

**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, 2019

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 001-33812

MSCI INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)

7 World Trade Center
250 Greenwich Street, 49th Floor
New York, New York
(Address of Principal Executive Offices)

13-4038723
(I.R.S. Employer
Identification Number)

10007
(Zip Code)

Registrant's telephone number, including area code: (212) 804-3900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	MSCI	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 26, 2019, there were 84,698,630 shares of the registrant's common stock, par value \$0.01, outstanding.

MSCI INC.
FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2019

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AVAILABLE INFORMATION

MSCI Inc. files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). The SEC maintains a website that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including MSCI Inc.) file electronically with the SEC. MSCI Inc.’s electronic SEC filings are available to the public at the SEC’s website, www.sec.gov.

MSCI Inc.’s website is www.msci.com. You can access MSCI Inc.’s Investor Relations homepage at <http://ir.msci.com>. MSCI Inc. makes available free of charge, on or through its Investor Relations homepage, its proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. MSCI Inc. also makes available, through its Investor Relations homepage, via a link to the SEC’s website, statements of beneficial ownership of MSCI Inc.’s equity securities filed by its directors, officers, 5% or greater shareholders and others under Section 16 of the Exchange Act.

You can access information about MSCI Inc.’s corporate governance at <http://ir.msci.com/corporate-governance.cfm>, including copies of the following:

- Charters for MSCI Inc.’s Audit Committee, Compensation & Talent Management Committee, Nominating and Corporate Governance Committee and Strategy and Finance Committee;
- Corporate Governance Policies;
- Procedures for Submission of Ethical or Accounting Related Complaints; and
- Code of Ethics and Business Conduct.

MSCI Inc.’s Code of Ethics and Business Conduct applies to all directors, officers and employees, including its Chief Executive Officer and its Chief Financial Officer. MSCI Inc. will post any amendments to the Code of Ethics and Business Conduct and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange LLC on its website. You can request a copy of these documents, excluding exhibits, at no cost, by contacting Investor Relations, MSCI Inc., 7 World Trade Center, 250 Greenwich Street, 49th Floor, New York, NY 10007; (646) 465-7043. The information on MSCI Inc.’s website is not incorporated by reference into this report or any other report filed or furnished by us with the SEC.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond MSCI’s control and that could materially affect actual results, levels of activity, performance or achievements.

Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in the 2018 Annual Report on Form 10-K filed with the SEC on February 22, 2019 and in quarterly reports on Form 10-Q and current reports on Form 8-K filed or furnished with the SEC. If any of these risks or uncertainties materialize, or if MSCI’s underlying assumptions prove to be incorrect, actual results may vary significantly from what MSCI projected. Any forward-looking statement in this report reflects MSCI’s current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to MSCI’s operations, results of operations, growth strategy and liquidity. MSCI assumes no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise, except as required by law.

WEBSITE AND SOCIAL MEDIA DISCLOSURE

MSCI Inc. uses its website, including its second quarter update, blog, podcasts and social media channels, including its corporate Twitter account (@MSCI_Inc) as channels of distribution of company information. The information MSCI Inc. posts through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following MSCI Inc.'s press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about MSCI Inc. when you enroll your email address by visiting the "Email Alerts Subscription" section of our Investor Relations homepage at <http://ir.msci.com/email-alerts>. The contents of MSCI Inc.'s website, including its second quarter update, blog, podcasts and social media channels are not, however, incorporated by reference into this report or any other report filed or furnished by us with the SEC.

PART I

Item 1. Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(in thousands, except per share and share data)

	As of	
	June 30, 2019	December 31, 2018
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 771,117	\$ 904,176
Accounts receivable (net of allowances of \$797 and \$1,027 at June 30, 2019 and December 31, 2018, respectively)	438,313	473,433
Prepaid income taxes	80,828	19,273
Prepaid and other assets	32,824	38,207
Total current assets	1,323,082	1,435,089
Property, equipment and leasehold improvements (net of accumulated depreciation and amortization of \$196,480 and \$185,505 at June 30, 2019 and December 31, 2018, respectively)	85,875	90,877
Right of use assets	167,934	—
Goodwill	1,545,724	1,545,761
Intangible assets (net of accumulated amortization of \$565,730 and \$541,967 at June 30, 2019 and December 31, 2018, respectively)	268,091	280,803
Deferred tax assets	15,877	14,903
Other non-current assets	18,507	20,519
Total assets	\$ 3,425,090	\$ 3,387,952
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 3,489	\$ 3,892
Income taxes payable	10,710	16,253
Accrued compensation and related benefits	90,439	137,045
Other accrued liabilities	133,400	113,841
Deferred revenue	528,919	537,977
Total current liabilities	766,957	809,008
Long-term debt	2,577,273	2,575,502
Long-term operating lease liabilities	166,391	—
Deferred tax liabilities	77,837	82,008
Other non-current liabilities	68,434	87,928
Total liabilities	3,656,892	3,554,446
Commitments and Contingencies (see Note 7 and Note 9)		
Shareholders' equity (deficit):		
Preferred stock (par value \$0.01, 100,000,000 shares authorized; no shares issued)	—	—
Common stock (par value \$0.01; 750,000,000 common shares authorized; 132,291,958 and 130,029,926 common shares issued and 84,694,623 and 84,174,138 common shares outstanding at June 30, 2019 and December 31, 2018, respectively)	1,323	1,300
Treasury shares, at cost (47,597,335 and 45,855,788 common shares held at June 30, 2019 and December 31, 2018, respectively)	(3,558,845)	(3,272,774)
Additional paid in capital	1,327,598	1,306,428
Retained earnings	2,055,881	1,856,951
Accumulated other comprehensive loss	(57,759)	(58,399)
Total shareholders' equity (deficit)	(231,802)	(166,494)
Total liabilities and shareholders' equity (deficit)	\$ 3,425,090	\$ 3,387,952

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(unaudited)			
Operating revenues	\$ 385,558	\$ 363,046	\$ 756,939	\$ 714,362
Operating expenses:				
Cost of revenues	71,975	71,368	154,321	142,672
Selling and marketing	51,657	47,416	107,705	93,825
Research and development	23,752	19,801	46,924	40,508
General and administrative	26,378	24,036	53,875	50,223
Amortization of intangible assets	12,013	19,537	23,806	30,875
Depreciation and amortization of property, equipment and leasehold improvements	7,405	7,377	15,255	15,582
Total operating expenses	<u>193,180</u>	<u>189,535</u>	<u>401,886</u>	<u>373,685</u>
Operating income	<u>192,378</u>	<u>173,511</u>	<u>355,053</u>	<u>340,677</u>
Interest income	(3,345)	(4,281)	(7,431)	(7,051)
Interest expense	35,915	31,761	71,830	61,321
Other expense (income)	63	(10,292)	2,617	(9,354)
Other expense (income), net	<u>32,633</u>	<u>17,188</u>	<u>67,016</u>	<u>44,916</u>
Income before provision for income taxes	159,745	156,323	288,037	295,761
Provision for income taxes	34,055	39,494	(15,845)	63,840
Net income	<u>\$ 125,690</u>	<u>\$ 116,829</u>	<u>\$ 303,882</u>	<u>\$ 231,921</u>
Earnings per basic common share	<u>\$ 1.48</u>	<u>\$ 1.31</u>	<u>\$ 3.60</u>	<u>\$ 2.59</u>
Earnings per diluted common share	<u>\$ 1.47</u>	<u>\$ 1.28</u>	<u>\$ 3.55</u>	<u>\$ 2.52</u>
Weighted average shares outstanding used in computing earnings per share				
Basic	<u>84,750</u>	<u>89,112</u>	<u>84,503</u>	<u>89,591</u>
Diluted	<u>85,393</u>	<u>91,586</u>	<u>85,522</u>	<u>92,084</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(unaudited)			
Net income	\$ 125,690	\$ 116,829	\$ 303,882	\$ 231,921
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(853)	(12,484)	680	(8,522)
Income tax effect	308	—	(39)	—
Foreign currency translation adjustments, net	(545)	(12,484)	641	(8,522)
Pension and other post-retirement adjustments	(51)	194	(31)	94
Income tax effect	39	(72)	30	(45)
Pension and other post-retirement adjustments, net	(12)	122	(1)	49
Net investment hedge adjustments	—	1,814	—	1,937
Income tax effect	—	—	—	—
Net investment hedge adjustments, net	—	1,814	—	1,937
Other comprehensive (loss) income, net of tax	(557)	(10,548)	640	(6,536)
Comprehensive income	<u>\$ 125,133</u>	<u>\$ 106,281</u>	<u>\$ 304,522</u>	<u>\$ 225,385</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(in thousands)

