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EDITED TRANSCRIPT

VRSK - Verisk Analytics Inc To Acquire EagleView Technology Corporation

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PRESENTATION

Operator

Good morning. My name Denitria, and I will be your conference operator today. At this time, I would like to welcome everyone to the Verisk Analytics conference call.

(Operator Instructions)

As a reminder, today's call is being recorded. Thank you. I would now like to turn the call over to Ms. Eva Huston, Treasurer and Chief Knowledge Officer. You may begin your conference.

Eva Huston - *Verisk Analytics Inc - Treasurer and Chief Knowledge Officer*

Great. Thank you, Denitria, and good morning to everyone. We appreciate you joining us today for a discussion of the acquisition of EagleView Technologies Corporation which we announced yesterday.

During this call, we will refer to the parent company we are acquiring, EagleView Technologies Corporation, as EVT, and its two operational divisions as Pictometry International and EagleView.

With me on the call are Scott Stephenson, President and Chief Executive Officer, and Mark Anquillare, Chief Financial Officer. Following comments by Scott and Mark highlighting some key information about EVT, we will open up the call for your questions.



We expect to report our fourth-quarter 2013 results on February 25, after the market close with a call on the morning of February 26. Given where we are in the financial reporting cycle, we will not be making any comments on the 4Q results or updating any prior comments about our expectations for 2014. We ask that you keep your questions focused on the transaction we announced last night.

This call is being webcast on our investor site, investor.verisk.com, and a replay of this call will be posted on our website and available by dial-in for 14 days until January 29, 2014. We have also posted on our website a slide presentation for your reference that summarizes many of the details we will be discussing.

Finally, I will remind everyone that today's call may include forward-looking statements about Verisk's future performance. Actual performance could differ materially from what is suggested by our comments today. Information about the factors that could affect future performance is summarized and contained in our recent SEC filings. With that, I will now turn the call over to Scott Stephenson.

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

Thanks, Eva. Yesterday after the market closed, we announced the acquisition of EagleView Technologies Corporation, or EVT, for a purchase price of \$650 million. EVT is the parent company of both Pictometry International, a recognized leader in imagery, and EagleView, which is well known in the insurance industry.

This is a wonderful opportunity for Verisk to quickly enhance our presence in the imagery analytics market. We believe this market is an important frontier for future analytics in not only the property and casualty market but many others, and while the nascent market for imagery today is populated by some large companies, we believe our deep vertical expertise offers an opportunity for us to differentiate ourselves.

We are excited to welcome the EVT team members located in Rochester, New York; Bothell, Washington; and various other locations. EVT is a leader in sophisticated imagery for uses in the property and casualty, contractor, government, and commercial spaces. EVT has over 1 million square miles of images in the United States covering 85% of the population and 90% of United States structures, a very valuable asset with over 20 petabytes of data that has taken years to build.

The current form of EVT came together in early 2013 when Pictometry International was combined with Eagle View. We at Verisk have been working with Eagle View for several years and were granted warrants in the company in exchange for delivering some of their work to our P&C customers over our Xactimate platform.

As you know, we have been building our own image library and solutions at Xactware and have successfully executed on our plan to date. We see the acquisition of EVT as a way to accelerate our footprint in this market.

Additionally, EVT has significant intellectual property, including over 20 issued patents. Today, EVT through its Pictometry division, is the leader in supplying image data to governments and municipalities for the purposes of public safety, infrastructure monitoring, tax assessment, and other uses.

As evidence of its leadership, a large number of US municipalities are Pictometry customers. Pictometry has unique technology that allows it to capture a variety of types of images. Pictometry also works with commercial entities and sectors such as power and utilities, providing custom analytics on specific geographic areas.

The Eagle View division is a leading provider of reports on structures used in claims processes in the property and casualty insurance and the contractor markets. The Eagle View division does at least some business with 24 of the top 25 insurance companies, as well as with over 30,000 building contractors.

We see the natural development of the solutions as moving from a catastrophe focus today to include non-cat claims, underwriting customers, and commercial property risks over time. The beauty of their model is that once the company has captured the images, they are the property of

EVT and can be repurposed into other uses. It is through this extensive library of repurposed images combined with platform analytics that Eagle View delivers of roofing reports to P&C customers and contractors.

By combining Eagle View's claims solutions built on EVT's comprehensive library of images with our own extensive insurance customer base and industry knowledge, we can enhance the selling of these claims solutions in the insurance market as well as moving to develop automated underwriting solutions which do not exist today.

Let me give you a few examples of the products that EVT provides and how they are used by its customers. On the image side, Pictometry has developed an incredible library of images, including top-down; north, south, east, and west views; and LiDAR for terrain mapping. And on top of all these images are also detailed analytics. We expect over time to develop an increasingly automated approach to converting images into analytics.

From an insurance client's perspective, they put an address into Eagle View's website and will be able to get a roof report. Behind the scenes, Eagle View accesses EVT's existing aerial photos of the property and then generates a model of the roof surface, extrapolating measurements and slopes from images taken at different angles. This analytic can be used by insurers to estimate the cost of repair by the Roof Measurement solution. They can also do the same for walls using the Wall Measurement solution.

EagleView Estimator can provide similar analytics for use by contractors to provide a more accurate quote. Additional solutions include reports to help with installation requirements for solar panels. The solutions provide detailed, accurate measurements without the danger and added time of an adjuster climbing onto a roof.

EVT will be integrated into our Xactware division under the leadership of Jim Loveland. While we intend to continue to invest in imagery, we believe that we will have synergies in administrative and sales functions as well as image capture by combining the two businesses. Mark will talk about that in detail later. Additionally, we believe that linking many of EVT's solutions with Verisk's, such as our 360Value solution, which is our replacement cost estimating tool for underwriters, can enhance the pull-through of our solutions with insurers.

As we've stated, our strategy is to allocate capital to the highest return opportunities for shareholders, and EVT is one of these opportunities. The business has grown strongly, leveraging the foundation of the government and municipality business into new markets in insurance and other commercial, and we have significant opportunity to continue to grow the business, both in the United States, and over time, internationally.

