

Verisk Analytics, Inc.
Form 10-Q
August 02, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended June 30, 2011

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

VERISK ANALYTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation
or organization)

26-2994223

(I.R.S. Employer
Identification No.)

**545 Washington Boulevard
Jersey City, NJ**

(Address of principal executive offices)

07310-1686

(Zip Code)

(201) 469-2000

(Registrant's telephone number, including area code)

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 and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller
reporting company)

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 29, 2011 there was the following number of shares outstanding of each of the issuer's classes of common stock:

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Class	Shares Outstanding
Class A common stock \$.001 par value	150,042,965
Class B (Series 2) common stock \$.001 par value	14,771,340

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Exhibit 31.1

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EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

[EX-101 CALCULATION LINKBASE DOCUMENT](#)

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[EX-101 PRESENTATION LINKBASE DOCUMENT](#)

[EX-101 DEFINITION LINKBASE DOCUMENT](#)

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VERISK ANALYTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2011 and December 31, 2010

	2011	
	unaudited	2010
	(In thousands, except for share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,970	\$ 54,974
Available-for-sale securities	5,351	5,653
Accounts receivable, net of allowance for doubtful accounts of \$3,829 and \$4,028 (including amounts from related parties of \$727 and \$515, respectively) (1)	145,632	126,564
Prepaid expenses	26,015	17,791
Deferred income taxes, net	3,681	3,681
Federal and foreign income taxes receivable	24,610	15,783
State and local income taxes receivable	9,063	8,923
Other current assets	29,155	7,066
Total current assets	295,477	240,435
Noncurrent assets:		
Fixed assets, net	107,645	93,409
Intangible assets, net	241,330	200,229
Goodwill	712,561	632,668
Deferred income taxes, net	20,977	21,879
State income taxes receivable	1,773	1,773
Other assets	28,326	26,697
Total assets	\$ 1,408,089	\$ 1,217,090
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 121,285	\$ 111,995
Acquisition related liabilities		3,500
Short-term debt and current portion of long-term debt	170,663	437,717
Pension and postretirement benefits, current	4,663	4,663
Fees received in advance (including amounts from related parties of \$1,626 and \$1,231, respectively) (1)	214,989	163,007
Total current liabilities	511,600	720,882
Noncurrent liabilities:		
Long-term debt	854,499	401,826
Pension benefits	83,995	95,528
Postretirement benefits	22,203	23,083

Other liabilities	80,232	90,213
Total liabilities	1,552,529	1,331,532
Commitments and contingencies		
Stockholders' equity/(deficit):		
Verisk Class A common stock, \$.001 par value; 1,200,000,000 shares authorized; 350,338,030 and 150,179,126 shares issued and 150,625,134 and 143,067,924 outstanding as of June 30, 2011 and December 31, 2010, respectively	88	39
Verisk Class B (Series 1) common stock, \$.001 par value; 400,000,000 shares authorized; 0 and 198,327,962 shares issued and 0 and 12,225,480 outstanding as of June 30, 2011 and December 31, 2010, respectively		47
Verisk Class B (Series 2) common stock, \$.001 par value; 400,000,000 shares authorized; 193,665,008 shares issued and 14,771,340 outstanding as of June 30, 2011 and December 31, 2010, respectively	49	49
Unearned KSOP contributions	(836)	(988)
Additional paid-in capital	807,855	754,708
Treasury stock, at cost, 378,606,564 and 372,107,352 shares as of June 30, 2011 and December 31, 2010, respectively	(1,323,368)	(1,106,321)
Retained earnings	425,280	293,827
Accumulated other comprehensive losses	(53,508)	(55,803)
Total stockholders' deficit	(144,440)	(114,442)
Total liabilities and stockholders' deficit	\$ 1,408,089	\$ 1,217,090

(1) See Note 13. Related Parties for further information.

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 Month Periods Ended June 30, 2011 and 2010

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands, except for share and per share data)			
Revenues (including amounts from related parties of \$4,787 and \$15,280 for the three months ended June 30, 2011 and 2010 and \$9,183 and \$30,413 for the six months ended June 30, 2011 and 2010, respectively) (1)	\$ 327,280	\$ 281,677	\$ 640,149	\$ 557,831
Expenses:				
Cost of revenues (exclusive of items shown separately below)	131,185	115,000	255,741	229,993
Selling, general and administrative	55,909	42,638	105,165	80,152
Depreciation and amortization of fixed assets	10,855	9,944	22,160	19,873
Amortization of intangible assets	8,877	7,020	17,332	14,324
Acquisition related liabilities adjustment	(3,364)		(3,364)	
Total expenses	203,462	174,602	397,034	344,342
Operating income	123,818	107,075	243,115	213,489
Other income/(expense):				
Investment (loss)/income	(10)	92		124
Realized gain on securities, net	125	29	487	61
Interest expense	(14,885)	(8,445)	(24,500)	(16,911)
Total other expense, net	(14,770)	(8,324)	(24,013)	(16,726)
Income before income taxes	109,048	98,751	219,102	196,763
Provision for income taxes	(43,471)	(40,347)	(87,649)	(82,984)
Net income	\$ 65,577	\$ 58,404	\$ 131,453	\$ 113,779
Basic net income per share of Class A and Class B:	\$ 0.39	\$ 0.32	\$ 0.78	\$ 0.63
Diluted net income per share of Class A and Class B:	\$ 0.38	\$ 0.31	\$ 0.75	\$ 0.60

Weighted average shares outstanding:

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Basic	166,960,806	180,492,106	167,995,517	180,272,828
Diluted	174,634,046	189,541,893	175,799,120	189,498,324

(1) See Note 13. Related Parties for further information.