	Common Stock	Treasury Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
(unaudited)						
Balance at December 31, 2018	\$ 1,300	\$ (3,272,774)	\$ 1,306,428	\$ 1,856,951	\$ (58,399)	\$ (166,494)
Net income				178,192		178,192
Dividends declared (\$0.58 per common share)				(55,339)		(55,339)
Dividends paid in shares			93			93
Other comprehensive income (loss), net of tax					1,197	1,197
Common stock issued	23					23
Shares withheld for tax withholding and exercises		(182,385)				(182,385)
Compensation payable in common stock and options			9,590			9,590
Common stock repurchased and held in treasury		(102,081)				(102,081)
Common stock issued to directors and held in treasury		(30)				(30)
Exercise of stock options			726			726
Balance at March 31, 2019	\$ 1,323	\$ (3,557,270)	\$ 1,316,837	\$ 1,979,804	\$ (57,202)	\$ (316,508)
Net income				125,690		125,690
Dividends declared (\$0.58 per common share)				(49,613)		(49,613)
Dividends paid in shares			30			30
Other comprehensive income (loss), net of tax					(557)	(557)
Common stock issued						—
Shares withheld for tax withholding and exercises		(742)				(742)
Compensation payable in common stock and options			10,566			10,566
Common stock repurchased and held in treasury						—
Common stock issued to directors and held in treasury		(833)				(833)
Exercise of stock options			165			165
Balance at June 30, 2019	\$ 1,323	\$ (3,558,845)	\$ 1,327,598	\$ 2,055,881	\$ (57,759)	\$ (231,802)
Balance at December 31, 2017	\$ 1,295	\$ (2,321,989)	\$ 1,264,849	\$ 1,505,204	\$ (48,347)	\$ 401,012
Net income				115,092		115,092
ASC 606 Retained Earnings Adjustment				16,135		16,135
Dividends declared (\$0.38 per common share)				(34,848)		(34,848)
Dividends paid in shares			35			35
Other comprehensive income (loss), net of tax					4,012	4,012
Common stock issued	5					5
Shares withheld for tax withholding and exercises		(22,932)				(22,932)
Compensation payable in common stock and options			11,123			11,123
Common stock repurchased and held in treasury		(68,345)				(68,345)
Common stock issued to directors and held in treasury		(17)				(17)
Exercise of stock options			102			102
Balance at March 31, 2018	\$ 1,300	\$ (2,413,283)	\$ 1,276,109	\$ 1,601,583	\$ (44,335)	\$ 421,374
Net income				116,829		116,829
ASC 606 Retained Earnings Adjustment						—
Dividends declared (\$0.38 per common share)				(34,254)		(34,254)
Dividends paid in shares			19			19
Other comprehensive income (loss), net of tax					(10,548)	(10,548)
Common stock issued						—
Shares withheld for tax withholding and exercises		(481)				(481)
Compensation payable in common stock and options			9,229			9,229
Common stock repurchased and held in treasury		(154,898)				(154,898)
Common stock issued to directors and held in treasury		(866)				(866)
Exercise of stock options			18			18
Balance at June 30, 2018	\$ 1,300	\$ (2,569,528)	\$ 1,285,375	\$ 1,684,158	\$ (54,883)	\$ 346,422

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2019	2018
	(unaudited)	
Cash flows from operating activities		
Net income	\$ 303,882	\$ 231,921
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	23,806	30,875
Stock-based compensation expense	19,968	18,072
Depreciation and amortization of property, equipment and leasehold improvements	15,255	15,582
Non-cash operating lease expense	11,203	—
Amortization of debt origination fees	1,970	1,744
Deferred taxes	(5,309)	(4,280)
Gain on divestitures, net of costs	—	(12,045)
Other non-cash adjustments	(26)	196
Changes in assets and liabilities:		
Accounts receivable	35,614	(71,551)
Prepaid income taxes	(62,555)	(8,450)
Prepaid and other assets	3,375	3,186
Accounts payable	(413)	(365)
Accrued compensation and related benefits	(47,588)	(52,093)
Income taxes payable	(5,555)	2,550
Other accrued liabilities	(1,496)	17,743
Deferred revenue	(9,420)	126,167
Long-term operating lease liabilities	(9,139)	—
Other	3,773	(3,490)
Net cash provided by operating activities	277,345	295,762
Cash flows from investing activities		
Capital expenditures	(9,434)	(4,479)
Capitalized software development costs	(11,103)	(8,598)
Proceeds from divestitures	—	21,000
Proceeds from the sale of capital equipment	10	10
Net cash (used in) provided by investing activities	(20,527)	7,933
Cash flows from financing activities		
Proceeds from exercise of stock options	891	119
Repurchase of treasury shares	(285,209)	(246,700)
Proceeds from borrowings	—	500,000
Payment of debt issuance costs	—	(6,262)
Payment of dividends	(107,231)	(68,799)
Net cash (used in) provided by financing activities	(391,549)	178,358
Effect of exchange rate changes	1,672	(3,959)
Net (decrease) increase in cash	(133,059)	478,094
Cash and cash equivalent, beginning of period	904,176	889,502
Cash and cash equivalent, end of period	\$ 771,117	\$ 1,367,596
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 69,859	\$ 56,372
Cash paid for income taxes	\$ 55,742	\$ 73,495
Supplemental disclosure of non-cash investing activities		
Property, equipment and leasehold improvements accrued, but not yet paid	\$ 3,638	\$ 2,979
Supplemental disclosure of non-cash financing activities		
Cash dividends declared, but not yet paid	\$ 485	\$ 708

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. INTRODUCTION AND BASIS OF PRESENTATION

MSCI Inc., together with its wholly-owned subsidiaries (the “Company” or “MSCI”) provides critical investment decision support tools and services for the global investment community. MSCI is dynamic and flexible in the delivery of content and capabilities, such as indexes; portfolio construction tools and risk management services; environmental, social and governance (“ESG”) research and ratings; and real estate benchmarks, return analytics services and market insights; much of which can be accessed by clients through multiple channels and platforms.

Basis of Presentation and Use of Estimates

These unaudited condensed consolidated financial statements include the accounts of MSCI and its subsidiaries and include all adjustments of a normal, recurring nature necessary to state fairly the financial condition as of June 30, 2019 and December 31, 2018, the results of operations, comprehensive income and shareholders’ equity (deficit) for the three and six months ended June 30, 2019 and 2018 and cash flows for the six months ended June 30, 2019 and 2018. The unaudited condensed consolidated statement of financial condition and related financial statement information as of December 31, 2018 have been derived from the 2018 audited consolidated financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”). The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in MSCI’s Annual Report on Form 10-K for the year ended December 31, 2018. The results of operations for interim periods are not necessarily indicative of results for the entire year.

The Company’s unaudited condensed consolidated financial statements are prepared in accordance with GAAP. These accounting principles require the Company to make certain estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the unaudited condensed consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Significant estimates and assumptions made by management include the deferral and recognition of revenue, research and development and software capitalization, impairment of long-lived assets, accrued compensation, income taxes, incremental borrowing rates and other matters that affect the unaudited condensed consolidated financial statements and related disclosures. The Company believes that estimates used in the preparation of these unaudited condensed consolidated financial statements are reasonable; however, actual results could differ materially from these estimates. Intercompany balances and transactions are eliminated in consolidation.

Concentrations

For the six months ended June 30, 2019 and 2018, BlackRock, Inc. accounted for 11.6% and 12.6% of the Company’s consolidated operating revenues, respectively. For the six months ended June 30, 2019 and 2018, BlackRock, Inc. accounted for 19.4% and 21.3% of the Index segment operating revenues, respectively. No single customer represented 10.0% or more of operating revenues within the Analytics and All Other segments for the six months ended June 30, 2019 and 2018.

2. RECENT ACCOUNTING STANDARDS UPDATES

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “*Leases (Topic 842)*,” or ASU 2016-02. The FASB issued ASU 2016-02 in order to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB amended the FASB Accounting Standards Codification and created Topic 842, Leases. ASU 2016-02 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2018.

In July 2018, the FASB issued Accounting Standards Update No. 2018-10, “*Codification Improvements to Topic 842, Leases*,” or ASU 2018-10, and Accounting Standards Update No. 2018-11, “*Targeted Improvements*,” or ASU 2018-11. The amendments in ASU 2018-10 include how an entity should perform the lease classification reassessment, a clarification that a change in a reference index or rate upon which some or all of the variable lease payments in the contract are based does not constitute the resolution of a contingency and a clarification as to whether to recognize a transition adjustment in earnings rather than through equity when an entity initially applies Topic 842 retrospectively to each prior reporting period. The amendments in ASU 2018-11 provide an optional transition method that permits an entity to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and not recast comparative periods. As a result, prior period financial statements and disclosures will continue to be presented in accordance with ASC Topic 840. In addition, ASU 2018-11 also includes a practical expedient for lessors to not separate the lease and non-lease components of a contract. The effective date for this amendment is the same as ASU 2016-02 discussed above.

The Company adopted ASU 2016-02 effective January 1, 2019 using the optional transition method available under ASU 2018-11. In preparation for adoption of the guidance, the Company implemented internal controls and processes to enable the preparation of financial information. MSCI elected to apply the transition package of practical expedients permitted within the new guidance which, among other things, allowed the Company to carry forward the historical lease classification. In addition, MSCI elected the hindsight practical expedient to determine the reasonably certain lease term for existing leases. The Company made an election to apply the exemption allowed under ASU 2016-02 for leases with an initial term of 12 months or less to not be recorded in the Condensed Consolidated Statement of Financial Condition and to only recognize the related amounts in the Condensed Consolidated Statement of Income on a straight-line basis over the lease term. See Note 8, "Leases" of the Notes to the Unaudited Condensed Consolidated Financial Statements included herein for further information regarding leases.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," or ASU 2018-15, to help entities evaluate the accounting for costs of implementation activities incurred in a cloud computing arrangement that is a service contract. ASU 2018-15 aligns the requirements for deferring implementation costs incurred in a cloud computing arrangement that is a service contract with those incurred to develop or obtain internal-use software. ASU 2018-15 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2019, with early adoption permitted. The Company early-adopted ASU 2018-15 under the prospective transition method effective January 1, 2019. The adoption of ASU 2018-15 did not have a material effect on the Company's condensed consolidated financial statements.