This transaction will be funded from cash on hand and drawings on our revolver. It adds a manageable amount of leverage to Verisk and is within the framework we have discussed with our debt holders and the rating agencies. We will delever back toward our target of two times within four to five quarters through our significant free cash flow generation. The transaction will be neutral to adjusted EPS in 2014 and will be accretive in 2015. Mark will provide more details on the financials.

We remain consistent in our approach to acquisitions, and we focused on the strategic importance of the business to Verisk as the key driver in our decision to acquire EVT. We remain focused on our core principle of creating shareholder value through innovation, discipline, and execution.

And now with that, I'll turn it over to Mark to comment in a bit more detail on the financials.

Mark Anquillare - Verisk Analytics Inc - CFO

Thank you, Scott. I'd like to reiterate our excitement about this transaction and about combining our expertise with that of our new colleagues at EVT. This transaction is consistent with our historical financial profile for acquisitions.

One, top-line growth is above our corporate organic growth rate. Two, we have attractive, scalable EBITDA margins. And three, there's a limited capital expenditures.

Insurance and contractor solutions make up over half of the trailing-12-month revenue. The remainder of the revenue is from governments, municipalities, and others, like infrastructure projects. The business with the insurance and contractor customers is primarily transactional.

For the municipal side, the revenue is typically derived from multi-year contracts with high renewal rates. We feel that over time, portions of the insurance customer base will transition to subscription. As you know, we're always interested in insurance assets in our M&A program, and we are pleased to have found one with such a strong strategic fit.

Now to the numbers. LTM through September 2013 EVT revenue was \$123.4 million, and adjusted EBITDA was \$36.4 million, representing an adjusted EBITDA margin of approximately 30%. As Scott mentioned, this business has grown and is growing well.

Revenue growth year to date was 14.2% through September 2013. We would expect to see growth of about 10% in 2014 based on the current solutions. Those numbers are all pro forma for the January 2013 combination of EagleView and Pictometry, and the EBITDA adjustments relate to transactional costs associated with that combination. This business does have seasonality, and with the second quarter typically the peak of revenue, representing 35% to 40% of full year, and the net result is that we see about 80% of the EBITDA in the first half of the year.

In terms of financing, we expect to close the transaction by July 15, and we'll fund the \$650-million purchase price from approximately \$50 million in cash on hand and around \$585 million drawn from our revolvers. The cash outlay is about \$13 million less than total purchase price due to our equity ownership in the company from our warrants.

Post closing, our pro forma debt to EBITDA will be approximately 2.3 times, and we'll have a total of \$585 million drawn under the revolver. We anticipate using our free cash flow to return our leverage back to our targeted debt to EBITDA of 2 times in about 4 to 5 quarters, post closing.

When we combine this business with Verisk, our pro forma 2012 revenue would have been \$1.64 billion, and our EBITDA would have been \$717 million. Our EBITDA margin pro forma for the EagleView transaction in 2012 would have been 43.6%, reflecting lower margins at EVT.

For the last 12 months through September 30, our results pro forma for EVT would have been \$1.8 billion in revenue, with an EBITDA margin of 44.1%. And with its current growth rate, as well as additional solutions we will work together to develop, we expect EVT will add to our organic growth after the acquisition anniversaries.

We will classify EVT as part of our insurance revenue in decision analytics, and as Scott noted, EVT will become part of the Xactware business unit. Pro forma LTM revenue through September 30, 2013, for Verisk, including EVT, would have been 66% subscription and 34% transactional.

Although we are hopeful it could be sooner, we have assumed a June 30 close for a discussion of the acquisition's impact on our financials. We expect the closing date to be as soon as regulatory and shareholder approvals are received, but no later than July 15.

In 2014, based upon the business seasonality, we expect EVT to add about \$45 million to \$50 million of revenue based upon about a 10% growth rate. We also expect, based on seasonality and a June close, the transaction to be neutral to adjusted EPS after factoring the \$585 million of incremental debt and about \$12 million of amortization expense.

Initially, we would expect to draw on the revolver, but we may consider terming out the debt, so you should think about a 5 % to 5.5%-type interest rate for your modeling. In 2015, we expect EVT to be accretive.

As Scott mentioned, we do expect to see some cost synergies from this transaction. We will, however, continue to invest, enhancing an image library, automation, and solutions offerings to insurance underwriters. Our initial cost synergy estimates could total \$5 million to \$7 million. This includes reductions in G&A costs and in the sales and marketing functions on the insurance side.

We expect those to come in over time, as our first order of business is to ensure the continuity of the operations, particularly as it relates to customer delivery. We have not included these synergies in our 2014 accretion estimates, as business logic will dictate realization timing.

Additionally, both EVT and Xactware have plans to spend on computer vision, or imagery analytics, and images in 2014. We expect the combined entity to realize some synergies, although we may spend a portion of what we were previously planning in order to increase the resolution of images already intended to be gathered by EVT. Existing Verisk Xactware contracts for image capture may continue in the first half of 2014 as we

align flight plans of the combined organizations. In some situations, we believe that further enhancing the image quality would lead to greater ease of automation, which would be important for automating the underwriting applications.

The purchase price multiple after accounting for the \$25 million tax benefit and \$13 million warrant value is about 16.8 times LTM September 30, 2013 adjusted EBITDA. When we account for business growth, that multiple drops meaningfully, to below 13.5 times in 2014, based upon our goals for the business and with the expected future synergies.

This transaction will bring pro forma leverage at September 30, 2013 to about 2.3 times debt to EBITDA, and we expect that we will bring leverage back to about 2 times by 4 to 5 quarters post closing. We continue to balance our uses of capital and will manage our repurchase program to meet our stated delevering goals, although I do anticipate being able to continue to repurchase shares to limit dilution.

We have often said that we would love to do an acquisition in the insurance space, but assets are not as plentiful as in some of the other verticals. EVT is one asset that is an ideal fit with our strategy and something that we are in a unique position to leverage. Now, let me just turn it back over to Eva.

Eva Huston - Verisk Analytics Inc - Treasurer and Chief Knowledge Officer

Thanks, Mark. We will now open up for questions. Once again, I want to remind you that we'll be taking questions focused on EVT. We will not be speaking about fourth-quarter 2013 results at this time. Operator, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Your first question comes from the line of Tim McHugh.

