



## Unusual Bull Positions Open in Quality Operator Verisk

**Ticker/Price:** VRSK (\$166.80)

### Analysis:

**Verisk Analytics (VRSK)** 73X average call volume on 6/23 with the August \$165 calls trading over 1400X for around \$1.4M, many spread with the \$175 calls. VRSK is a long time favorite that sees very little options positioning and no real notable open interest outside of this new position. VRSK is forming a nice bull flag on the daily consolidating under a key value high and the high from earlier in 2020, a name in a strong long-term uptrend, and a break above \$174 should start a run to \$200. Verisk is a leading data analytics provider serving customers in insurance, energy and specialized markets, and financial services. VRSK offers predictive analytics and decision support solutions to customers in rating, underwriting, claims, catastrophe and weather risk, natural resources intelligence, economic forecasting, commercial banking and finance, and many other fields. VRSK maintains the largest bank account consortia to provide competitive benchmarking, decisioning algorithms, business intelligence, and customized analytic services to financial institutions, payment networks and processors, alternative lenders, regulators, and merchants enabling better strategy, marketing, and risk decisions. VRSK has 80% recurring subscription revenues and Insurance accounts for 72%. EBITDA margins have been coming down the last few years to 46.9% in 2019 from 50% in 2016. VRSK trades 31.8X Earnings, 10.8X EV/Sales and 49.1X FCF with a 0.65% dividend yield. Revenues have grown from \$2B in 2016 to \$2.6B in 2019 with 6-6.5% growth seen the next few years as well as 8-10% annual EPS growth. VRSK is coming off a strong quarter beating estimates and posting 10.4% revenue growth. VRSK has been doing some interesting deals the past year with acquisitions of BuildFax and Genscape. Analysts have an average target of \$165 and short interest at 1% of the float is at a three-year low. Wells Fargo raised its target to \$190 after Q1 results, and RW Baird on 4/1 noting VRSK is a good defensive holding with quality growth and a resilient business. RBC with a note on 3/30 seeing historical valuation premium at risk from energy headwinds and investments weighing on margins and returns but still a secular winner as a high quality operator with enviable assets and benefitting from the move toward increased data and analytics for evaluation and decision making processes. Hedge Fund ownership rose 6.65% in Q1 filings, notable top holders include Parnassus, Akre, Mawer and BAMCO.

### Hawk Vision:



**Hawk's Perspective:** VRSK is a top quality name that is deserving of a core holding status, and near-term a nice flag pattern setting up.

**Confidence Ranking:** \$\$