Verisk Analytics, Inc (VRSK)

Updated August 4th, 2024 by Felix Martinez

Key Metrics

Current Price:	$267	**5 Year CAGR Estimate:**	-4.5%	**Market Cap:**	$37.9B
Fair Value Price:	$131	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	12/14/24
% Fair Value:	203%	**5 Year Valuation Multiple Estimate:**	-13.2%	**Dividend Payment Date:**	12/29/24
Dividend Yield:	0.6%	**5 Year Price Target**	$202	**Years Of Dividend Growth:**	6
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 $37.9 billion.

On July 31th, 2024, the company reported second quarter results for Fiscal Year (FY) 2024. The company reported revenues for the second quarter of 2024 amounted to $717 million, reflecting a 6.2% increase, with a 6.0% rise on an organic constant currency (OCC) basis. Income from continuing operations surged by 50.7% to $308 million during the same period. Additionally, adjusted EBITDA, a non-GAAP measure, reached $397 million, marking an 8.8% growth, and an 8.5% increase on an OCC basis. The diluted GAAP earnings per share (EPS) from continuing operations were $2.15, a 52.5% jump, while the diluted adjusted EPS, also a non-GAAP measure, was $1.74, up by 15.2%.

The net cash provided by operating activities in the second quarter of 2024 was $212 million, showing a 9.7% increase. Free cash flow, another non-GAAP measure, was $154 million, up by 14.3%. During this quarter, a cash dividend of 39 cents per share was paid on June 28, 2024, and $150 million worth of common shares were repurchased. Furthermore, the Board of Directors approved a cash dividend of 39 cents per share payable on September 30, 2024, reflecting a 15% increase from 2023.

Verisk's president and CEO, Lee Shavel, highlighted the robustness of the subscription-based model and cost management, emphasizing the company's capability to enhance clients' efficiency and accuracy through intelligent automation. CFO Elizabeth Mann pointed out the 6.0% OCC revenue growth and 8.3% subscription growth, despite challenges in transactional revenues. Strong operating leverage and cost discipline led to 8.5% OCC adjusted EBITDA growth and a 15.2% increase in adjusted EPS. Verisk continues to invest in future growth opportunities while returning capital to shareholders through dividends and share repurchases.

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	***$6.57***	***$10.11***
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***

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

[1] Share count is in millions.

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had a compound annual growth rate of 8.4% over the past five years. However, after 2024, we expect that the company will continue to grow its earnings at a 9% annual rate giving us earnings of $10.11 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	***40.6***	***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 40.6x 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 (13.2)% over the next five years at the current price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

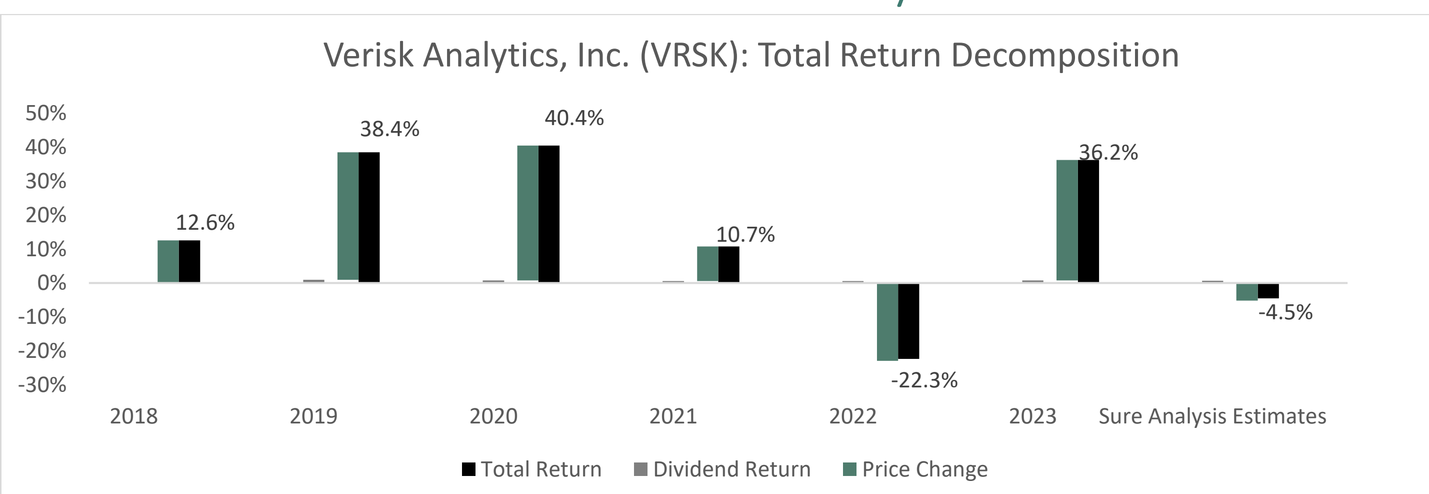
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	0.0%	0.0%	0.0%	0.0%	0.0%	22.8%	21.4%	21.8%	21.5%	23.8%	***24%***	***22%***

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 11.1x, which is excellent. Verisk debt to equity ratio is 7.6.

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 (4.5)%, 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.