Verisk Analytics, Inc (VRSK)

Updated March 3rd, 2024 by Felix Martinez

Key Metrics

Current Price:	$237	**5 Year CAGR Estimate:**	-2.4%	**Market Cap:**	$34.6 B
Fair Value Price:	$130	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	03/14/24
% Fair Value:	182%	**5 Year Valuation Multiple Estimate:**	-11.3%	**Dividend Payment Date:**	03/29/24
Dividend Yield:	0.6%	**5 Year Price Target**	$200	**Years Of Dividend Growth:**	5
Dividend Risk Score:	B	**Retirement Suitability Score:**	D	**Rating:**	Sell

Overview & Current Events

Verisk Analytics, Inc. is an American multinational data analytics and risk assessment firm based in Jersey City, New Jersey, with customers in insurance, natural resources, financial services, government, and risk management sectors. The company uses proprietary data sets and industry expertise to provide predictive analytics and decision support consultations in areas including fraud prevention, actuarial science, insurance coverage, fire protection, catastrophe and weather risk, and data management. Through advanced data analytics, software, scientific research, and deep industry knowledge, Verisk empowers customers to strengthen operating efficiency, improve underwriting and claims outcomes, combat fraud, and make informed decisions about global issues, including climate change and extreme events, as well as political and ESG topics. The company has offices in more than thirty countries. Verisk has started and grown its dividend since 2019 and has a current market cap of $34.6 billion.

On February 21st, 2024, the company reported fourth quarter results for Fiscal Year (FY) 2023. The company reported consolidated revenues of $677.2 million, marking a 7.4% increase and a 6.0% organic constant currency (OCC) growth. Full-year consolidated revenues reached $2,681.4 million, with a 7.4% overall increase and an 8.7% growth on an OCC basis.

Income from continuing operations for Q4 2023 was $182.3 million, a 15.5% decrease. Adjusted EBITDA, a non-GAAP measure, increased by 9.0% to $362.0 million for the same period. For the full year, income from continuing operations was $768.4 million, down 26.3%, while adjusted EBITDA was $1,433.5 million, up 11.6%.

Diluted GAAP earnings per share for Q4 2023 were $1.25, down 8.8%. Diluted adjusted earnings per share (diluted adjusted EPS), another non-GAAP measure, were $1.40, down 2.1%. Full-year diluted EPS attributable to Verisk were $5.22, down 20.3%, and diluted adjusted EPS were $5.71, up 14.0%.

Net cash provided by operating activities for Q4 2023 was $252.4 million, a 1.4% increase. Free cash flow, a non-GAAP measure, rose by 15.8% to $196.1 million. For the full year, net cash provided by operating activities was $1,060.7 million, up 0.2%, and free cash flow was $830.7 million, up 5.9%. During Q4 2023, Verisk repurchased $250 million of its shares, and on February 14, 2024, the Board of Directors approved an additional $1.0 billion share repurchase authorization. The company paid a cash dividend of 34 cents per share on December 31, 2023, and a cash dividend of 39 cents per share is approved for March 29, 2024, reflecting a 15% increase.

In summary, Verisk's 2023 performance surpassed expectations, showing growth and profitability despite challenges, as stated by Lee Shavel, President and CEO, and Elizabeth Mann, CFO. The company remains focused on strategic growth, margin expansion, and efficient capital allocation.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$2.40	$3.09	$3.11	$3.74	$4.11	$4.38	$5.04	$5.31	$5.76	$5.71	***$6.50***	***$10.00***
DPS						$1.00	$1.08	$1.16	$1.24	$1.36	***$1.56***	***$2.19***
Shares[1]	169.0	168.0	171.0	169.0	168.0	167.0	165.0	163.0	154.7	146.0	***146.0***	***146.0***

[1] Share count is in millions.

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The company has been growing earnings at a double-digit rate over the past ten years. Over the last ten years, earnings have grown by over 10.1% annually. However, earnings have been slowing down recently. For example, earnings have had a compound annual growth rate of 8.2% over the past five years. However, after 2023, we expect that the company will continue to grow its earnings at a 9% annual rate giving us earnings of $10.00 per share in 2029. The company started to pay its dividend in 2019 and has increased its yearly with an average growth rate of 9.3%. The company can continue this growth rate as earnings will grow and because of the low dividend payout ratio.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	26.6	24.9	26.1	25.7	26.3	34.0	41.2	43.1	30.6	41.8	***36.5***	***20.0***
Avg. Yld.						0.7%	0.5%	0.5%	0.7%	0.6%	***0.6%***	***1.1%***

The company has a high valuation currently. The company has a current PE of 36.5x earnings with only an expected annual earnings growth of 9% for the next five years. Because of the lower earnings growth, a fair multiple would be 20x earnings. We would see a multiple compression of (11.3)% over the next five years at the current price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

