June 30, 2018 as compared to 48.6% for the three months ended June 30, 2017. The slight decrease in EBITDA margin was primarily related to our recent acquisitions including an acquisition contingent consideration of \$0.3 million.

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## Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

## Revenues

Revenues were \$1,182.5 million for the six months ended June 30, 2018 compared to \$1,025.8 million for the six months ended June 30, 2017, an increase of \$156.7 million or 15.3%. Excluding revenues of \$71.8 million from Arium, Healix, ENI, Aerial Imagery, Sequel, Rebmark, Service Software, Business Insight, and Validus, our recent acquisitions within the Insurance segment, MAKE and PowerAdvocate, our recent acquisitions within the Energy and Specialized Markets segment, and Fintellix, G2, LCI, and Marketview, our recent acquisitions within the Financial Services segment, all collectively referred to as our recent acquisitions, our consolidated revenue increased \$84.9 million or 8.3%. Revenues excluded from Arium, Healix, ENI and Fintellix were for the three months ended March 31, 2018. Revenues within our Insurance segment, excluding our recent acquisitions named above, increased \$64.4 million or 8.6%. Revenues within our Energy and Specialized Markets segment, excluding our recent acquisitions named above, increased \$18.5 million or 8.6%. Revenues within our Financial Services segment, excluding our recent acquisitions named above, increased \$2.0 million or 3.2%. Refer to the Results of Operations by Segment within this section for more information regarding our revenues.

|                                | Six Months Ended<br>June 30, |           | Percentage<br>change<br>excluding<br>recent<br>acquisitions |   |     |   |
|--------------------------------|------------------------------|-----------|---|---|-----|---|
|                                | 2018                         | 2017      | Percentage<br>change  |   |     |   |
|                                | (In millions)                |           |   |   |     |   |
| Insurance                      | \$842.1                      | \$749.3   | 12.4  | % | 8.6 | % |
| Energy and Specialized Markets | 255.4                        | 216.6     | 17.9  | % | 8.6 | % |
| Financial Services             | 85.0                         | 59.9      | 41.9  | % | 3.2 | % |
| Total Revenues                 | \$1,182.5                    | \$1,025.8 | 15.3  | % | 8.3 | % |

## Cost of Revenues

Cost of revenues was \$443.6 million for the six months ended June 30, 2018 compared to \$376.6 million for the six months ended June 30, 2017, an increase of \$67.0 million or 17.8%. Our recent acquisitions accounted for an increase of \$44.2 million in cost of revenues, primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased \$22.8 million or 6.1%. The increase was primarily due to increases in salaries and employee benefits of \$17.5 million, data costs of \$2.2 million, information technology expenses of \$1.1 million, and other operating costs of \$2.0 million.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses, or SGA, were \$184.9 million for the six months ended June 30, 2018 compared to \$154.7 million for the six months ended June 30, 2017, an increase of \$30.2 million or 19.5%. Our recent acquisitions accounted for an increase of \$14.0 million in SGA, primarily related to salaries and employee benefits, and transaction costs of \$1.2 million. Excluding costs associated with our recent acquisitions, our SGA increased \$16.2 million or 10.7%. The increase was primarily due to increases in salaries and employee benefits of \$10.9 million, information technology expenses of \$1.5 million, professional consulting costs of \$1.5 million, and other general expenses of \$2.3 million.

## Depreciation and Amortization of Fixed Assets

Depreciation and amortization of fixed assets was \$82.0 million for the six months ended June 30, 2018 compared to \$65.6 million for the six months ended June 30, 2017, an increase of \$16.4 million or 25.0%. The increase in depreciation and amortization of fixed assets includes depreciation and amortization related to our capital expenditures of \$8.3 million and fixed assets associated with recent acquisitions of \$8.1 million.

## Amortization of Intangible Assets

Amortization of intangible assets was \$65.2 million for the six months ended June 30, 2018 compared to \$46.2 million for the six months ended June 30, 2017, an increase of \$19.0 million or 41.3%. The increase was primarily due to amortization related to our recent acquisitions of \$15.6 million and currency fluctuations impacting amortization

denominated in currencies other than U.S. dollars.

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## Investment Income and Others, net

Investment income and others, net was a gain of \$5.3 million for the six months ended June 30, 2018 and for the six months ended June 30, 2017.