3. REVENUE RECOGNITION

MSCI's revenues are characterized by type, which broadly reflects the nature of how they are recognized or earned. The Company's revenue types are recurring subscription, asset-based fees and non-recurring revenues. The Company also groups its revenues by segment.

The tables that follow present the disaggregated revenues for the periods indicated (in thousands):

	For the Three Months ended June 30, 2019			
	Segments			Total
	Index	Analytics	All Other	
Product Types				
Recurring subscriptions	\$ 132,145	\$ 121,699	\$ 35,305	\$ 289,149
Asset-based fees	87,733	—	—	87,733
Non-recurring	5,672	1,982	1,022	8,676
Total	\$ 225,550	\$ 123,681	\$ 36,327	\$ 385,558

	For the Six Months ended June 30, 2019			
	Segments			Total
	Index	Analytics	All Other	
Product Types				
Recurring subscriptions	\$ 259,819	\$ 241,809	\$ 69,885	\$ 571,513
Asset-based fees	169,541	—	—	169,541
Non-recurring	10,963	3,307	1,615	15,885
Total	\$ 440,323	\$ 245,116	\$ 71,500	\$ 756,939

	For the Three Months ended June 30, 2018			
	Segments			Total
	Index	Analytics	All Other	
Product Types				
Recurring subscriptions	\$ 119,626	\$ 117,528	\$ 29,584	\$ 266,738
Asset-based fees	87,636	—	—	87,636
Non-recurring	5,672	1,591	1,409	8,672
Total	\$ 212,934	\$ 119,119	\$ 30,993	\$ 363,046

	For the Six Months ended June 30, 2018			
	Segments			Total
	Index	Analytics	All Other	
Product Types				
Recurring subscriptions	\$ 232,831	\$ 235,772	\$ 58,951	\$ 527,554
Asset-based fees	173,119	—	—	173,119
Non-recurring	8,898	2,334	2,457	13,689
Total	\$ 414,848	\$ 238,106	\$ 61,408	\$ 714,362

The table that follows presents the change in accounts receivable and in deferred revenue between the dates indicated (in thousands):

	Accounts receivable	Deferred revenue
Opening (12/31/2018)	\$ 473,433	\$ 537,977
Closing (06/30/2019)	438,313	528,919
Increase/(decrease)	\$ (35,120)	\$ (9,058)

The amount of revenue recognized in the period that was included in the opening current deferred revenue, which reflects contract liability amounts, was \$367.2 million. The difference between the opening and closing balances of the Company's deferred revenue was primarily driven by an increase in the amortization of deferred revenue to operating revenues, partially offset by an increase in billings. MSCI had an insignificant long-term deferred revenue balance as of June 30, 2019 reflected as a part of "Other non-current liabilities" on its Unaudited Condensed Consolidated Statement of Financial Condition.

For contracts that have a duration of one year or less, the Company has not disclosed either the remaining performance obligation as of the end of the reporting period or when the Company expects to recognize the revenue. The remaining performance obligations for contracts that have a duration of greater than one year and the periods in which they are expected to be recognized are as follows:

	As of June 30, 2019 (in thousands)
First 12-month period	\$ 304,865
Second 12-month period	178,376
Third 12-month period	61,916
Periods thereafter	31,821
Total	\$ 576,978

4. EARNINGS PER COMMON SHARE

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding during the period. Common shares outstanding include common stock and vested restricted stock unit awards where recipients have satisfied either the explicit vesting terms or retirement-eligible requirements. Diluted EPS reflects the assumed conversion of all dilutive securities. There were an immaterial number of anti-dilutive securities excluded from the calculation of diluted EPS for all periods presented.

The following table presents the computation of basic and diluted EPS:

(in thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net income	\$ 125,690	\$ 116,829	\$ 303,882	\$ 231,921
Basic weighted average common shares outstanding	84,750	89,112	84,503	89,591
Effect of dilutive securities:				
Stock options and restricted stock units	643	2,474	1,019	2,493
Diluted weighted average common shares outstanding	85,393	91,586	85,522	92,084
Earnings per basic common share	\$ 1.48	\$ 1.31	\$ 3.60	\$ 2.59
Earnings per diluted common share	\$ 1.47	\$ 1.28	\$ 3.55	\$ 2.52

5. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements consisted of the following as of the specified dates:

	As of	
	June 30,	December 31,
	2019	2018
	(in thousands)	
Computer & related equipment	\$ 208,636	\$ 200,414
Furniture & fixtures	11,936	12,033
Leasehold improvements	52,778	53,429
Work-in-process	9,005	10,506
Subtotal	282,355	276,382
Accumulated depreciation and amortization	(196,480)	(185,505)
Property, equipment and leasehold improvements, net	\$ 85,875	\$ 90,877

Depreciation and amortization expense of property, equipment and leasehold improvements was \$7.4 million and \$7.4 million for the three months ended June 30, 2019 and 2018, respectively. Depreciation and amortization expense of property, equipment and leasehold improvements was \$15.3 million and \$15.6 million for the six months ended June 30, 2019 and 2018, respectively.

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table presents goodwill by reportable segment:

(in thousands)	Index	Analytics	All Other	Total
Goodwill at December 31, 2018	\$ 1,203,404	\$ 290,976	\$ 51,381	\$ 1,545,761
Foreign exchange translation adjustment	(23)	—	(14)	(37)
Goodwill at June 30, 2019	\$ 1,203,381	\$ 290,976	\$ 51,367	\$ 1,545,724

Intangible Assets

Amortization expense related to intangible assets for the three months ended June 30, 2019 and 2018 was \$12.0 million and \$19.5 million, respectively. The amortization expense of acquired intangible assets for the three months ended June 30, 2019 and 2018 was \$8.7 million and \$17.0 million, respectively. The amortization expense of internally developed capitalized software for the three months ended June 30, 2019 and 2018 was \$3.3 million and \$2.5 million, respectively.

Amortization expense related to intangible assets for the six months ended June 30, 2019 and 2018 was \$23.8 million and \$30.9 million, respectively. The amortization expense of acquired intangible assets for the six months ended June 30, 2019 and 2018 was \$17.4 million and \$26.3 million, respectively. The amortization expense of internally developed capitalized software for the six months ended June 30, 2019 and 2018 was \$6.4 million and \$4.6 million, respectively.

The gross carrying and accumulated amortization amounts related to the Company's identifiable intangible assets were as follows:

	As of	
	June 30, 2019	December 31, 2018
(in thousands)		
Gross intangible assets:		
Customer relationships	\$ 356,700	\$ 356,700
Trademarks/trade names	208,320	208,320
Technology/software	249,798	238,692
Proprietary data	28,627	28,627
Subtotal	843,445	832,339
Foreign exchange translation adjustment	(9,624)	(9,569)
Total gross intangible assets	<u>\$ 833,821</u>	<u>\$ 822,770</u>
Accumulated amortization:		
Customer relationships	\$ (220,769)	\$ (209,867)
Trademarks/trade names	(128,835)	(123,345)
Technology/software	(205,498)	(198,974)
Proprietary data	(13,091)	(12,197)
Subtotal	(568,193)	(544,383)
Foreign exchange translation adjustment	2,463	2,416
Total accumulated amortization	<u>\$ (565,730)</u>	<u>\$ (541,967)</u>
Net intangible assets:		
Customer relationships	\$ 135,931	\$ 146,833
Trademarks/trade names	79,485	84,975
Technology/software	44,300	39,718
Proprietary data	15,536	16,430
Subtotal	275,252	287,956
Foreign exchange translation adjustment	(7,161)	(7,153)
Total net intangible assets	<u>\$ 268,091</u>	<u>\$ 280,803</u>

The following table presents the estimated amortization expense for the remainder of the year ending December 31, 2019 and succeeding years:

Years Ending December 31,	Amortization Expense (in thousands)
Remainder of 2019	\$ 25,466
2020	49,616
2021	45,565
2022	38,173
2023	33,365
Thereafter	75,906
Total	<u>\$ 268,091</u>

7. COMMITMENTS AND CONTINGENCIES

Legal matters. From time to time, the Company is party to various litigation matters incidental to the conduct of its business. The Company is not presently party to any legal proceedings the resolution of which the Company believes would have a material effect on its business, operating results, financial condition or cash flows.

Senior Notes. The Company has issued an aggregate of \$2,600.0 million in senior unsecured notes (collectively, the “Senior Notes”) in the four discrete private offerings presented in the following table:

	Maturity Date	Principal amount outstanding at June 30, 2019	Carrying value at June 30, 2019	Carrying value at December 31, 2018	Fair Value at June 30, 2019	Fair Value at December 31, 2018
(in thousands)						
Long-term debt						
5.25% senior unsecured notes due 2024	November 15, 2024	\$ 800,000	\$ 793,641	\$ 793,054	\$ 829,088	\$ 802,576
5.75% senior unsecured notes due 2025	August 15, 2025	800,000	793,539	793,016	840,976	807,088
4.75% senior unsecured notes due 2026	August 1, 2026	500,000	495,251	494,916	519,550	475,520
5.375% senior unsecured notes due 2027	May 15, 2027	500,000	494,842	494,516	534,870	489,745
Total long-term debt		<u>\$ 2,600,000</u>	<u>\$ 2,577,273</u>	<u>\$ 2,575,502</u>	<u>\$ 2,724,484</u>	<u>\$ 2,574,929</u>

The fair market value of the Company’s debt obligations is determined in accordance with accounting standards related to the determination of fair value and represents Level 2 valuations, which are based on one or more quoted prices in markets that are not considered to be active or for which all significant inputs are observable, either directly or indirectly. The Company utilizes the market approach and obtains security pricing from a vendor who uses broker quotes and third-party pricing services to determine fair values.