Stephen Sheldon - William Blair & Company - Analyst

Good morning. This is actually Stephen Sheldon for Tim. First, I want to ask about the data set. If you or someone else was going to create similar data, how easy would that be, and how much would it generally cost? I'm just trying to see how hard it would be to recreate the data set that you've acquired.

Scott Stephenson - Verisk Analytics Inc - President and CEO

This is Scott. We actually were in the opening phases of doing exactly that. That was the work that we've been doing on our own image capture. And it is -- it's a large undertaking, between marshaling the capacity to actually fly the planes and create the image capture equipment, and then actually being able to manage and process the images.

It is a relatively large undertaking. And bear in mind, also, that it's not -- there's a dimension to what's done here, which is essentially the same property is imaged many times because you need both orthogonal and oblique views, so from the top of the building, but also angles from the north, south, and east and west so that you can develop a three-dimensional view of it. So you may have a sense that it, oh, gee, isn't it like a balloon floating over a property and somebody with a Nikon is taking a single picture? It's actually extremely sophisticated. It's not at all easy to do.

Stephen Sheldon - *William Blair & Company - Analyst*

Okay. Great. That's helpful. One other thing on the data set. Could it eventually be captured more cheaply with satellite imagery?

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

We don't think that satellites will be a substitute for what's being done here any time in the foreseeable future. We are interested at Verisk in taking advantage of what a satellite can provide, which is you get the chance to look at the same latitude-longitude combination with relative frequency because the satellite is overhead, multiple times at the same point on the surface of the planet. But the image -- the resolution of the image is nowhere close to what you can get with photography from a couple thousand feet off the surface of the planet.

And bear in mind, also, that a satellite is almost -- is always looking through the atmosphere and frequently looking through a rather congested atmosphere, and so there's really no comparability. We will be open always to whatever is the best way to generate an image, but our analysis would indicate that for commercial purposes, satellites are nowhere close and will not be anywhere close for a long time. But -- and we're in touch with that world because through our AER division, we're constantly processing satellite images, so if the substitute was there, we would absolutely be aware of it, and we would absolutely make use of it, but it just simply is not.

Stephen Sheldon - *William Blair & Company - Analyst*

Okay. Great. Thanks.

Operator

Your next question comes from the line of Manav Patnaik.

Manav Patnaik - *Barclays Capital - Analyst*

Congratulations, guys. First question, just trying to get a sense of -- in the prior calls, you'd talked about -- or you had sort of talked about how you were going to spend a lot more on aerial imagery. You were potentially going to pull forward a lot of what you were planning to spend in this year.

I was just wondering how those dynamics change with this acquisition. Like does that -- basically, a lot of the spend that you were planning, it's taken care of with the database that EVT has, or are you just trying to get a sense of how much more the picture changes in terms of the investment profile?

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

Let me open up on that and then ask Mark to comment as well. So as we noted, there's timing associated with the closing, and we have in place the image capture that we've talked to you about before, and that does continue to move forward and will continue to move forward, certainly into the first and the second quarters of 2014. And thereafter, we really do believe that there will be an opportunity to optimize the two image capture plans.

EVT has both a very large inventory of images, but they're constantly also adding to that inventory, and so we have a chance to optimize the future image capture plans of EVT with our own, and we really do believe that represents an opportunity. One thing I would also point out is that the resolution of the image is a meaningful parameter around the image, and the image capture that we at Verisk on our own have been engaged in, actually they tend to be fairly precise images. We're down to sub 2 inches per pixel, which is a pretty highly resolved image, somewhat different from what EVT has been doing traditionally, my point being that we think that there's actually a role for both sets.

And in fact, in the marketplace, different customers will pay different amounts for different levels of resolution in the images. So the image capture that we've been engaged in, we think is worthwhile, and completing the program that we were already on strikes us as a good thing to do. Mark, I don't know if the you want to add to that.

Mark Anquillare - *Verisk Analytics Inc - CFO*

No, I think you've covered it well. I just would highlight that the images and the pictures themselves are noteworthy but being able to extract data from high-resolution images is very important inside the insurance space, particularly in the underwriting space. That very granular data could feed a lot of our underwriting tools, a lot of the assessment tools we have, enhance even the cat models that we do. So we have the view that resolution adds to increased precision in data, and ultimately, automation of all that.

Manav Patnaik - *Barclays Capital - Analyst*

And Mark, if I could ask you, in terms of the EVT margins, you mentioned they were 30%. I was just wondering how scalable or what sort of targets you have for them, just trying to tie into the net 2014 EBITDA numbers valuation implication, at least, that you were throwing out. Just wondering how we should expect that 30% to progress.

Mark Anquillare - *Verisk Analytics Inc - CFO*

Well, I think what we've tried to highlight is that we saw some synergies inside the business, and we have seen the business, as you'll note, the scale over the years, so if you went back to 2012 and 2013, there has been some scaling of the business. We think it would continue into 2014 with ultimately some of the synergies we'll be able to extract.

I think we highlighted maybe some of that case inside the multiple where we tried to talk about purchase price multiple of 13.5 times or something slightly below that. So like most information analytics businesses, there's natural scale to the business, and to the extent that you can repurpose and reuse the images in other areas, that creates another opportunity.

Manav Patnaik - *Barclays Capital - Analyst*

All right. Thanks a lot, guys.

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

You're welcome.

Operator

Your next question comes from the line of Andrew Steinerman.

Andrew Steinerman - *JPMorgan - Analyst*

Good morning, Scott. I wanted to ask about the frequency of the pictures. I know when there's a hurricane or disaster, EagleView sends out its fleet. But if there's just normal P&C damage to a roof, how old or new is that image going to be. And when you use -- this is the second question. When you use an EagleView report, does that usually fully substitute the need for an estimator to climb up on the roof, and how much savings is that for the insurance firm?

Scott Stephenson - Verisk Analytics Inc - President and CEO

Right. So thanks, Andrew. First to your question about frequency. So you're right that there are really two different modes in which images are being captured, and the first is related to a cat.

But in the normal cycle of things, the driving force for the sourcing of the images today is the municipalities, and generally, the municipalities have found that they want to reimage, literally, the same acreage on an every-two-year basis, more or less. Part of what they're looking for -- one of the primary applications of this technology for the municipalities is to observe differences in the built environment inside of the municipalities for purposes of making sure the tax assessment is correct. And so it seems as if the modal behavior is, let's take a look every other year.