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' DEFICIT
(UNAUDITED)
For The Year Ended December 31, 2010 and The Six Months Ended June 30, 2011

	Common Stock Issued		Unearned Additional			Treasury	Retained	Accumulated	Total	
Verisk Class	Verisk Class B (Series 1)	Verisk Class B (Series 2)	Par Value	KSOP Contributions	Paid-in Capital	Stock	Earnings	Other Comprehensive Income/(Loss)	Stockholders' Equity/Deficit	
A										
(In thousands, except for share data)										
Balance, January 1, 2010	125,815,600	205,637,925	205,637,925	\$ 130	\$(1,305)	\$ 652,573	\$ (683,994)	\$ 51,275	\$ (53,628)	\$ (34,900)
Comprehensive income:										
Net income							242,552			242,552
Other comprehensive income:										
Foreign currency translation adjustments								(2,175)		(2,175)
Other comprehensive income										240,377
Conversion of Class B-1 common stock on follow-on public offering (note 1)	7,309,963	(7,309,963)								
Conversion of Class B-2 common stock on follow-on public offering (note 1)	11,972,917		(11,972,917)							
Treasury stock acquired (Class A)										
11,202 shares)						(212,512)				(212,512)
Treasury stock acquired (Class B-1)										
583,532 shares)						(199,936)				(199,936)
Treasury stock acquired (Class B-2)										
4,718 shares)						(9,879)				(9,879)

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OP shares exercised including tax benefit of (1,015) per share	5,579,135		5		317	11,256					11,5
element of exercise of stock options based compensation per stock awards	(503,043)					(15,051)					(15,0
						21,298					21,2
	4,554					140					1
Balance, December 31, 2010	150,179,126	198,327,962	193,665,008	\$ 135	\$ (988)	\$ 754,708	\$ (1,106,321)	\$ 293,827	\$ (55,803)	\$ (114,4	
Comprehensive income: Net comprehensive income								131,453			131,4
									2,295		2,2
Comprehensive income conversion of Class B-1 common stock (see Note 1)	198,327,962	(198,327,962)									133,7
Treasury stock acquired Class A (199,212 shares)							(217,047)				(217,0
OP shares exercised including tax benefit of (1,530) per share	1,830,942		2		152	6,256					6,4
element of exercise of stock-based compensation per stock awards											34,5
											12,3
Balance, December 30, 2011	350,338,030		193,665,008	\$ 137	\$ (836)	\$ 807,855	\$ (1,323,368)	\$ 425,280	\$ (53,508)	\$ (144,4	

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, 2011 and 2010

	2011	2010
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 131,453	\$ 113,779
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	22,160	19,873
Amortization of intangible assets	17,332	14,324
Amortization of debt issuance costs	729	789
Amortization of debt original issue discount	25	
Allowance for doubtful accounts	557	526
KSOP compensation expense	6,408	5,729
Stock-based compensation	12,331	10,284
Non-cash charges associated with performance based appreciation awards	583	792
Acquisition related liabilities adjustment	(3,364)	
Realized gain on securities, net	(487)	(61)
Deferred income taxes	1,660	507
Other operating	30	30
Loss on disposal of assets	221	38
Excess tax benefits from exercised stock options	(5,470)	(10,036)
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(16,979)	(28,694)
Prepaid expenses and other assets	(8,082)	(5,504)
Federal and foreign income taxes	7,703	17,729
State and local income taxes	(140)	(1,387)
Accounts payable and accrued liabilities	(15,190)	(18,327)
Fees received in advance	50,520	55,959
Other liabilities	(14,913)	(3,316)
Net cash provided by operating activities	187,087	173,034
Cash flows from investing activities:		
Acquisitions, net of cash acquired of \$590 and \$1,556, respectively	(121,721)	(6,386)
Earnout payments	(3,500)	
Proceeds from release of acquisition related escrows		283
Escrow funding associated with acquisitions	(19,560)	(1,500)
Purchases of available-for-sale securities	(1,338)	(262)
Proceeds from sales and maturities of available-for-sale securities	1,704	511
Purchases of fixed assets	(28,171)	(15,570)
Net cash used in investing activities	(172,586)	(22,924)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of original issue discount	448,956	
Repayment of short-term debt refinanced on a long-term basis	(295,000)	

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Proceeds/(repayments) of short-term debt, net	72,919	(64,069)
Repurchase of Verisk Class A common stock	(214,021)	(62,266)
Repayment of current portion of long-term debt	(50,000)	
Payment of debt issuance cost	(4,434)	
Net share settlement of taxes upon exercise of stock options		(15,051)