The \$800.0 million aggregate principal amount of 5.25% senior unsecured notes due 2024 (the “2024 Senior Notes”) are scheduled to mature and be paid in full on November 15, 2024. At any time prior to November 15, 2019, the Company may redeem all or part of the 2024 Senior Notes upon not less than 30 nor more than 60 days’ prior notice at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a make-whole premium as of the date of redemption, plus (iii) accrued and unpaid interest and additional interest, if any, thereon, to the date of redemption. In addition, the Company may redeem all or part of the 2024 Senior Notes, together with accrued and unpaid interest, on or after November 15, 2019, at redemption prices set forth in the indenture governing the 2024 Senior Notes.

The \$800.0 million aggregate principal amount of 5.75% senior unsecured notes due 2025 (the “2025 Senior Notes”) are scheduled to mature and be paid in full on August 15, 2025. At any time prior to August 15, 2020, the Company may redeem all or part of the 2025 Senior Notes upon not less than 30 nor more than 60 days’ prior notice at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a make-whole premium as of the date of redemption, plus (iii) accrued and unpaid interest and additional interest, if any, thereon, to the date of redemption. In addition, the Company may redeem all or part of the 2025 Senior Notes, together with accrued and unpaid interest, on or after August 15, 2020, at redemption prices set forth in the indenture governing the 2025 Senior Notes.

The \$500.0 million aggregate principal amount of 4.75% senior unsecured notes due 2026 (the “2026 Senior Notes”) are scheduled to mature and be paid in full on August 1, 2026. At any time prior to August 1, 2021, the Company may redeem all or part of the 2026 Senior Notes upon not less than 30 nor more than 60 days’ prior notice at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a make-whole premium as of the date of redemption, plus (iii) accrued and unpaid interest and additional interest, if any, thereon, to the date of redemption. In addition, the Company may redeem all or part of the 2026 Senior Notes, together with accrued and unpaid interest, on or after August 1, 2021, at redemption prices set forth in the indenture governing the 2026 Senior Notes.

The \$500.0 million aggregate principal amount of 5.375% senior unsecured notes due 2027 (the “2027 Senior Notes”) are scheduled to mature and be paid in full on May 15, 2027. At any time prior to May 15, 2022, the Company may redeem all or part of the 2027 Senior Notes upon not less than 30 nor more than 60 days’ prior notice at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a make-whole premium as of the date of redemption, plus (iii) accrued and unpaid interest and additional interest, if any, thereon, to the date of redemption. In addition, the Company may redeem all or part of the 2027 Senior Notes, together with accrued and unpaid interest, on or after May 15, 2022, at redemption prices set forth in the indenture governing the 2027 Senior Notes. At any time prior to May 15, 2021, the Company may use the proceeds of certain equity offerings to redeem up to 35% of the aggregate principal amount of the 2027 Senior Notes, including any permitted additional notes, at a redemption price equal to 105.375% of the principal amount plus accrued and unpaid interest, if any, to the redemption date.

Interest payments attributable to the 2024 Senior Notes and 2027 Senior Notes are due on May 15th and November 15th of each year. Interest payments attributable to the 2025 Senior Notes are due on February 15th and August 15th of each year. Interest payments attributable to the 2026 Senior Notes are due on February 1st and August 1st of each year.

Revolver. On November 20, 2014, the Company entered into a \$200.0 million senior unsecured revolving credit agreement (as amended, the “Revolving Credit Agreement”) with a syndicate of banks. The Revolving Credit Agreement had an initial term of five years with an option to extend for two additional one-year terms. On August 4, 2016, the Company entered into Amendment No. 1 (the “First Amendment”) to the Revolving Credit Agreement. The First Amendment, among other things, (i) increased aggregate commitments available to be borrowed to \$220.0 million, (ii) increased the maximum consolidated leverage ratio and (iii) extended the initial term to August 2021 with an option to extend for an additional one-year term. On May 15, 2018, the Company entered into Amendment No. 2 (the “Second Amendment”) to the Revolving Credit Agreement. The Second Amendment, among other things, (i) increased aggregate commitments available to be borrowed to \$250.0 million, (ii) extended the term to May 2023 with an option to extend for an additional one-year term and (iii) decreased the applicable rate and applicable fee rate for loans and commitments. At June 30, 2019, the Revolving Credit Agreement was undrawn.

In connection with the closings of the Senior Notes offerings and entry into the Revolving Credit Agreement and the First and Second Amendments, the Company paid certain fees which, together with the existing fees related to prior credit facilities, are being amortized over their related lives. At June 30, 2019, \$24.3 million of the deferred financing fees remain unamortized, \$0.4 million of which is included in “Prepaid and other assets,” \$1.2 million of which is included in “Other non-current assets” and \$22.7 million of which is grouped and presented as part of “Long-term debt” on the Unaudited Condensed Consolidated Statement of Financial Condition.

8. LEASES

MSCI leases office space, data centers and certain equipment under non-cancellable operating lease agreements and determines if an arrangement is a lease at inception. The Company’s leases have remaining lease terms of up to approximately 14 years. Some of these leases have options to extend which, if exercised, would extend the maximum term to approximately 24 years. Some of the leases also provide for early termination, the exercise of which would shorten the term of those leases by up to 5 years. The Company does not currently have any financing lease arrangements.

Operating lease assets, net of initial direct costs and accumulated amortization are reflected in “Right of use assets,” with the corresponding present value of operating lease liabilities included in “Other accrued liabilities” and “Long-term operating lease liabilities” in the Unaudited Condensed Consolidated Statement of Financial Condition. Right-of-use (“ROU”) assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. MSCI uses its incremental borrowing rate based on the information available on the commencement date in determining the present value of lease payments. The incremental borrowing rate reflects the rate of interest that MSCI would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The Company determined its incremental borrowing rates by starting with the rates on its currently outstanding Senior Notes and making adjustments for collateralization and the relevant duration of the associated leases. The lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Lease expense is recognized on a straight-line basis over the lease term and is included in “Operating expenses” in the Unaudited Condensed Consolidated Statement of Income. Some of the Company’s lease agreements include rental payments adjusted periodically for inflation which are accounted for under ASC Subtopic 842-10, “Leases,” as variable lease amounts but are not reflected as a component of the Company’s lease liability. Certain leases also require the Company to pay real estate taxes, insurance, maintenance and other “Operating expenses” associated with the leased premises or equipment which are also not reflected as a component of the Company’s lease liability. While these expenses are also classified in “Operating expenses,” consistent with similar costs for office locations or equipment, they are not included as a component of the Company’s lease liability. The Company also subleases a small portion of its leased office space to third parties.

Under ASC Subtopic 842-10, the Company recognized a total of \$7.3 million of operating lease expenses for the three months ended June 30, 2019 and \$14.5 million of operating lease expenses for the six months ended June 30, 2019. The amounts associated with variable lease costs, short-term lease costs and sublease income were not significant for both the three and six months ended June 30, 2019.

For both the three and six months ended June 30, 2018, the Company followed ASC Subtopic 840-10, “Leases,” which required the recognition of rent expense on a straight-line basis over the lease period. Rent expense for office space, including real estate taxes, insurance, maintenance and other operating expenses associated with the leased premises, for the three and six months ended June 30, 2018 was \$6.5 million and \$12.8 million, respectively.

Future minimum commitments for the Company’s operating leases accounted for in accordance with ASC Subtopic 842-10 in place as of June 30, 2019, the interest and other relevant line items in the Unaudited Condensed Consolidated Statement of Financial Condition are as follows:

Maturity of Lease Liabilities (in thousands)	Operating Leases
Remainder of 2019	\$ 12,870
2020	28,723
2021	26,293
2022	22,645
2023	22,133
After 2023	111,470
Total lease payments	\$ 224,134
Less: Interest	(36,669)
Present value of lease liabilities	<u>\$ 187,465</u>
Other accrued liabilities	\$ 21,074
Long-term operating lease liabilities	\$ 166,391

Future minimum commitments for the Company’s office leases accounted for in accordance with ASC Subtopic 840-10 in place as of December 31, 2018 were as follows:

Years Ending December 31,	Amount (in thousands)
2019	\$ 25,868
2020	24,619
2021	23,452
2022	21,832
2023	21,818
Thereafter	107,800
Total	<u>\$ 225,389</u>

Lease term and discount rate for the Company’s operating leases in place as of June 30, 2019 are as follows:

Lease Term and Discount Rate	As of June 30, 2019
Weighted-average remaining lease term (years)	9.96
Weighted-average discount rate	3.50%

Other information for the Company's operating leases in place for the six months ended June 30, 2019 are as follows:

Other Information (in thousands)	Six Months Ended	
	June 30, 2019	
Operating cash flows from operating leases	\$	15,260
Leased assets obtained in exchange for new operating lease liabilities ⁽¹⁾	\$	200,821

(1) Includes the initial adjustment of \$197.5 million for leases recorded on January 1, 2019.

9. SHAREHOLDERS' EQUITY (DEFICIT)

Return of capital.

On October 26, 2016, the Board of Directors approved a stock repurchase program for the purchase of up to \$750.0 million worth of shares of the Company's common stock (together with the amount then remaining under a previously existing share repurchase program, the "2016 Repurchase Program").