And some municipalities will accelerate that a little bit, and some municipalities will stretch it out, and so that's really where those cycles come from. Now, one of the things that we will be applying ourselves to increasingly as we go forward is, there are a variety of other applications, and so the frequency, the period in which we're generating the images will need to also reflect our goals inside of those other vertical markets, and so we'll keep looking at that. But that's about how -- that's about the cycle that we're on today.

And then if you could just repeat your second question, please?

Andrew Steinerman - JPMorgan - Analyst

So when you use an EagleView report, does that fully substitute the need for an estimator to go on top of the roof?

Scott Stephenson - Verisk Analytics Inc - President and CEO

Well, yes, but I just would hang a little asterisk on that, and the asterisk is, every insurance company will have its own methods. Some of them use their own adjustors, some of them use independent adjustors, and some of them may have a view of the apparent scale of the damage and how does that interact or the absolute size of the building or the absolute size of the roof.

And so allowing for the fact that different of our customers may have a somewhat different feeling for all of that, the basic answer is yes. And in fact, not only does it eliminate the need for a person to get up there, but it's been demonstrated multiple times, actually, that the estimate is more accurate if the you do it this way than if you do it with a human being up on top of the building.

Andrew Steinerman - JPMorgan - Analyst

But that's only if you capture the image after the damage is done, so that would be more of a disaster.

Scott Stephenson - Verisk Analytics Inc - President and CEO

No, that's not right.

Andrew Steinerman - JPMorgan - Analyst

No?

Scott Stephenson - Verisk Analytics Inc - President and CEO

Actually, that's not right, Andrew because in many cases, when there is a sufficient amount of damage to the roof, even if it's not literally every square foot of the roof, the entire roof gets replaced. In fact, I think that is the norm. And so you need an estimate of the total square footage of the roof, and that's what this method provides.

Andrew Steinerman - JPMorgan - Analyst

Well said. Thank you. Appreciate it.

Scott Stephenson - Verisk Analytics Inc - President and CEO

You bet.

Operator

Next question comes from the line of Paul Ginocchio.

Paul Ginocchio - Deutsche Bank - Analyst

What percent of your existing insurance revenues could be impacted by EagleView, like how are -- what percentage of the revenue --

Eva Huston - Verisk Analytics Inc - Treasurer and Chief Knowledge Officer

Paul, we're having trouble hearing you, if you could maybe start at the beginning.

Paul Ginocchio - Deutsche Bank - Analyst

Oh, sorry. Is that better?

Eva Huston - Verisk Analytics Inc - Treasurer and Chief Knowledge Officer

Yes, thank you.

Paul Ginocchio - Deutsche Bank - Analyst

I'm just wondering what percentage of your existing insurance revenues can be impacted or enhanced by EagleView. I think insurance is about 63% of your revenues. What percent of that 100% of your insurance revenues can be impacted?

Can you improve because of EagleView? And is there a near-term pricing ability because of the acquisition? Thanks.

Scott Stephenson - Verisk Analytics Inc - President and CEO

Yes. So on the first question, the aerial images are used in a way that touches several things that we do in the insurance space today. So we've talked about the link linkage to Xactware. Just to remind you all, Xactware is the platform -- well, actually the collection of Xactware solutions do a wide variety of things, but focusing on claims as the starting point.

The Xactimate platform is used by above 85% of all carriers, their independent contractors -- excuse me, their independent adjusters and contractors to make estimates on the repair cost of personal properties. And one of the things that you have to call upon when you're making that estimate is if there has been damage to the roof, what does it cost to replace the roof or repair the roof, and today, essentially, the carriers will be putting an estimate of that into our process.

Increasingly, as this becomes the new method, that's the input for getting to the right and the most precise estimate. And so immediately, it touches, and very intimately, it touches what we do at Xactware on the claim side.

Now, one of the next things that's going to happen is, that same set of images interpreted in a hopefully very automated way, can be fed into the underwriting process. So when the estimate is being made of the replacement cost a priori, when the policy's being placed, there's an opportunity to engage in the same kind of analysis.

And underwriting properties is a big part of what we do, not in the Xactware business, but it's over on the underwriting side -- our underwriting division inside of Verisk. But then there are yet other parts of our business which also call on aerial imagery.

A primary example would be our commercial property group where, when we're providing loss cost estimates for commercial buildings, when we're providing a sense of the grading of the fire suppression inside of the building, et cetera, et cetera, there's also an interest on that side in understanding the physical dimensions of the building. And so we actually, in many cases, inside of what we call our building underwriting reports, which are on the commercial side, we actually include images of the building, and we get that opportunity.

And then I'd go even a little bit further and say in our catastrophe modeling business, today, we actually have to understand the parameters of the built environment so that when you're at a latitude-longitude combination and you're saying what's the potential loss associated with all these different forms of natural catastrophe, you actually have to have an estimate of the value of the built environment. Well, this kind of imagery can help make that estimate more precise.

And then lastly, this business today is not particularly established in overseas markets. When I say the business, by the way, I'm not talking about only aerial images. I'm talking about the business system by which the image is converted into data the way that we're talking about here and then used ultimately to drive decision making in, for example, the insurance industry.

There's almost none of that that goes on today, but our bias is to say why not. This is a very efficient methodology, and shouldn't it apply internationally? So it relates very specifically to what we do inside of the claims side of Xactware today, but it actually radiates out and touches a number of things that we do.

Paul Ginocchio - *Deutsche Bank - Analyst*

Is there a pricing opportunity over the next year or two years?

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

That's not really where our focus is. Our focus is on growing the market.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thank you very much.

Operator

Your next question comes from the line of Andrew Benjamin.

Andre Benjamin - *Goldman Sachs - Analyst*

Good morning. My first question is, if you could potentially help us with your view of the total addressable market for the combined Xactware, EVT business today, and as you said, it's early on, so maybe where you see that going five years from now.

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

I don't think we've really put out addressable market statistics. I don't even think we've done that really for -- we've really done that for Xactware. But I will say that the -- our sense is that there is a lot of value yet to be added into those markets that I was just actually describing.