## Interest Expense

Interest expense was \$64.8 million for the six months ended June 30, 2018, compared to \$56.9 million for the six months ended June 30, 2017, an increase of \$7.9 million or 13.7%. The increase was due to our higher average outstanding borrowings for the six months ended June 30, 2018 related to the credit facility. These higher average outstanding borrowings in 2018 were primarily associated with the funding of the acquisitions of G2, LCI, Sequel, and PowerAdvocate, which occurred during the second half of 2017.

## Provision for Income Taxes

The provision for income taxes was \$60.8 million for the six months ended June 30, 2018 compared to \$101.3 million for the six months ended June 30, 2017, a decrease of \$40.5 million or 40.0%. The effective tax rate was 17.5% for the six months ended June 30, 2018 compared to 30.6% for the six months ended June 30, 2017. The effective rate for the six months ended June 30, 2018 was lower than the June 30, 2017 effective tax rate primarily due to the impact of tax reform lowering the U.S. tax rate from 35.0% to 21.0%, as well as the impact of greater tax benefits from equity compensation in the current period versus the prior period.

## Net Income Margin

The net income margin for our consolidated results was 24.2% for the six months ended June 30, 2018 compared to 22.4% for the six months ended June 30, 2017.

## EBITDA Margin

The EBITDA margin for our consolidated results was 47.3% for the six months ended June 30, 2018 as compared to 48.7% for the six months ended June 30, 2017. The decrease in EBITDA margin was primarily related to our recent acquisitions including an acquisition contingent consideration of \$4.0 million.

## Results of Operations by Segment

## Insurance

## Revenues

Revenues for our Insurance segment were \$429.4 million for the three months ended June 30, 2018 compared to \$382.4 million for the three months ended June 30, 2017, an increase of \$47.0 million or 12.3%. Excluding revenue of \$14.8 million from our recent acquisitions, Insurance revenue increased \$32.2 million or 8.4%.

Our revenue by category for the periods presented is set forth below:

|  | For the Three |            | Percentage   |  |  |  |
|--|---------------|------------|--------------|--|--|--|
|  | Months Ended  | Percentage | change       |  |  |  |
|  | June 30,      | June 30,   | excluding    |  |  |  |
|  | 2018          | 2017       | recent       |  |  |  |
|  |               | Change     | acquisitions |  |  |  |

(In millions)

|                       |         |         |      |   |      |   |
|-----------------------|---------|---------|------|---|------|---|
| Underwriting & Rating | \$288.9 | \$262.0 | 10.3 | % | 6.2  | % |
| Claims                | 140.5   | 120.4   | 16.7 | % | 13.3 | % |
| Total Insurance       | \$429.4 | \$382.4 | 12.3 | % | 8.4  | % |

Our underwriting & rating revenue increased \$26.9 million or 10.3%; excluding revenues from recent acquisitions of \$10.6 million, our insurance revenue increased \$16.3 million or 6.2%, primarily due to increases within our underwriting & rating solutions and catastrophe modeling services revenue.

Our claims revenue increased \$20.1 million or 16.7%; excluding revenues from recent acquisitions of \$4.2 million, our claims revenue increased \$15.9 million or 13.3%, primarily due to growth in our repair cost estimating solutions, claims analytics, and aerial imagery solutions revenue.

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Revenues for our Insurance segment were \$842.1 million for the six months ended June 30, 2018 compared to \$749.3 million for the six months ended June 30, 2017, an increase of \$92.8 million or 12.4%. Excluding revenue of \$28.4 million from our recent acquisitions, Insurance revenue increased \$64.4 million or 8.6%.

Our revenue by category for the periods presented is set forth below:

|  | For the Six  |            | Percentage   |  |
|--|--------------|------------|--------------|--|
|  | Months Ended | Percentage | change       |  |
|  | June 30,     | Change     | excluding    |  |
|  | 2018         | 2017       | recent       |  |
|  |              |            | acquisitions |  |

(In millions)

|                       |         |         |      |   |      |   |
|-----------------------|---------|---------|------|---|------|---|
| Underwriting & Rating | \$569.6 | \$515.2 | 10.6 | % | 6.6  | % |
| Claims                | 272.5   | 234.1   | 16.4 | % | 13.1 | % |
| Total Insurance       | \$842.1 | \$749.3 | 12.4 | % | 8.6  | % |

Our underwriting & rating revenue increased \$54.4 million or 10.6%; excluding revenues from recent acquisitions of \$20.6 million, our underwriting & rating revenue increased \$33.8 million or 6.6%, primarily due to increases within our underwriting & rating solutions and catastrophe modeling services revenue.