On May 1, 2018, the Board of Directors authorized an additional stock repurchase program for the purchase of up to \$1.0 billion worth of shares of the Company's common stock (together with the \$523.1 million of authorization then remaining under the 2016 Repurchase Program, the "2018 Repurchase Program"). Share repurchases made pursuant to the 2018 Repurchase Program may take place in the open market or in privately negotiated transactions from time to time based on market and other conditions. This authorization may be modified, suspended or terminated by the Board of Directors at any time without prior notice. As of June 30, 2019, there was \$706.1 million of available authorization remaining under the 2018 Repurchase Program.

The following table provides information with respect to repurchases of the Company's common stock made on the open market:

Six Months Ended	Average Price Paid Per Share	Total Number of Shares Repurchased	Dollar Value of Shares Repurchased
		(in thousands)	
June 30, 2019	\$ 147.97	690	\$ 102,081
June 30, 2018	\$ 145.42	1,535	\$ 223,243

The following table presents dividends declared per common share as well as total amounts declared, distributed and deferred for the periods indicated:

(in thousands, except per share amounts)	Dividends			
	Per Share	Declared	Distributed	(Released)/Deferred
2019				
Three Months Ended March 31,	\$ 0.58	\$ 55,339	\$ 57,988	\$ (2,649)
Three Months Ended June 30,	0.58	49,613	49,365	248
Total	\$ 1.16	\$ 104,952	\$ 107,353	\$ (2,401)
2018				
Three Months Ended March 31,	\$ 0.38	\$ 34,848	\$ 34,900	\$ (52)
Three Months Ended June 30,	0.38	34,254	33,935	319
Total	\$ 0.76	\$ 69,102	\$ 68,835	\$ 267

Common Stock.

The following table presents activity related to shares of common stock issued and repurchased during the six months ended June 30, 2019:

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Balance At December 31, 2018	130,029,926	(45,855,788)	84,174,138
Dividend payable/paid	502	(158)	344
Common stock issued and exercise of stock options	2,234,596	—	2,234,596
Shares withheld for tax withholding and exercises	—	(1,044,186)	(1,044,186)
Shares repurchased under stock repurchase programs	—	(689,891)	(689,891)
Shares issued to directors	—	—	—
Balance At March 31, 2019	132,265,024	(47,590,023)	84,675,001
Dividend payable/paid	136	(136)	—
Common stock issued and exercise of stock options	25,521	—	25,521
Shares withheld for tax withholding and exercises	—	(6,773)	(6,773)
Shares repurchased under stock repurchase programs	—	—	—
Shares issued to directors	1,277	(403)	874
Balance At June 30, 2019	132,291,958	(47,597,335)	84,694,623

10. INCOME TAXES

The Company's provision for income taxes was a benefit of \$15.8 million and an expense of \$63.8 million for the six months ended June 30, 2019 and 2018, respectively. These amounts reflect effective tax rates of negative 5.5% and 21.6% for the six months ended June 30, 2019 and 2018, respectively.

The effective tax rate of negative 5.5% for the six months ended June 30, 2019 reflects the Company's estimate of the effective tax rate for the period and was impacted by certain discrete items totaling \$78.6 million. For the six months ended June 30, 2019, these discrete items primarily related to \$66.6 million of excess tax benefits recognized upon vesting during the period of certain multi-year restricted stock units that were subject to the achievement of multi-year total shareholder return targets (performance targets subject to market conditions) granted in 2016 ("2016 multi-year MSUs") and \$11.0 million of excess tax benefits on other share-based compensation recognized during the period. In addition, the effective tax rate was impacted by a beneficial geographic mix of earnings.

The effective tax rate of 21.6% for the six months ended June 30, 2018 reflected the Company's estimate of the effective tax rate for the period and was impacted by certain discrete items totaling \$8.5 million. For the six months ended June 30, 2018 these discrete items primarily related to \$8.2 million of excess tax benefits on share-based compensation recognized during the period and \$4.1 million related to the release of a valuation allowance previously recorded on capital loss carryforwards. These capital losses were utilized to offset the capital gain realized from the divestiture of Financial Engineering Associates, Inc. ("FEA"). The discrete items also include a \$1.6 million net adjustment benefit relating to the adjustment resulting from the Company's provisional accounting for the effects of the Tax Cuts and Jobs Act that was enacted on December 22, 2017 ("Tax Reform").

The Company is under examination by the IRS and other tax authorities in certain jurisdictions, including foreign jurisdictions, such as India and states in which the Company has significant operations, such as New York. The tax years currently under examination vary by jurisdiction but include years ranging from 2006 through 2018. As a result of having previously been a member of the Morgan Stanley consolidated group, the Company may have future settlements with Morgan Stanley related to the ultimate disposition of their New York State and New York City examination relating to the tax years 2007 and 2008 and their IRS examination relating to the tax years 2006 through 2008. The Company does not believe it has any material exposure to the New York State and New York City income tax examinations. Additionally, the Company believes it has adequate reserves for any tax issues that may arise out of the IRS examination relating to the tax years 2006 through 2008 and therefore does not believe any related settlement with Morgan Stanley will have a material impact.

The Company regularly assesses the likelihood of additional assessments in each of the taxing jurisdictions in which it files income tax returns. The Company has established unrecognized tax benefits that the Company believes are adequate in relation to the potential for additional assessments. Once established, the Company adjusts unrecognized tax benefits only when more information is available or when an event occurs necessitating a change. As part of the Company's periodic review of unrecognized tax benefits and based on new information regarding the status of federal and state examinations, the Company's unrecognized tax benefits were

remeasured. It is reasonably possible that significant changes in the balance of unrecognized tax benefits may occur within the next 12 months. At this time, however, it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits and the impact on the effective tax rate over the next 12 months.

11. SEGMENT INFORMATION

ASC Subtopic 280-10, “*Segment Reporting*,” establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or CODM, in deciding how to allocate resources and assess performance. MSCI’s Chief Executive Officer and its President, who are together considered to be its CODM, review financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance.

The CODM measures and evaluates reportable segments based on segment operating revenues as well as Adjusted EBITDA and other measures. The Company excludes the following items from segment Adjusted EBITDA: provision for income taxes, other expense (income), net, depreciation and amortization of property, equipment and leasehold improvements, amortization of intangible assets and, at times, certain other transactions or adjustments, including the impact related to the vesting of the 2016 multi-year MSUs, that the CODM does not consider for the purposes of making decisions to allocate resources among segments or to assess segment performance. Although these amounts are excluded from segment Adjusted EBITDA, they are included in reported consolidated net income and are included in the reconciliation that follows.

The Company’s computation of segment Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies because all companies do not calculate segment Adjusted EBITDA in the same fashion.

Operating revenues and expenses directly associated with each segment are included in determining its operating results. Other expenses that are not directly attributable to a particular segment are based upon allocation methodologies, including time estimates, revenue, headcount, sales targets, data center consumption and other relevant usage measures. Due to the integrated structure of MSCI’s business, certain costs incurred by one segment may benefit other segments. A segment may use the content and data produced by another segment without incurring an arm’s-length intersegment charge.

The CODM does not review any information regarding total assets on an operating segment basis. Operating segments do not record intersegment revenue, and, accordingly, there is none to be reported. The accounting policies for segment reporting are the same as for MSCI as a whole.

The Company has four operating segments: Index, Analytics, ESG and Real Estate.

The Index operating segment is primarily a provider of equity indexes. The indexes are used in many areas of the investment process, including index-linked product creation and performance benchmarking, as well as portfolio construction and rebalancing and asset allocation.

The Analytics operating segment offers risk management, performance attribution and portfolio management content, applications and services that provide clients with an integrated view of risk and return and an analysis of market, credit, liquidity and counterparty risk across all major asset classes, spanning short, medium and long-term time horizons. Clients access Analytics content through MSCI’s own proprietary applications and application programming interfaces, or through third party applications or directly on their own platforms. The Analytics operating segment also provides various managed services to help clients operate more efficiently as well as address the needs of certain specialized areas of the investment community by providing a reporting service and performance reporting tools to institutional consultants and investors in hedge funds.

The ESG operating segment offers products and services that help institutional investors understand how ESG factors can impact the long-term risk of their investments. In addition, MSCI ESG Research data and ratings are used in the construction of equity and fixed income indexes to help institutional investors more effectively benchmark ESG investment performance, issue index-based investment products, as well as manage, measure and report on ESG mandates.

The Real Estate operating segment includes research, reporting, market data and benchmarking offerings that provide real estate performance analysis for funds, investors and managers. Real Estate performance and risk analytics range from enterprise-wide to property-specific analysis. The Real Estate operating segment also provides business intelligence to real estate owners, managers, developers and brokers worldwide.

The operating segments of ESG and Real Estate do not individually meet the segment reporting thresholds and have been combined and presented as part of All Other for disclosure purposes.