So if you just take the claims, the repair cost estimating market, while we have a large position inside of that market in terms of a large fraction of the properties being touched by what it is that we do today, there are lots of ways to continue to add value inside of that world. For example, there's a lot of energy that goes into estimating the repair of the structure. There's less energy today that goes into estimating the replacement of the contents, and that's something that we're really working very hard on.

The penetration of the form of analytic that we're talking about here with EVT is still -- this category has really only existed for about five years. So there is -- we think that there's good opportunity there. And then as I mentioned, there's a whole set of applications that really don't even exist today on the automated side as it relates to underwriting. Our focus is on all these additional ways to add value, and we think they're material relative to the things that we do today.

Andre Benjamin - *Goldman Sachs - Analyst*

Thank you. That's helpful. I know you talked about reducing leverage to back down to around 2 times within four to five quarters. You've also spoken in the past a bit about using M&A to help to scale the healthcare business.

Could you maybe comment on what this deal does in terms of your appetite, the new deals to scale up the healthcare business? And should we read anything into this in terms of the ability to find attractive acquisitions in that area or your commitment to still using that strategy to grow it, or is this just a matter of the right place at the right time for a good insurance asset?

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

We're not taking a step back on our M&A activity at all, and we're at this moment doing what we always do, which is thinking strategically, observing where it is that we're trying to get to, and asking the question, what's additional value add for our customers and where are there places where others have really blazed a trail and where there's something synergistic which occurs when we come together with them? We've got a whole raft of our people out at one of the -- actually, the primary healthcare conference that occurs each year. They are out there even as we speak.

And so no, we're not taking a step back at all, and we do think that M&A will definitely play a role inside of our healthcare strategy going forward. We'll talk more about healthcare when we report out the quarter and the year, but I'll simply say that we're very focused on executing against that business and with, we think, a very good set of assets, and we're at work on that front as well. But no, no relaxation, no step back on the M&A agenda at all.

Andre Benjamin - *Goldman Sachs - Analyst*

Thank you.

Operator

Your next question comes from the line of Suzi Stein.

Suzi Stein - *Morgan Stanley - Analyst*

Hi. Just going back to the answer that you gave to Andrew's question in terms of what you're using this for, and not really using it to assess damage, using it more for measurements, what would this information give you that a building plan that would be on file for a structure couldn't give you?

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

If you're talking about what sits in a tax assessor's office, for example, it doesn't provide -- it doesn't really provide any of what it is that we're looking for. If you just drive -- just pick any suburb and drive through it and look at the number of different configurations of the roof, it's -- in fact, many, many roofs are not just a peak with two planes going down, one towards the front and one towards the rear.

There are a lot of complicated roof geometries up there, and the parameters really aren't even described in anything that gets filed publicly anyway. So you really can't -- it's only through this method or putting a human being up there that you -- it's an original observation that doesn't exist anywhere else.

Suzi Stein - *Morgan Stanley - Analyst*

Okay. I guess I was always under the assumption that the pitch of a roof and all of that would be filed in a building plan, but I guess I'm not that familiar with it.

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

No, no.

Suzi Stein - *Morgan Stanley - Analyst*

Maybe my next question is just in terms of the competitive environment and the various parts of this business. Can you just talk about who else is out there creating this software and the image capture area and how the competitive environment looks?

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

Right. So I'm going to point you also towards the slide deck that we posted because you'll find there on page 11, there's actually a listing of companies in different categories.

But just to give you the high spot real quick, you can divide this world into a couple different parts. One is the capturing of the image itself. And again, the world that we're inside of is essentially a world of aerial imagery, so it's derived from an airplane flying over a particular point.

There is also a world of images from satellites as we talked about before. The difference there is the resolution, the precision, the number of inches represented by a pixel is much more fine when you're talking about an image from an airplane.

Generally, you're in a two to four to six-inches-per-pixel range, whereas, when you're with satellites, you're talking about feet per pixel -- when you're talking about commercial satellites. But we do acknowledge that there's the satellite-based side of everything as well.

And then thirdly, there's the world of unmanned aerial vehicles, which are drones, which really haven't become commercial, and we don't actually think that's the right way to try to drive aerial images. But just, that's the world of image capture.

With respect to those which are derived from an airplane, you've got companies like Google, so all of us have no doubt looked at Google earth. One of the things to observe there is simply that the degree of resolution in the images that Google has for Google purposes is not the same as the degree of resolution that we are looking for for our purposes. But Google is definitely in the business.

Microsoft through Bing is also interested in images. And then there are a number of more specialized companies. I don't know why you would have heard of them, but companies like Sanborn and Fugro that are also in this business, and this is a domestic description because there's also European companies doing this.

And then over on the other side, there's essentially the interpretation of the image for whatever the end-use market happens to be. In the insurance world, you've got, again, some companies that maybe aren't so familiar like Accurence and ApliCAD and ConnectPoint that are essentially in the business of trying to interpret the image.

And then you've got a number of software platforms which are used by the contractor community to try to interpret data as they attempt to make an estimate. Over on that side you've actually got something from Google which is called Sketchup, but then you've got a variety of other companies, just to name a couple, Aerialogics, Maxcon, EstimationPro. So it's really -- it's a -- you've got two different worlds really.

You've got one world which is generating the image -- and again, I don't mean to make it sound simple. It's actually very complex to have a digital image, and from many different angles, the same property and to essentially convert and cleanse that data, relate one image to the next, and turn it into a 3D image of the property.

But you've got that world, and then you've got the, okay, now that I've parameterized the property, what am I going to do with the data, and that's second world I was describing. One of the things that is unique about EVT is that they span those two worlds, and in fact, they're really the only one that does, and particularly facing the two end markets that we're most highly focused on at the moment, which are the municipalities and the insurance community.

Suzi Stein - Morgan Stanley - Analyst

Great. Thank you.

Scott Stephenson - Verisk Analytics Inc - President and CEO

You're welcome.

Operator

Your next question comes from the line of Jeff Silber.

Jeff Silber - BMO Capital Markets - Analyst

Thanks so much. Just wanted to follow up on the competitive landscape. I know there's been some talk about making some of the restriction requirements on satellite imaging a little less onerous. How do you think, if that goes through, that would change the competitive landscape with satellite providers?