Our claims revenue increased \$38.4 million or 16.4%; excluding revenues from recent acquisitions of \$7.8 million, our claims revenue increased \$30.6 million or 13.1%, primarily due to growth in our repair cost estimating solutions claims analytics and aerial imagery solutions revenue.

#### Cost of Revenues

Cost of revenues for our Insurance segment was \$141.6 million for the three months ended June 30, 2018 compared to \$125.9 million for the three months ended June 30, 2017, an increase of \$15.7 million or 12.4%. Our recent acquisitions within the Insurance segment, represented an increase of \$9.1 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased \$6.6 million or 5.3%. The increase was primarily due to increases in salaries and employee benefits of \$4.6 million, data costs of \$0.9 million, information technology expenses of \$0.5 million, and other operating expenses of \$0.6 million.

Cost of revenues for our Insurance segment was \$280.2 million for the six months ended June 30, 2018 compared to \$246.1 million for the six months ended June 30, 2017, an increase of \$34.1 million or 13.9%. Our recent acquisitions within the Insurance segment, represented an increase of \$20.3 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased \$13.8 million or 5.7%. The increase was primarily due to increases in salaries and employee benefits of \$10.8 million, data costs of \$2.8 million, and information technology expenses of \$0.6 million. These increases were offset by a decrease in other operating costs of \$0.4 million.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Insurance segment were \$53.3 million for the three months ended June 30, 2018 compared to \$49.1 million for the three months ended June 30, 2017, an increase of \$4.2 million or 8.6%. Our recent acquisitions within the Insurance segment accounted for an increase of \$1.0 million in SGA, primarily related to salaries and employee benefits and transaction costs. Excluding costs associated with our recent acquisitions, SGA increased \$3.2 million or 6.6%. The increase was primarily due to increases in salaries and employee benefits of \$2.6 million, information technology expenses of \$0.7 million, and professional consulting costs of \$0.5 million. These increases were offset by a decrease in other general expenses of \$0.6 million.

Selling, general and administrative expenses for our Insurance segment were \$105.9 million for the six months ended June 30, 2018 compared to \$94.5 million for the six months ended June 30, 2017, an increase of \$11.4 million or 12.0%. Our recent acquisitions within the Insurance segment accounted for an increase of \$3.2 million in SGA, primarily related to salaries and employee benefits and transaction costs. Excluding costs associated with our recent acquisitions, SGA increased \$8.2 million or 8.9%. The increase was primarily due to increases in salaries and employee benefits of \$5.5 million, information technology expenses of \$1.1 million, professional consulting costs of

\$0.9 million, and other general expenses of \$0.7 million.

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EBITDA Margin

EBITDA for our Insurance segment was \$460.3 million for the six months ended June 30, 2018 compared to \$414.3 million for the six months ended June 30, 2017. The EBITDA margin for our Insurance segment was 54.7% for the six months ended June 30, 2018 compared to 55.3% for the six months ended June 30, 2017. The slight decrease in EBITDA margin was primarily related to our recent acquisitions.

Energy and Specialized Markets

Revenues

Revenues for our Energy and Specialized Markets segment were \$129.9 million for the three months ended June 30, 2018 compared to \$110.3 million for the three months ended June 30, 2017, an increase of \$19.6 million or 17.7%. Excluding revenue of \$10.0 million from our recent acquisitions, Energy and Specialized Markets revenue increased \$9.6 million or 8.7% for the three months ended June 30, 2018. The increase within this segment primarily resulted from continuing end-market improvements, favorable currency fluctuations in the energy business and growth in our environmental health and safety services revenue.

Revenues for our Energy and Specialized Markets segment were \$255.4 million for the six months ended June 30, 2018 compared to \$216.6 million for the six months ended June 30, 2017, an increase of \$38.8 million or 17.9%. Excluding revenue of \$20.3 million from our recent acquisitions, Energy and Specialized Markets revenue increased \$18.5 million or 8.6% for the six months ended June 30, 2018. The increase within this segment primarily resulted from continuing end-market improvements, favorable currency fluctuations in the energy business and growth in our environmental health and safety services revenue.