The following table presents operating revenue by reportable segment for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(in thousands)				
Operating revenues				
Index	\$ 225,550	\$ 212,934	\$ 440,323	\$ 414,848
Analytics	123,681	119,119	245,116	238,106
All Other	36,327	30,993	71,500	61,408
Total	\$ 385,558	\$ 363,046	\$ 756,939	\$ 714,362

The following table presents segment profitability and a reconciliation to net income for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(in thousands)				
Index Adjusted EBITDA	\$ 163,915	\$ 157,516	\$ 316,126	\$ 303,446
Analytics Adjusted EBITDA	39,071	36,327	75,469	69,920
All Other Adjusted EBITDA	8,810	6,582	17,908	13,768
Total operating segment profitability	211,796	200,425	409,503	387,134
2016 multi-year MSUs grant payroll tax expense	—	—	15,389	—
Amortization of intangible assets	12,013	19,537	23,806	30,875
Depreciation and amortization of property, equipment and leasehold improvements	7,405	7,377	15,255	15,582
Operating income	192,378	173,511	355,053	340,677
Other expense (income), net	32,633	17,188	67,016	44,916
Provision for income taxes	34,055	39,494	(15,845)	63,840
Net income	\$ 125,690	\$ 116,829	\$ 303,882	\$ 231,921

Revenue by geography is based on the shipping address of the ultimate customer utilizing the product. The following table presents revenue by geographic area for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(in thousands)				
Operating revenues				
Americas:				
United States	\$ 173,228	\$ 166,020	\$ 339,414	\$ 330,855
Other	16,808	13,528	32,791	28,411
Total Americas	190,036	179,548	372,205	359,266
Europe, the Middle East and Africa ("EMEA"):				
United Kingdom	58,921	53,769	114,128	106,702
Other	81,088	76,710	157,723	149,397
Total EMEA	140,009	130,479	271,851	256,099
Asia & Australia:				
Japan	16,719	17,187	34,667	32,369
Other	38,794	35,832	78,216	66,628
Total Asia & Australia	55,513	53,019	112,883	98,997
Total	\$ 385,558	\$ 363,046	\$ 756,939	\$ 714,362

Long-lived assets consist of property, equipment, leasehold improvements, goodwill and intangible assets, net of accumulated depreciation and amortization. The following table presents long-lived assets by geographic area on the dates indicated:

	As of	
	June 30, 2019	December 31, 2018
	(in thousands)	
Long-lived assets		
Americas:		
United States	\$ 1,788,392	\$ 1,803,321
Other	6,408	6,560
Total Americas	1,794,800	1,809,881
EMEA:		
United Kingdom	79,266	80,039
Other	17,297	19,369
Total EMEA	96,563	99,408
Asia & Australia:		
Japan	407	411
Other	7,920	7,741
Total Asia & Australia	8,327	8,152
Total	\$ 1,899,690	\$ 1,917,441

12. SUBSEQUENT EVENTS

On July 30, 2019, the Board of Directors declared a quarterly cash dividend of \$0.68 per share for the three months ending September 30, 2019. The third quarter 2019 dividend is payable on August 30, 2019 to shareholders of record as of the close of trading on August 16, 2019.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of MSCI Inc.

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated statement of financial condition of MSCI Inc. and its subsidiaries (the “Company”) as of June 30, 2019, and the related condensed consolidated statements of income, of comprehensive income and of shareholders’ equity (deficit) for the three-month and six-month periods ended June 30, 2019 and 2018, and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2019 and 2018, including the related notes (collectively referred to as the “interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of the Company as of December 31, 2018, and the related consolidated statements of income, of comprehensive income, of shareholders’ equity (deficit) and of cash flows for the year then ended (not presented herein), and in our report dated February 22, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial condition as of December 31, 2018, is fairly stated, in all material respects, in relation to the consolidated statement of financial condition from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company’s management. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ PricewaterhouseCoopers LLP
New York, New York
August 1, 2019

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the “Form 10-K”). This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in “Item 1A.—Risk Factors,” in our Form 10-K.

Except as the context otherwise indicates, the terms “MSCI,” the “Company,” “we,” “our” and “us” refer to MSCI Inc., together with its subsidiaries.

Overview

We are a leading provider of critical decision support tools and services — we power investors to make better decisions about their investment portfolios. Our tools and services help investors better understand the drivers of risk and return and build portfolios to more effectively and efficiently achieve their investment objectives. We are able to do this by leveraging our knowledge of the global investment process and our expertise in research, data and technology in order to deliver actionable solutions¹ to our clients. We are dynamic and flexible in the delivery of our content and capabilities, such as our indexes; portfolio construction tools and risk management services; ESG research and ratings; and real estate benchmarks, return analytics services and market insights, much of which can be accessed by our clients through multiple channels and platforms.

Our clients comprise a wide spectrum of the global investment industry and include the following key client segments: asset owners (pension funds, endowments, foundations, central banks, sovereign wealth funds, family offices and insurance companies), asset managers (institutional, mutual funds, hedge funds, ETFs, insurance, private wealth, private banks and real estate investment trusts), financial intermediaries (banks, broker-dealers, exchanges, custodians, trust companies and investment consultants) and wealth managers (including an increasing number of “robo-advisors”).

Through a combined use of the content and capabilities provided by each of our operating segments — Index, Analytics, ESG and Real Estate — our clients gain a broad view of the global investment industry, which enables them to manage their investment objectives across multiple asset classes in an increasingly integrated manner.

As of June 30, 2019, we had over 7,000 clients across more than 85 countries. To calculate the number of clients, we use the shipping address of the ultimate customer utilizing the product, which counts affiliates, user locations or business units within a single organization as separate clients. If we aggregate all related clients under their respective parent entity, the number of clients would be over 4,000, as of June 30, 2019. As of June 30, 2019, we had offices in more than 30 cities across more than 20 countries to help serve our diverse client base, with 49.2% of our revenues coming from clients in the Americas, 35.9% in EMEA and 14.9% in Asia and Australia.

Our principal business model is generally to license annual, recurring subscriptions for the majority of our Index, Analytics and ESG products and services for a fee due in advance of the service period. We also license annual recurring subscriptions for the majority of our Real Estate products for a fee which is primarily paid in arrears after the product is delivered, with the exception of the Market Information product for which the fees are generally paid in advance. Recurring fees may vary based on a number of factors including by product or service, number of users or volume of services. Our recurring client contracts do not have a financing component and the consideration received is typically not variable. A portion of our fees are variable and comes from clients who use our indexes as the basis for index-linked investment products, such as ETFs, passively managed funds and separate accounts. These clients commonly pay us a license fee, typically in arrears, primarily based on the assets under management (“AUM”) in their investment products and these fees are typically variable. We also have variable fees from certain exchanges that use our indexes as the basis for futures and options contracts and pay us in arrears, primarily based on the volume of trades or number of instruments. We also realize one-time fees commonly related to customized reports, historical data sets, certain derivative financial products and certain implementation and consulting services, as well as from particular products and services that are purchased on a non-renewal basis.

¹ The term “solutions” as used throughout this Quarterly Report on Form 10-Q refers to the usage of our products and services by our clients to help them achieve their objectives.

In evaluating our financial performance, we focus on revenue and profit growth, including results accounted for under accounting principles generally accepted in the United States (“GAAP”) as well as non-GAAP measures, for the Company as a whole and by operating segment. In addition, we focus on operating metrics, including Run Rate, subscription sales and Retention Rate to manage the business. Our business is not highly capital intensive and, as such, we expect to continue to convert a high percentage of our profits into excess cash in the future. Our growth strategy includes: (a) expanding leadership in research-enhanced content, (b) strengthening existing and new client relationships by providing solutions, (c) improving access to our solutions through cutting-edge technology and platforms, (d) expanding value-added service offerings and (e) executing strategic relationships and acquisitions with complementary content and technology companies.

In the discussion that follows, we provide certain variances excluding the impact of foreign currency exchange rate fluctuations. Foreign currency exchange rate fluctuations reflect the difference between the current period results as reported compared to the current period results recalculated using the foreign currency exchange rates in effect for the comparable prior period. While operating revenues adjusted for the impact of foreign currency fluctuations includes asset-based fees that have been adjusted for the impact of foreign currency fluctuations, the underlying AUM, which is the primary component of asset-based fees, is not adjusted for foreign currency fluctuations. Approximately two-thirds of the AUM are invested in securities denominated in currencies other than the U.S. dollar, and accordingly, any such impact is excluded from the disclosed foreign currency adjusted variances.

The discussion of our results of operations for the three and six months ended June 30, 2019 and 2018 are presented below. The results of operations for interim periods may not be indicative of future results.

Results of Operations

Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018

The following table presents the results of operations for the periods indicated:

	Three Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands, except per share data)			
Operating revenues	\$ 385,558	\$ 363,046	\$ 22,512	6.2%
Operating expenses:				
Cost of revenues	71,975	71,368	607	0.9%
Selling and marketing	51,657	47,416	4,241	8.9%
Research and development	23,752	19,801	3,951	20.0%
General and administrative	26,378	24,036	2,342	9.7%
Amortization of intangible assets	12,013	19,537	(7,524)	(38.5%)
Depreciation and amortization of property, equipment and leasehold improvements	7,405	7,377	28	0.4%
Total operating expenses	193,180	189,535	3,645	1.9%
Operating income	192,378	173,511	18,867	10.9%
Other expense (income), net	32,633	17,188	15,445	89.9%
Income before provision for income taxes	159,745	156,323	3,422	2.2%
Provision for income taxes	34,055	39,494	(5,439)	(13.8%)
Net income	\$ 125,690	\$ 116,829	\$ 8,861	7.6%
Earnings per basic common share	\$ 1.48	\$ 1.31	\$ 0.17	13.0%
Earnings per diluted common share	\$ 1.47	\$ 1.28	\$ 0.19	14.8%
Operating margin	49.9%	47.8%		

Operating Revenues

Our revenues are grouped by the following types: recurring subscriptions, asset-based fees and non-recurring. We also group revenues by major product or reportable segment as follows: Index, Analytics and All Other, which includes the ESG and Real Estate product lines.