Scott Stephenson - Verisk Analytics Inc - President and CEO

Again, we really do not see that changing our business case here because even that which has been announced -- and believe me, we have put -- we have got some of the world's experts with respect to the remote sensing which occurs on a satellite. In fact, I would say we have in many ways the world experts, and so having worked through all of this, it is very clear to us that for commercial purposes, the resolution of images from satellites will not any time within the foreseeable future approach a level of precision that would enable the applications that we're driving here.

But in addition to that, I would simply say that what matters most here is the interpretation of the image to make it useful. So again, if it feels to you like this business is you're creating a scrapbook of images and then you just sell the scrapbook, a lot of the work occurs after the image has been originally -- initially generated. A lot of the value-add is what you do to interpret that digital stream of data that you just got from a photograph or -- I mean, from a digital image on a plane, or from a satellite.

It's not just a scrapbook, here it is, Mr. Customer, I hope you can make use of it. There's a lot of processing of that data which goes on.

If it ever became the case that satellite images had a lot to recommend them with respect to the end uses that we're targeting here, we would be very open to making use of those. And by the way, I think that the value-add of what we do would still remain, even if the source image moved from an airplane to a satellite.

And I would also say, actually, never overlook the value of a time series of data. So even if 30 years from now, a preferred mode was from a satellite, relating that to the aerial images that had been generated 30 years prior would still represent a good and useful and an important thing to do. So we have looked into that very deeply, and on technical grounds, it's just not something that we're concerned about.

And don't overlook, also, that it's very different looking through the -- looking all the way through the 50 miles of atmosphere that we have on this planet versus looking from a couple thousand feet. It changes what are called the radio metric qualities of the image very, very substantially.

Jeff Silber - BMO Capital Markets - Analyst

Okay. Fair enough. And then just a quick numbers question for Mark. You mentioned in terms of the financial outlook about \$12 million in amortization, I think, for this year, assuming the deal closes halfway through the year. Roughly how much intangibles are you going to be putting on the books, and over what life is that going to be amortized?

Mark Anquillare - Verisk Analytics Inc - CFO

Well, it's a little bit early for that. Our estimate is that we would typically have something around \$24 million a year over about 10 years. But, please, that's a very early look at things.

Jeff Silber - BMO Capital Markets - Analyst

Okay. That's helpful. Thanks so much.

Operator

Your next question comes from the line of Hamzah Mazari.

Hamzah Mazari - *Credit Suisse - Analyst*

Good morning. Thank you. Just wondering if you could give us a sense of how cyclical the business is, maybe comment on what the business did in 2009? And any significant growth rate differential between government and commercial?

Mark Anquillare - *Verisk Analytics Inc - CFO*

Well, let me start with the last and just say that the fastest growing part of the business is on the commercial side. But don't overlook the importance of the municipal side because it really is the municipalities which form the basis for a lot of the -- I'll call it the first-order demand for images of these type.

They were the first market to emerge, let's put it that way, and still represent a very, very solid foundation of demand for the imagery. And then the goal is to find as many ways to repurpose as possible, and the first killer app, if you want to call it that, that has emerged has been in the insurance space for purposes of roof estimating. We're interested to find as many as we possibly can.

With respect to cyclical, I don't really think of the business -- I don't know if you meant seasonal versus cyclical. But if you mean cyclical, for example with respect to the economy, I don't -- we don't see a lot of that, and we don't expect a lot of that.

Hamzah Mazari - *Credit Suisse - Analyst*

Okay. Fair enough. And then any sense you could give us on what determined the timing of the deal? Was it internally sourced? I think you mentioned you had a stake in one of the subs. How competitive was the bidding? Any sense of what led up to the deal. Thank you.

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

Sure. Well, we, as you said, and as we pointed out, we were in relationship with EagleView for several years. In fact, when they were really in an early formative stage, we came up with the arrangement through which we received our warrant position, and just to remind everybody, our role with them was essentially as a channel partner, so their analyzed output was getting delivered to customers through our Xactimate platform. And in that mode, we had the opportunity to watch the growth of the business, and it was a pleasure to see a partner doing well, and we were very happy to be working in support of them.

And then something significant happened beginning of last year, beginning of 2013, when EagleView and Pictometry came together because that really fused something, and we give the founders of both companies a lot of credit for what they built, but also the insight to put the two together because the foundation of images being generated at Pictometry and through their base with the municipalities is a very nice complement to the analysis of the data for insurance purposes, which is what EagleView was always focused on. Something very good happened when those two things were put together.

As I mentioned talking about the competitor set, when that happened, you now had really the only entity that was standing both sides of the equation, not that there aren't competitors facing each side, but there were some synergies that were realized in the putting together of those. So when that happened, from our perspective and based upon our relationship particularly with EagleView, it just enhanced our interest, and so we were able to present our interest to the -- to EVT and found there was receptivity and energetically pursued it, and that's really how we got to where we got to today.

Hamzah Mazari - *Credit Suisse - Analyst*

Thanks a lot.

Operator

Your next question comes from the line of Jeff Meuler.

Jeff Meuler - *Robert W. Baird & Co. - Analyst*

Could you compare and contrast what you are doing organically in aerial imagery and then what you're acquiring? I guess what I'm looking for is bucketing out how much of this is an acceleration of your strategy and how much of this is acquiring assets that would have been difficult to replicate even over time. What I mean by that is they do have the image library, including historicals, going back to like 2000.

They make a big deal on their website about the oblique cameras and those being patented and difficult to replicate. And then in terms of the organic things that you were doing, how do they get pulled into the fold? It sounds like you were -- Verisk was pulling higher resolution images than what they were doing.

And then I was surprised to find there was a turn-around time to deliver some of their reports. You talked about making this more automated. So if you could just talk about the two pieces which you're doing, what you're acquiring, what would have been difficult to replicate, and then how you tie it all together. Thanks.

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

Yes. So that's a really good question, and it really penetrates to the heart of the rational here. First off, let me say that it really is both of the two factors that you were talking about. So we definitely see it as an acceleration.

We have become very, very focused on having a leading position in this category. We feel that it's just an important source of value-add for our customers. If you look at the size of EagleView versus -- I think you all have a sense of the amount of revenue that we generate on the decision analytics side for the insurance industry, you can see that this becomes material.