Cost of Revenues

Cost of revenues for our Energy and Specialized Markets segment was \$56.3 million for the three months ended June 30, 2018 compared to \$48.8 million for the three months ended June 30, 2017, an increase of \$7.5 million or 15.3%. Our recent acquisitions within the Energy and Specialized Markets segment represented an increase of \$3.9 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased \$3.6 million or 7.4%. The increase was primarily due to increases in salaries and employee benefits costs of \$1.9 million, information technology expenses of \$0.1 million, and other operating costs of \$1.6 million.

Cost of revenues for our Energy and Specialized Markets segment was \$112.0 million for the six months ended June 30, 2018 compared to \$94.5 million for the six months ended June 30, 2017, an increase of \$17.5 million or 18.6%. Our recent acquisitions within the Energy and Specialized Markets segment represented an increase of \$8.5 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased \$9.0 million or 9.5%. The increase was primarily due to increases in salaries and employee benefits costs of \$6.3 million, information technology expenses of \$0.5 million, and other operating costs of \$2.4 million. These increases were partially offset by a decrease in data costs of \$0.2 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Energy and Specialized Markets segment were \$34.9 million for the three months ended June 30, 2018 compared to \$27.7 million for the three months ended June 30, 2017, an increase of \$7.2 million or 26.2%. Our recent acquisitions within the Energy and Specialized Markets segment accounted for an increase of \$3.5 million in SGA, primarily related to salaries and employee benefits, and transaction costs. Excluding costs associated with our recent acquisitions, SGA increased \$3.7 million or 13.5%. The increase was primarily due to increases in salaries and employee benefits of \$2.9 million, information technology expenses of \$0.2 million and other general expenses of \$0.8 million. These increases were offset by a decrease in professional consulting costs of \$0.2 million.

Selling, general and administrative expenses for our Energy and Specialized Markets segment were \$69.0 million for the six months ended June 30, 2018 compared to \$55.8 million for the six months ended June 30, 2017, an increase of \$13.2 million or 23.6%. Our recent acquisitions within the Energy and Specialized Markets segment accounted for an increase of \$6.7 million in SGA, primarily related to salaries and employee benefits, and transaction costs. Excluding costs associated with our recent acquisitions, SGA increased \$6.5 million or 11.7%. The increase was primarily due to increases in salaries and employee benefits of \$4.6 million, information technology expenses of \$0.4 million, and



other general expenses of \$1.5 million.

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## EBITDA Margin

EBITDA for our Energy and Specialized Markets segment was \$74.8 million for the six months ended June 30, 2018 compared to \$65.8 million for the six months ended June 30, 2017. EBITDA margin for our Energy and Specialized Markets segment was 29.3% for the six months ended June 30, 2018 compared to 30.4% for the six months ended June 30, 2017. The decrease in EBITDA margin was primarily due to internal investments in new solutions and an acquisition contingent consideration of \$0.5 million.

## Financial Services

## Revenues

Revenues for our Financial Services segment were \$42.0 million for the three months ended June 30, 2018 compared to \$30.5 million for the three months ended June 30, 2017, an increase of \$11.5 million or 37.7%. Excluding revenue of \$10.2 million from our recent acquisitions, Financial Services revenue increased \$1.3 million or 4.4% for the three months ended June 30, 2018. The increase within this segment primarily resulted from the growing demand for our enterprise data management and portfolio management solutions revenue.

Revenues for our Financial Services segment were \$85.0 million for the six months ended June 30, 2018 compared to \$59.9 million for the six months ended June 30, 2017, an increase of \$25.1 million or 41.9%. Excluding revenue of \$23.1 million from our recent acquisitions, Financial Services revenue increased \$2.0 million or 3.2% for the three months ended June 30, 2018. The increase within this segment primarily resulted from the growing demand for our enterprise data management and portfolio management solutions revenue.

## Cost of Revenues

Cost of revenues for our Financial Services segment was \$24.5 million for the three months ended June 30, 2018 compared to \$19.0 million for the three months ended June 30, 2017, an increase of \$5.5 million or 29.1%. Our recent acquisitions within the Financial Services segment represented an increase of \$5.2 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased \$0.3 million or 1.6%. The increase was primarily due to increases in salaries and employee benefits costs of \$0.7 million and other operating costs of \$0.1 million. These increases were offset by decreases in data costs of \$0.4 million and information technology expenses of \$0.1 million.