The following table presents operating revenues by type for the periods indicated:

	Three Months Ended			
	June 30,			
	2019	2018	Increase/(Decrease)	
	(in thousands)			
Recurring subscriptions	\$ 289,149	\$ 266,738	\$ 22,411	8.4%
Asset-based fees	87,733	87,636	97	0.1%
Non-recurring	8,676	8,672	4	0.0%
Total operating revenues	\$ 385,558	\$ 363,046	\$ 22,512	6.2%

Total operating revenues grew 6.2% to \$385.6 million for the three months ended June 30, 2019 compared to \$363.0 million for the three months ended June 30, 2018. Adjusting for the impact of foreign currency exchange rate fluctuations, total operating revenues would have increased 6.6% for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Revenues from recurring subscriptions increased 8.4% to \$289.1 million for the three months ended June 30, 2019 compared to \$266.7 million for the three months ended June 30, 2018, primarily driven by growth in Index products, which increased \$12.5 million, or 10.5%. Adjusting for the impact of foreign currency exchange rate fluctuations, revenues from recurring subscriptions would have increased 9.0% for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Revenues from asset-based fees increased 0.1% to \$87.7 million for the three months ended June 30, 2019 compared to \$87.6 million for the three months ended June 30, 2018. The increase in revenues from asset-based fees was primarily driven by an increase in revenues from exchange traded futures and options contracts linked to MSCI indexes, partially offset by lower revenues from ETFs linked to MSCI indexes and from non-ETF passive products linked to MSCI indexes. The increase in revenues from futures and options contracts was primarily driven by an increase in total trading volumes. The decrease in revenues from ETFs linked to MSCI indexes was primarily driven by the impact of a change in product mix, partially offset by a 4.5% increase in average AUM. The impact of foreign currency exchange rate fluctuations on revenues from asset-based fees was negligible.

The following table presents the value of AUM in ETFs linked to MSCI indexes and the sequential change of such assets as of the end of each of the periods indicated:

(in billions)	Period Ended					
	2018				2019	
	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,
AUM in ETFs linked to MSCI indexes ^{(1), (2), (3)}	\$ 764.9	\$ 744.7	\$ 765.5	\$ 695.6	\$ 802.2	\$ 819.3
Sequential Change in Value						
Market Appreciation/(Depreciation)	\$ (11.7)	\$ (19.4)	\$ 15.6	\$ (94.7)	\$ 78.3	\$ 14.9
Cash Inflows	32.3	(0.8)	5.2	24.8	28.3	2.2
Total Change	\$ 20.6	\$ (20.2)	\$ 20.8	\$ (69.9)	\$ 106.6	\$ 17.1

The following table presents the average value of AUM in ETFs linked to MSCI indexes for the periods indicated:

(in billions)	Quarterly Average					
	2018				2019	
	March	June	September	December	March	June
AUM in ETFs linked to MSCI indexes ^{(1), (2), (3)}	\$ 779.5	\$ 776.5	\$ 755.8	\$ 717.1	\$ 766.0	\$ 811.4

- (1) The historical values of the AUM in ETFs linked to our indexes as of the last day of the month and the monthly average balance can be found under the link "AUM in ETFs Linked to MSCI Indexes" on our Investor Relations homepage at <http://ir.msci.com>. Information contained on our website is not incorporated by reference into this Quarterly Report on Form 10-Q or any other report filed with the SEC. The AUM in ETFs numbers also include AUM in Exchange Traded Notes, the value of which is less than 1.0% of the AUM amounts presented.
- (2) The values for periods prior to April 26, 2019 were based on data from Bloomberg and MSCI, while the values for periods on or after April 26, 2019 were based on data from Refinitiv and MSCI. De minimis amounts of data are reported on a delayed basis.
- (3) The value of AUM in ETFs linked to MSCI indexes is calculated by multiplying the ETF net asset value by the number of shares outstanding.

For the three months ended June 30, 2019, the average value of AUM in ETFs linked to MSCI equity indexes was \$811.4 billion, up \$34.9 billion, or 4.5%, from \$776.5 billion for the three months ended June 30, 2018.

Non-recurring revenues for the three months ended June 30, 2019 of \$8.7 million remained consistent compared to the three months ended June 30, 2018.

The following table presents operating revenues by reportable segment and revenue type for the periods indicated:

	Three Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
(in thousands)				
Operating revenues:				
Index				
Recurring subscriptions	\$ 132,145	\$ 119,626	\$ 12,519	10.5%
Asset-based fees	87,733	87,636	97	0.1%
Non-recurring	<u>5,672</u>	<u>5,672</u>	—	0.0%
Index total	<u>225,550</u>	<u>212,934</u>	<u>12,616</u>	5.9%
Analytics				
Recurring subscriptions	121,699	117,528	4,171	3.5%
Non-recurring	1,982	1,591	391	24.6%
Analytics total	<u>123,681</u>	<u>119,119</u>	<u>4,562</u>	3.8%
All Other				
Recurring subscriptions	35,305	29,584	5,721	19.3%
Non-recurring	<u>1,022</u>	<u>1,409</u>	<u>(387)</u>	(27.5%)
All Other total	<u>36,327</u>	<u>30,993</u>	<u>5,334</u>	17.2%
Total operating revenues	<u>\$ 385,558</u>	<u>\$ 363,046</u>	<u>\$ 22,512</u>	6.2%

Refer to the section titled "Segment Results" that follows for further discussion of segment revenues.

Operating Expenses

We group our operating expenses into the following activity categories:

- Cost of revenues;
- Selling and marketing;
- Research and development ("R&D");
- General and administrative ("G&A");
- Amortization of intangible assets; and
- Depreciation and amortization of property, equipment and leasehold improvements.

Costs are assigned to these activity categories based on the nature of the expense or, when not directly attributable, an estimated allocation based on the type of effort involved.

The following table presents operating expenses by activity category for the periods indicated:

	Three Months Ended		Increase/(Decrease)	
	June 30,			
	2019	2018		
	(in thousands)			
Operating expenses:				
Cost of revenues	\$ 71,975	\$ 71,368	\$ 607	0.9%
Selling and marketing	51,657	47,416	4,241	8.9%
Research and development	23,752	19,801	3,951	20.0%
General and administrative	26,378	24,036	2,342	9.7%
Amortization of intangible assets	12,013	19,537	(7,524)	(38.5%)
Depreciation and amortization of property, equipment and leasehold improvements	7,405	7,377	28	0.4%
Total operating expenses	<u>\$ 193,180</u>	<u>\$ 189,535</u>	<u>\$ 3,645</u>	1.9%

Total operating expenses increased 1.9% to \$193.2 million for the three months ended June 30, 2019 compared to \$189.5 million for the three months ended June 30, 2018. Adjusting for the impact of foreign currency exchange rate fluctuations, total operating expenses would have increased 3.7% for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Cost of Revenues

Cost of revenues expenses consist of costs related to the production and servicing of our products and services and primarily includes related information technology costs, including data center, platform and infrastructure costs; costs to acquire, produce and maintain market data information; costs of research to support and maintain existing products; costs of product management teams; costs of client service and consultant teams to support customer needs; as well as other support costs directly attributable to the cost of revenues including certain human resources, finance and legal costs. Cost of revenues increased 0.9% to \$72.0 million for the three months ended June 30, 2019 compared to \$71.4 million for the three months ended June 30, 2018, reflecting increases across the Index and the All Other reportable segments, partially offset by decreases across the Analytics reportable segment. The change was driven by increases in non-compensation costs, including travel and entertainment costs and miscellaneous expenses as well as increases in incentive compensation costs, partially offset by decreases in wages and salaries.

Selling and Marketing

Selling and marketing expenses consist of costs associated with acquiring new clients or selling new products or product renewals to existing clients and primarily includes the costs of our sales and marketing teams, as well as costs incurred in other groups associated with acquiring new business, including product management, research, technology and sales operations. Selling and marketing expenses increased 8.9% to \$51.7 million for the three months ended June 30, 2019 compared to \$47.4 million for the three months ended June 30, 2018, reflecting increases across the Analytics and the Index reportable segments. The change was driven by increases in compensation and benefits costs, primarily relating to higher wages and salaries and severance costs, as well as increases in non-compensation costs, including marketing costs, miscellaneous expenses and travel and entertainment costs.

Research and Development

R&D expenses consist of the costs to develop new or enhance existing products and the costs to develop new or improved technology and service platforms for the delivery of our products and services and primarily include the costs of development, research, product management, project management and the technology support associated with these efforts. R&D expenses increased 20.0% to \$23.8 million for the three months ended June 30, 2019 compared to \$19.8 million for the three months ended June 30, 2018, reflecting higher investments across all three reportable segments. The change was driven by increases in compensation and benefits costs, primarily relating to higher incentive compensation and benefits, as well as increases in non-compensation costs, including professional fees, information technology and recruiting costs.

General and Administrative

G&A expenses consist of costs primarily related to finance operations, human resources, office of the CEO, legal, corporate technology, corporate development and certain other administrative costs that are not directly attributed, but are instead allocated, to a product or service. G&A expenses increased 9.7% to \$26.4 million for the three months ended June 30, 2019 compared to \$24.0 million for the three months ended June 30, 2018, reflecting increases across all three reportable segments. The change was driven by increases in compensation and benefits costs, primarily relating to higher wages and salaries and severance costs, as well as increases in travel and entertainment costs and professional fees, partially offset by decreases in non-income taxes.