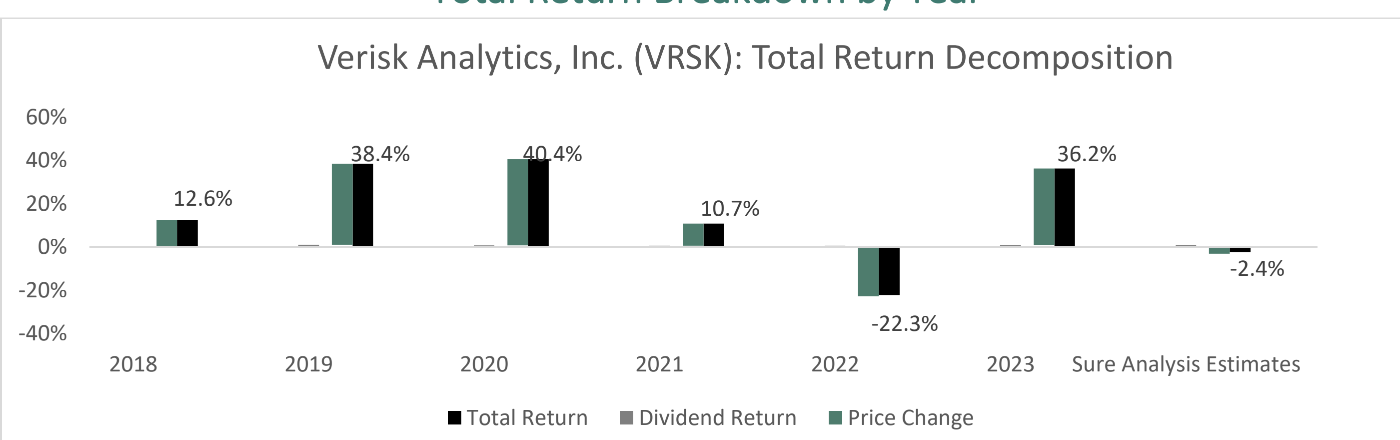
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	0.0%	0.0%	0.0%	0.0%	0.0%	22.8%	21.4%	21.8%	21.5%	23.8%	***24%***	***22%***

The company's competitive advantage is its vast and diverse collection of proprietary data assets critical to its analytics and risk assessment solutions. These data assets are generated from various sources, including satellite imagery, insurance claims data, weather data, financial data, and more. The company's extensive data assets provide a significant competitive advantage as they allow Verisk Analytics to offer its customers unique insights and predictive analytics, enabling them to make informed decisions and manage risk effectively. The company's balance sheet is robust as it has a BBB credit rating by S&P. The company also has an interest coverage ratio of 9.9x, which is excellent. Verisk debt to equity ratio is 9.9.

Final Thoughts & Recommendation

The company has been growing earnings nicely over the past ten years. Over the long term, this growth will continue. However, at the current price, the stock is expensive. Over the next five years, we expect the company to provide a negative return of (2.4)%, primarily due to the current valuation. Thus, we rate the stock as a sell.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,431	1,761	1,995	2,145	2,395	2,607	2,269	2,463	2,497	2681
Gross Profit	915	1,149	1,281	1,361	1,509	1,630	1,478	1,609	1,672	1805
Gross Margin	63.9%	65.2%	64.2%	63.5%	63.0%	62.5%	65.1%	65.3%	67.0%	67.3%
SG&A Exp.	187	278	302	323	379	604	308	313	382	392
D&A Exp.	144	215	225	237	296	324	358	384	340	281
Operating Profit	632	703	768	801	834	697	956	1,045	1,052	1132
Operating Margin	44.2%	40.0%	38.5%	37.3%	34.8%	26.7%	42.1%	42.5%	42.1%	42.2%
Net Profit	400	508	591	555	599	450	713	666	954	614
Net Margin	28.0%	28.8%	29.6%	25.9%	25.0%	17.3%	31.4%	27.1%	38.2%	22.9%
Free Cash Flow	343	498	421	560	703	740	821	887	784	831
Income Tax	209	197	202	136	121	119	165	179	220	259

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,345	5,594	4,631	6,020	5,900	7,055	7,562	7,808	6,961	4366
Cash & Equivalents	39	138	135	142	140	185	219	112	113	303
Accounts Receivable	203	216	216	291	300	373	381	268	274	317
Goodwill & Int. Ass.	1,614	3,998	3,589	4,714	4,589	5,263	5,493	2,530	2,181	2232
Total Liabilities	2,134	4,222	3,299	4,095	3,830	4,794	4,864	4,966	5,193	4044
Accounts Payable		93	74	69	75	80	99	92	129	158
Long-Term Debt	1,426	3,139	2,373	2,992	2,696	3,143	3,189	3,301	3,732	2832
Shareholder's Equity	211	1,372	1,332	1,925	2,071	2,261	2,698	2,817	1,749	310
LTD/E Ratio	6.76	2.29	1.78	1.55	1.30	1.39	1.18	1.17	2.13	9.14

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	16.5%	12.8%	11.6%	10.4%	10.0%	6.9%	9.8%	8.7%	12.9%	10.9%
Return on Equity	106%	64.1%	43.7%	34.1%	30.0%	20.8%	28.7%	24.2%	41.8%	58.8%
ROIC	23.2%	16.5%	14.4%	12.9%	12.4%	8.8%	12.6%	11.1%	16.4%	14.2%
Shares Out.	169.0	168.0	171.0	169.0	168.0	167.0	165.0	163.0	154.7	147.3
Revenue/Share	8.46	10.45	11.66	12.72	14.23	15.65	13.73	15.08	15.71	18.20
FCF/Share	2.03	2.95	2.46	3.32	4.18	4.44	4.97	5.43	4.93	5.64

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.