Cost of revenues for our Financial Services segment was \$51.4 million for the six months ended June 30, 2018 compared to \$36.0 million for the six months ended June 30, 2017, an increase of \$15.4 million or 42.4%. Our recent acquisitions within the Financial Services segment represented an increase of \$15.4 million in cost of revenues, which was primarily related to salaries and employee benefits and an acquisition contingent payment. Excluding the impact of our recent acquisitions, our cost of revenues remained unchanged, which was primarily due to an increase in salaries and employee benefits costs of \$0.4 million offset by a decrease in data costs of \$0.4 million.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Financial Services segment were \$4.8 million for the three months ended June 30, 2018 compared to \$2.0 million for the three months ended June 30, 2017, an increase of \$2.8 million or 134.6%. Our recent acquisitions within the Financial Services segment accounted for an increase of \$1.9 million in SGA, primarily related to salaries and employee benefits and transaction costs. Excluding costs associated with our recent acquisitions, SGA increased \$0.9 million or 42.6%. The increase was primarily due to increases in professional consulting costs of \$0.5 million, salaries and employee benefits of \$0.3 million, and other general expenses of \$0.1 million.

Selling, general and administrative expenses for our Financial Services segment were \$10.0 million for the six months ended June 30, 2018 compared to \$4.4 million for the six months ended June 30, 2017, an increase of \$5.6 million or 129.6%. Our recent acquisitions within the Financial Services segment accounted for an increase of \$4.1 million in SGA, primarily related to salaries and employee benefits, and transaction costs. Excluding costs associated with our recent acquisitions, SGA increased \$1.5 million or 35.3%. The increase was primarily due to increases in salaries and employee benefits of \$0.8 million, professional consulting costs of \$0.6 million and other general expenses of \$0.1 million.



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### EBITDA Margin

EBITDA for our Financial Services segment was \$24.2 million for the six months ended June 30, 2018 compared to 19.7 million for the six months ended June 30, 2017. EBITDA margin for our Financial Services segment was 28.5% for the six months ended June 30, 2018 compared to 32.9% for the six months ended June 30, 2017. The decrease in EBITDA margin was primarily due to an acquisition contingent payment of \$3.5 million related to the Fintellix acquisition that negatively impacted our margin by 4.1% for the six months ended June 30, 2018.

### Liquidity and Capital Resources

As of June 30, 2018 and December 31, 2017, we had cash and cash equivalents and available-for-sale securities of \$135.8 million and \$146.1 million, respectively. Subscriptions for our solutions are billed and generally paid in advance of rendering services either quarterly or upon commencement of the annual or multi-year subscription period in annual amounts. Most of our subscriptions are automatically renewed at the beginning of each calendar year. We have historically generated significant cash flows from operations. As a result of this factor, as well as the availability of funds under our \$1,500.0 million Syndicated Revolving Credit Facility, or the Credit Facility, we believe that we will have sufficient cash to meet our working capital and capital expenditure needs, and to fuel our future growth plans.

We have historically managed the business with a working capital deficit due to the fact that, as described above, we offer our solutions and services primarily through annual subscriptions or long-term contracts, which are generally prepaid quarterly or annually in advance of the services being rendered. When cash is received for prepayment of invoices, we record an asset (cash and cash equivalents) on our balance sheet with the offset recorded as a current liability (deferred revenues). This current liability is deferred revenue that does not require a direct cash outflow since our customers have prepaid and are obligated to purchase the services. In most businesses, growth in revenue typically leads to an increase in the accounts receivable balance causing a use of cash as a company grows. Unlike those businesses, our cash position is favorably affected by revenue growth, which results in a source of cash due to our customers prepaying for most of our services.

Our capital expenditures as a percentage of consolidated revenues for the six months ended June 30, 2018 and 2017, were 8.4% and 7.1%, respectively. The capital expenditures for the year ending December 31, 2018 are expected to be approximately \$230.0 million, which primarily include expenditures on our technology infrastructure and our continuing investments in developing and enhancing our solutions. Expenditures related to developing and enhancing our solutions are predominately related to internal use software and are capitalized and amortized over a period of three to seven years in accordance with ASC 350-40, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." We also capitalize amounts in accordance with ASC 985-20, "Software to be Sold, Leased or Otherwise Marketed."