And again, this is a category which has existed for less than 10 years, and we've really had a front-row seat, and even we've been a participant as it's developed. So we've certainly had a deep appreciation for this category, and having that determination to provide leadership, there's no question that our coming together with EVT represents an acceleration of where we were headed anyway.

And there are some special things about EVT. And you actually mentioned a couple of them. One is imaging technology is pretty sophisticated, and we mentioned the over 20 patents that EVT has.

I would also be very quick to observe on the point about the inventory, the time series. We are such strong believers in the value of differentiation through differentiated data assets. One of the first ways to get differentiated is to have a long-time series.

And as a newcomer in 2013 beginning to generate our own images, obviously, we didn't have the look back. And so yes, there were some things about -- there are some things about EVT that represent some points of differentiation.

All of that said, we launched into, I think, a very logical approach ourselves which was to focus very heavily on the technology for processing the image and to think about whether there was an optimized set of images with greater resolution that would allow even higher levels of automation going forward. So I think the plan that we developed was a good, sound plan. I think the model that EVT has been running has been a good, sound model.

And now we have the opportunity to actually optimize all of that. And again, the optimization relates to not just what the technology yields, but also what is the market being served. So for example, in the municipal market today, different municipalities will seek a different level of resolution inside the image based upon their own purposes.

Well, now, expand that thought and say okay, there's a lot of markets we can serve. Insurance, insurance for claims, insurance for underwriting, the electric utility industry, on and on and on. So there's this even bigger optimization that can now go on.

We definitely -- we have definitely accelerated in that direction by bringing together our experts and their experts. There are definitely some great assets inside of EVT, and we're delighted to be able to begin to work with the folks and with the assets. And I think the opening steps that we took in 2013 were very sound steps, also, and we'll now have the opportunity to really optimize all of that.

And I think one of your subquestions was, does that include image capture? Yes, it does include image capture. So EVT has a plan in the 2014 for flying planes and capturing images.

We have a plan in 2014 for flying planes and capturing images. And when the transaction closes, we will now bring those two plans together, and I believe that there is an optimization. I know that there's an optimization that's available there.

Jeff Meuler - Robert W. Baird & Co. - Analyst

Thanks, Scott.

Operator

Your next question comes from the line of Joseph Foresi.

Joseph Foresi - Janney Capital Markets - Analyst

Hi. I'm just trying to conceptualize this. So you're getting paid per report, right, through EagleView, and then if that's the case, a report is a transaction, how do you leverage the number of reports that you're selling per customer? And do customers use or purchase the same report twice?

Scott Stephenson - Verisk Analytics Inc - President and CEO

So first of all, just to make sure you're clear on this, EVT has two different kinds of revenue streams. So there are transaction-based revenues to insurers for claims purposes; that's correct. But there's also a large revenue stream which is subscription based, and that relates more to the municipal customer base.

So then to your other question, can they leverage the same report twice? They potentially could, meaning would they order the same report twice, potentially yes, particularly with the passage of enough time because conditions change. The geometry of buildings change, and so the need to examine the characteristics of the property can also change with time.

Joseph Foresi - Janney Capital Markets - Analyst

Okay. Within that report business, then, how do you avoid it being potentially commoditized?

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

Well, I'm going to stress once again that if the impression is that essentially it's a -- what happens is effectively it's your Canon camera under the belly of an airplane taking a picture more or less the way that we would and you now just publish that picture and that's that, that sounds like a commodity to me, too. That's not at all what this is.

This is -- the same structure is imaged many, many times from many different angles in order to be able to take a two-dimensional image and turn it into a three-dimensional view of the structure. That is not easy to do. That requires a lot of optimization of the equipment that's taking the image, the way that you deploy the airplane, and then crucially, what you do with the digital stream of data that comes from a digital image in order to make sense of it, in order to actually -- think of it -- it's not -- our users are not looking at a picture.

Our users are receiving a stream of data. That's what they're getting. And the processing of all that data is sophisticated. You're starting with a lot of data, and then you're generating a lot of data from the data that you start with.

Here's an interesting factoid. You know how big Verisk Analytics is. We're about order of magnitude \$1.7 billion of revenue, thereabouts. In our data stores, we have around 6 petabytes of data.

This business, we told you, it's \$100 million, \$125 million of revenue at the moment. They have 20 petabytes of data. That's the intensity of data inside of this kind of an application. It's complex work.

Joseph Foresi - *Janney Capital Markets - Analyst*

Got it. That's helpful. You talked about the growth rate. I think it's growing at 14%, but I think you might have mentioned in your guidance or in your outlook that you're looking for a 10% growth rate. How do we frame that? Is that due to some level of seasonality or some level of conservativeness?

And then the long-term growth rate margin profile, if you have any commentary you'd like to provide on that, obviously excluding any kind of guidance.

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

Well, I'll let Mark take the latter part of that question. On the former part, we just feel strongly that we want to be able to deliver what we talk about, basically. Here we are in the opening days of working with EVT. But we're very excited about trying to take advantage of every opportunity to take the capability and point it in new directions. And Mark, I don't know if you want to talk about margins.

Mark Anquillare - *Verisk Analytics Inc - CFO*

I tried to highlight it earlier. I think from a margin perspective, you could take a look at the 2011, 2012 and 2013 scale inside those margins, and if you looked at the 13.5 that we highlighted as a 14 multiple after synergies, we do think the synergies will add to those margins, and we think, like any information business, we expect some ramp.

Joseph Foresi - *Janney Capital Markets - Analyst*

Got it. Could I squeeze one last quick one in there? Any client concentration?

Scott Stephenson - Verisk Analytics Inc - President and CEO

No, no.

Joseph Foresi - Janney Capital Markets - Analyst

Thank you.

Operator

Your next question comes from the line of Andrew Jeffrey.

Andrew Jeffrey - SunTrust Robinson Humphrey - Analyst

Hello, good morning. Lots of Andrews on the call here.

Most of my questions have been answered, but a couple things you said I think are intriguing, Scott. One is, you mentioned in your prepared remarks converting images to analytics, and also, I just want to ask the question in the context of perhaps reporting some of EVT's functionality to underwriting. Do those two go hand in glove?