We have also historically used a portion of our cash for repurchases of our common stock from our stockholders. During the six months ended June 30, 2018 and 2017, we repurchased \$179.4 million and \$266.1 million of our common stock, respectively.

### Financing and Financing Capacity

We had total short-term and long-term debt, excluding capital lease obligations and the discounts and debt issuance costs on our senior notes and credit facility, of \$2,780.0 million and \$3,015.0 million at June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018, we were in compliance with our financial debt covenants. As of June 30, 2018, we had a borrowing capacity of \$1,500.0 million, of which \$1,013.7 million, net of outstanding letters of credit, was available for borrowings under the Credit Facility with Bank of America N.A., JP Morgan Chase, N.A., and a syndicate of banks. The Credit Facility may be used for general corporate purposes, including working capital needs and capital expenditures, acquisitions, and the share repurchase program.

The Credit Facility contains certain financial and other covenants that, among other things, impose certain restrictions on indebtedness, liens, investments, and capital expenditures. These covenants also place restrictions on mergers, asset sales, sale/leaseback transactions, payments between us and our subsidiaries, and certain transactions with affiliates. The financial covenants require that, at the end of any fiscal quarter, we have a consolidated interest coverage ratio of at least 3.0 to 1.0 and that we maintain, during any period of four fiscal quarters, a consolidated funded debt leverage ratio of 3.5 to 1.0. We were in compliance with all financial debt covenants under the Credit Facility as of June 30,

2018. Interest on borrowings under the Credit Facility is payable at an interest rate of LIBOR plus 1.125% to 1.625%, depending upon the consolidated funded debt leverage ratio. A commitment fee on any unused balance is payable periodically and will range from 12.5 to 25.0 basis points based upon the consolidated funded debt leverage ratio. As of June 30, 2018 and December 31, 2017, we had outstanding borrowings under the Credit Facility of \$480.0 million and \$715.0 million, respectively. During the six months ended June 30, 2018, we had borrowings of \$50.0 million and repayments of \$285.0 million under the Credit Facility. Subsequent to June 30,

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2018, we had borrowings of \$50.0 million and repayments of \$95.0 million under the Credit Facility.

**Cash Flow**

The following table summarizes our cash flow data for the six months ended June 30, 2018 and 2017:

|   | Six Months Ended |           | Percentage |   |
|---|------------------|-----------|------------|---|
|   | June 30,         | June 30,  | Change     |   |
|   | 2018             | 2017      |            |   |
|   | (In millions)    |           |            |   |
| Net cash provided by operating activities | \$534.2          | \$429.8   | 24.3       | % |
| Net cash used in investing activities     | \$(170.0)        | \$(194.7) | (12.7)     | % |
| Net cash used in financing activities     | \$(377.1)        | \$(232.8) | 62.0       | % |

**Operating Activities**

Net cash provided by operating activities was \$534.2 million for the six months ended June 30, 2018 compared to \$429.8 million for the six months ended June 30, 2017. The increase in net cash provided by operating activities was primarily related to an increase in cash receipts from customers driven by an increase in revenues and operating profit as well as a decrease in tax payments due to tax reform passed in 2017, partially offset by an increase in interest payments.

**Investing Activities**

Net cash used in investing activities of \$170.0 million for the six months ended June 30, 2018 was primarily related to current year acquisitions, including escrow payments, of \$67.7 million and capital expenditures of \$99.3 million. Net cash used in investing activities of \$194.7 million for the six months ended June 30, 2017 was primarily related to prior year acquisitions, including escrow payments, of \$122.3 million and capital expenditures of \$72.5 million. The \$26.8 million increase in capital expenditures for the for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily related to the purchase of aircraft and sensors, and software development for our recent acquisitions.

**Financing Activities**

Net cash used in financing activities of \$377.1 million for the six months ended June 30, 2018 was primarily driven by net debt repayments on our Credit Facility of \$235.0 million and repurchases of common stock of \$179.4 million, partially offset by proceeds from stock option exercises of \$47.0 million. Net cash used in financing activities of \$232.8 million for the six months ended June 30, 2017 was primarily related to repurchases of common stock of \$266.1 million, partially offset by proceeds from stock options exercises of \$22.4 million, net borrowings under our Credit Facility of \$20.0 million and other items of \$9.1 million.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

**Contractual Obligations**

There have been no material changes to our contractual obligations outside the ordinary course of our business from those reported in our annual report on Form 10-K and filed with the Securities and Exchange Commission on February 20, 2018.

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Critical Accounting Policies and Estimates

Our management's discussion and analysis of financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements require management to make estimates and judgments that affect reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the dates of the financial statements and revenue and expenses during the reporting periods. These estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates, including those related to acquisition purchase price allocations, revenue recognition, goodwill and intangible assets, pension and other post retirement benefits, stock-based compensation, income taxes and allowance for doubtful accounts. Actual results may differ from these assumptions or conditions. Some of the judgments that management makes in applying its accounting estimates in these areas are discussed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K dated and filed with the Securities and Exchange Commission on February 20, 2018. Since the date of our annual report on Form 10-K, there have been no material changes to our critical accounting policies and estimates other than the items noted below.

Effective January 1, 2018, we adopted the requirements of Topic 606 using the modified retrospective method. The related critical accounting policies and disclosures were presented in Part I Item 1. Note 2 and Note 3 to our condensed consolidated financial statements for the three and six months ended June 30, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risks at June 30, 2018 have not materially changed from those discussed under Item 7A in our annual report on Form 10-K dated and filed with the Securities and Exchange Commission on February 20, 2018.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We are required to maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives at the reasonable assurance level.

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report on Form 10-Q. Based upon the foregoing assessments, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2018, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the six months ended June 30, 2018, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## PART II — OTHER INFORMATION

## Item 1. Legal Proceedings

We are party to legal proceedings with respect to a variety of matters in the ordinary course of business. See Part I Item 1. Note 15 to our condensed consolidated financial statements for the six months ended June 30, 2018 for a description of our significant current legal proceedings, which is incorporated by reference herein.

## Item 1A. Risk Factors

There has been no material change in the information provided under the heading "Risk Factors" in our annual report on Form 10-K dated and filed with the Securities and Exchange Commission on February 20, 2018.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities by the Company during the period covered by this report.

## Issuer Purchases of Equity Securities

As of June 30, 2018, we had \$685.8 million available to repurchase shares, including an additional authorization of \$500.0 million approved on May 16, 2018. These authorizations have no expiration dates and may be suspended or terminated at any time. On June 15, 2018, the Company entered into an Accelerated Share Repurchase ("ASR") agreement to repurchase shares of its common stock for an aggregate purchase price of \$50.0 million. The ASR will be effective July 2, 2018. Since the introduction of share repurchase as a feature of our capital management strategies in 2010, we have repurchased shares with an aggregate value of \$2,614.2 million. Our share repurchases for the quarter ended June 30, 2018 are set forth below:

| Period                               | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price<br>Paid<br>per<br>Share | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Announced<br>Plans<br>or<br>Programs | Approximate<br>Dollar<br>Value of<br>Shares that<br>May Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs<br>(in<br>millions) |
|--------------------------------------|---|--|---|--|
| April 1, 2018 through April 30, 2018 | 198,088                                   | \$ 106.01                                | 198,088   | \$ 305.3   |
| May 1, 2018 through May 31, 2018     | 858,622                                   | \$ 104.89                                | 858,622   | \$ 715.3   |
| June 1, 2018 through June 30, 2018   | 271,948                                   | \$ 108.45                                | 271,948   | \$ 685.8   |
|                                      | 1,328,658                                 |  | 1,328,658   |  |

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

None.

## Item 5. Other Information

None.

## Item 6. Exhibits

See Exhibit Index.



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Verisk Analytics, Inc.  
(Registrant)

Date: July 31, 2018 By: /s/ Lee M. Shavel  
Lee M. Shavel  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer and Duly Authorized Officer)

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EXHIBIT INDEX

| Exhibit Number | Description  |
|----------------|--|
| <u>31.1</u>    | Certification of the Chief Executive Officer of Verisk Analytics, Inc. pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.*   |
| <u>31.2</u>    | Certification of the Chief Financial Officer of Verisk Analytics, Inc. pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.*   |
| <u>32.1</u>    | Certification of the Chief Executive Officer and Chief Financial Officer of Verisk Analytics, Inc. pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.* |
| 101.INS        | XBRL Instance Document.*   |
| 101.SCH        | XBRL Taxonomy Extension Schema.*   |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase.*   |
| 101.DEF        | XBRL Taxonomy Definition Linkbase.*  |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase.*   |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase.*  |

\*Filed herewith.