And can you elaborate a little more on how you monetize or commercialize the conversion of images to analytics? And what kind of time frame are we talking about? Is this a two to four-year kind of time frame for the evolution of the solution, or is it longer than that?

Scott Stephenson - Verisk Analytics Inc - President and CEO

Well, so, yes, thank you. And again, this is the exciting part for us, so I appreciate the question.

Yes, for example, the conversion of the image into analytic and the underwriting application, underwriting is an example of exactly that. And how does that get monetized? If you can create an accurate enough view of the structure where, for example, with a little more time and with a little more exploration of all of the data which is inside of the image, it's feasible that you can begin to describe the material in the roof.

You can begin to describe the material in the siding of the house, et cetera, et cetera. These are all things that underwriters are very interested in when they're underwriting a property. And today, when one is underwriting a property, the norm is that a human being will go out and observe on the building in a lot of different ways.

What if, instead, you could essentially describe many of the key parameters by repurposing these same images which are being used for claims purposes today? We think that that's very feasible.

And as Mark was saying before, the key is, can we harness the technology so that the process becomes automated enough so that in this world that we live in where the underwriting decision is getting pushed further and further upstream towards the point of sale and happens relatively quickly, if you can actually deliver really good information at that moment -- I mean, consider the three-figure cost of sending somebody out to diligence a property, which is where we're at today, versus the analysis of data which are already in hand in order to provide substantially the same view. That's the vision.

And there, I'm still only in the insurance vertical when I say that, and then moving on towards other applications. And some of this is getting attention real time.

Andrew Jeffrey - SunTrust Robinson Humphrey - Analyst

Okay. So this isn't a decade-long view of what you think this business can do. This is a closer time frame than that, and I suspect something that you'd of qualitatively think of as a potential accelerator of the underlying growth rate.

Scott Stephenson - Verisk Analytics Inc - President and CEO

Well, we will be highly engaged with our leadership at Xactware to explore as many of these extensions as makes sense, and we see it as business today. This is what we should be on right now.

Andrew Jeffrey - SunTrust Robinson Humphrey - Analyst

Okay. And one last one. You mentioned something that we've heard before in healthcare, the effort to transition the business from being transactional to being more subscription based. Does that inform in any way what you think the sustainable growth rate is, or can that be done relatively seamlessly?

Scott Stephenson - Verisk Analytics Inc - President and CEO

We see that transition as being really a natural part of a data analytic business as it matures, and it isn't even necessarily that it's our preference. It's often, actually, the preference of our customers to gain relatively greater certainty about what their invoiced amounts are going to be. And when that occurs, we don't see that as fundamentally interacting with the economics of the business.

It's just a different way of engaging with our customers so that there's somewhat more certainty. And even if places where we transition from purely transactional to something which is more subscription based, there will routinely be true-ups related to volumes in the event that the volumes swing substantially from what both parties expected.

Andrew Jeffrey - SunTrust Robinson Humphrey - Analyst

Great. Thank you very much.

Scott Stephenson - Verisk Analytics Inc - President and CEO

You're welcome.

Operator

Your next question comes from the line of Rayna Kumar.

Rayna Kumar - - Analyst

(Technical difficulty) -- earn-out and retention agreement in place for current EVT management?

Scott Stephenson - Verisk Analytics Inc - President and CEO

I'm sorry, could you -- I think you were cut off at the beginning of your question.



Rayna Kumar - - Analyst

Is there an earn-out and retention agreement in place for current EVT management?

Scott Stephenson - Verisk Analytics Inc - President and CEO

There's no earn-out, and we are continuing to work on what our plan of governance and leadership and operation will be going forward, and all of that will be in place when we're able to close the transaction, and -- but we have great respect for the EVT team, and we expect them to be playing an important role inside of what we do going forward.

Rayna Kumar - - Analyst

Great. Thank you.

Operator

Next question comes from the line of Kevin McVeigh.

Kevin McVeigh - Macquarie Research Equities - Analyst

Great. Thanks. If you mentioned this I apologize, but what percentage of the revenue is transaction based versus subscription?

Mark Anquillare - Verisk Analytics Inc - CFO

I think what we highlighted was that the insurance and contractor revenue was a little bit more than 50%. That is typically the transactional piece.

Kevin McVeigh - Macquarie Research Equities - Analyst

Okay.

Mark Anquillare - Verisk Analytics Inc - CFO

The historic Pictometry business, which is really the sale of those images to the municipalities and government, in many cases, that's typically two to three-year deals.

Kevin McVeigh - Macquarie Research Equities - Analyst

Thank you. And then just any sense of, when you made the initial investment, what you paid for that relative to what we paid for the asset today?

Scott Stephenson - Verisk Analytics Inc - President and CEO

We received warrants as a way to consent us to deliver their product through our platform. So it was a warrant based upon delivery of service, nothing else.

Kevin McVeigh - *Macquarie Research Equities - Analyst*

Got it. Okay. Thank you.

Operator

Your next question comes from the line of Paul Ginocchio.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thanks for taking my follow-up. Looking at slide 16, that stock-based comp of \$3.2 million, is that all related to the January merger of the two companies?

Mark Anquillare - *Verisk Analytics Inc - CFO*

The stock-based one-time item was a comp item that took place related to the combination.

Paul Ginocchio - *Deutsche Bank - Analyst*

Great. So there's nothing related -- there's nothing in the ongoing stock comp there, right?

Mark Anquillare - *Verisk Analytics Inc - CFO*

Let me read into your question a little bit. We feel corporately, the best way to incent Management is through a three-pronged approach of salary, short-term incentive comp, as well as LTI, which is, in this case, equity in Verisk.

So I would say to you, the Senior Leadership of all of our businesses would participate in some type of equity comp. This that we highlight here was a one-time event related to that transaction.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thank you very much.

Operator

Presenters, are there any closing remarks?

Scott Stephenson - *Verisk Analytics Inc - President and CEO*

Yes. Thank you for joining us today, for the discussion around EagleView Technologies, and we appreciate your support, and we look forward to speaking with you again soon, including when we report out on 2013. Thanks for your time.

Operator

This concludes today's conference call. You may now disconnect.

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