The following table presents operating expenses using compensation and non-compensation categories, rather than using activity categories, for the periods indicated:

	Three Months Ended		Increase/(Decrease)	
	June 30,			
	2019	2018		
	(in thousands)			
Compensation and benefits	\$ 124,314	\$ 116,109	\$ 8,205	7.1%
Non-compensation expenses	49,448	46,512	2,936	6.3%
Amortization of intangible assets	12,013	19,537	(7,524)	(38.5%)
Depreciation and amortization of property, equipment and leasehold improvements	7,405	7,377	28	0.4%
Total operating expenses	<u>\$ 193,180</u>	<u>\$ 189,535</u>	<u>\$ 3,645</u>	1.9%

Compensation and benefits costs are our most significant expense and typically represent more than 60% of operating expenses or more than 70% of Adjusted EBITDA expenses. We had 3,266 and 3,062 employees as of June 30, 2019 and 2018, respectively, reflecting a 6.7% growth in the number of employees. Continued growth of our emerging market centers around the world is an important factor in our ability to manage and control the growth of our compensation and benefit expenses. As of June 30, 2019, 62.8% of our employees were located in emerging market centers compared to 59.8% as of June 30, 2018.

Compensation and benefits costs increased 7.1% to \$124.3 million for the three months ended June 30, 2019 compared to \$116.1 million for the three months ended June 30, 2018, primarily driven by higher incentive compensation and benefit costs.

Non-compensation expenses increased 6.3% to \$49.4 million for the three months ended June 30, 2019 compared to \$46.5 million for the three months ended June 30, 2018, primarily driven by higher travel and entertainment costs, professional fees, information technology costs and miscellaneous expenses, partially offset by lower non-income taxes.

Amortization of Intangible Assets

Amortization of intangible assets expense relates to definite-lived intangible assets arising from past acquisitions and internal capitalized software projects recognized over their estimated useful lives. Amortization of intangible assets expense decreased 38.5% to \$12.0 million for the three months ended June 30, 2019 compared to \$19.5 million for the three months ended June 30, 2018, primarily driven by the absence of amortization following the write-off of the IPD tradename used by the Real Estate segment during the three months ended June 30, 2018 and the Investor Force Holdings, Inc. ("InvestorForce") divestiture, which occurred in October 2018, partially offset by higher amortization of internally developed capitalized software.

Depreciation and Amortization of Property, Equipment and Leasehold Improvements

Depreciation and amortization of property, equipment and leasehold improvements consists of expenses related to depreciating or amortizing the cost of furniture and fixtures, computer and related equipment and leasehold improvements over the estimated useful life of the assets. Depreciation and amortization of property, equipment and leasehold improvements of \$7.4 million for the three months ended June 30, 2019 remained consistent compared to the three months ended June 30, 2018.

Other Expense (Income), Net

Other expense (income), net increased 89.9% to \$32.6 million for the three months ended June 30, 2019 compared to \$17.2 million for the three months ended June 30, 2018. The increase in net expenses was primarily driven by the gain realized from the Financial Engineering Associates, Inc. ("FEA") divestiture, which occurred in April 2018, and higher interest expense associated with higher outstanding debt.

Income Taxes

The Company's provision for income taxes was \$34.1 million and \$39.5 million for the three months ended June 30, 2019 and 2018, respectively. These amounts reflect effective tax rates of 21.3% and 25.3% for the three months ended June 30, 2019 and 2018, respectively.

The effective tax rate of 21.3% for the three months ended June 30, 2019 reflects the Company's estimate of the effective tax rate for the period which was impacted by a beneficial geographic mix of earnings and lower anticipated taxes on repatriation of foreign earnings. In addition, the effective tax rate was impacted by certain discrete items totaling \$0.8 million. For the three months ended June 30, 2019, these discrete items included \$1.2 million of excess tax benefits on share-based compensation.

The effective tax rate of 25.3% for the three months ended June 30, 2018 reflected the Company's estimate of the effective tax rate for the period and was impacted by certain discrete items totaling \$0.6 million. For the three months ended June 30, 2018, these discrete items primarily related to \$0.6 million of excess tax benefits on share-based compensation and \$4.1 million related to the release of a valuation allowance previously recorded on capital loss carryforwards. These capital losses were utilized to offset the capital gain realized from the divestiture of FEA.

Net Income

As a result of the factors described above, net income for the three months ended June 30, 2019 increased 7.6% to \$125.7 million compared to \$116.8 million for the three months ended June 30, 2018.

Weighted Average Shares

The weighted average shares outstanding used to calculate basic and diluted earnings per share for the three months ended June 30, 2019 decreased by 4.9% and 6.8%, respectively, compared to the three months ended June 30, 2018. The decreases primarily reflect the impact of share repurchases made prior to March 31, 2019 pursuant to the 2016 and 2018 Repurchase Programs and the vesting of the restricted stock units that were included in the dilutive share count in the prior year.

Adjusted EBITDA

"Adjusted EBITDA," a non-GAAP measure used by management to assess operating performance, is defined as net income before (1) provision for income taxes, (2) other expense (income), net, (3) depreciation and amortization of property, equipment and leasehold improvements, (4) amortization of intangible assets and, at times, (5) certain other transactions or adjustments, including the impact related to the vesting of the 2016 multi-year MSUs.

"Adjusted EBITDA expenses," a non-GAAP measure used by management to assess operating performance, is defined as operating expenses less depreciation and amortization of property, equipment and leasehold improvements and amortization of intangible assets and, at times, certain other transactions or adjustments, including the impact related to the vesting of the 2016 multi-year MSUs.

Adjusted EBITDA and Adjusted EBITDA expenses are believed to be meaningful measures of the operating performance of the Company because they adjust for significant one-time, unusual or non-recurring items as well as eliminate the accounting effects of capital spending and acquisitions that do not directly affect what management considers to be the Company's core operating performance in the period. All companies do not calculate adjusted EBITDA and adjusted EBITDA expenses in the same way. These measures can differ significantly from company to company depending on, among other things, long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. Accordingly, the Company's computation of the Adjusted EBITDA and Adjusted EBITDA expenses measures may not be comparable to similarly titled measures computed by other companies.

The following table presents the calculation of Adjusted EBITDA for the periods indicated:

	Three Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands)			
Operating revenues	\$ 385,558	\$ 363,046	\$ 22,512	6.2%
Adjusted EBITDA expenses	173,762	162,621	11,141	6.9%
Adjusted EBITDA	<u>\$ 211,796</u>	<u>\$ 200,425</u>	<u>\$ 11,371</u>	5.7%
Adjusted EBITDA margin %	54.9%	55.2%		
Operating margin %	49.9%	47.8%		

Adjusted EBITDA increased 5.7% to \$211.8 million for the three months ended June 30, 2019 compared to \$200.4 million for the three months ended June 30, 2018. Adjusted EBITDA margin decreased to 54.9% for the three months ended June 30, 2019 compared to 55.2% for the three months ended June 30, 2018.

Reconciliation of Adjusted EBITDA to Net Income and Adjusted EBITDA Expenses to Operating Expenses

The following table presents the reconciliation of Adjusted EBITDA to net income for the periods indicated:

	Three Months Ended June 30,	
	2019	2018
	(in thousands)	
Index Adjusted EBITDA	\$ 163,915	\$ 157,516
Analytics Adjusted EBITDA	39,071	36,327
All Other Adjusted EBITDA	8,810	6,582
Consolidated Adjusted EBITDA	<u>211,796</u>	<u>200,425</u>
Amortization of intangible assets	12,013	19,537
Depreciation and amortization of property, equipment and leasehold improvements	7,405	7,377
Operating income	<u>192,378</u>	<u>173,511</u>
Other expense (income), net	32,633	17,188
Provision for income taxes	34,055	39,494
Net income	<u>\$ 125,690</u>	<u>\$ 116,829</u>

The following table presents the reconciliation of Adjusted EBITDA expenses to operating expenses for the periods indicated:

	Three Months Ended June 30,	
	2019	2018
	(in thousands)	
Index Adjusted EBITDA expenses	\$ 61,635	\$ 55,418
Analytics Adjusted EBITDA expenses	84,610	82,792
All Other Adjusted EBITDA expenses	27,517	24,411
Consolidated Adjusted EBITDA expenses	<u>173,762</u>	<u>162,621</u>
Amortization of intangible assets	12,013	19,537
Depreciation and amortization of property, equipment and leasehold improvements	7,405	7,377
Total operating expenses	<u>\$ 193,180</u>	<u>\$ 189,535</u>

The discussion of the segment results for the three months ended June 30, 2019 and 2018 is presented below.

Segment Results

Index Segment

The following table presents the results for the Index segment for the periods indicated:

	Three Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands)			
Operating revenues:				
Recurring subscriptions	\$ 132,145	\$ 119,626	\$ 12,519	10.5%
Asset-based fees	87,733	87,636	97	0.1%
Non-recurring	5,672	5,672	—	0.0%
Operating revenues total	225,550	212,934	12,616	5.9%
Adjusted EBITDA expenses	61,635	55,418	6,217	11.2%
Adjusted EBITDA	\$ 163,915	\$ 157,516	\$ 6,399	4.1%
Adjusted EBITDA margin %	72.7%	74.0%		

Revenues related to Index products increased 5.9% to \$225.6 million for the three months ended June 30, 2019 compared to \$212.9 million for the three months ended June 30, 2018.

Recurring subscriptions were up 10.5% to \$132.1 million for the three months ended June 30, 2019 compared to \$119.6 million for the three months ended June 30, 2018. The increase was driven by strong growth in core products, factor and ESG index products and custom index products. The impact of foreign currency exchange rate fluctuations on revenues from recurring subscriptions was negligible.

Revenues from asset-based fees increased 0.1% to \$87.7 million for the three months ended June 30, 2019 compared to \$87.6 million for the three months ended June 30, 2018. The increase in revenues from asset-based fees was primarily driven by an increase in revenues from exchange traded futures and options contracts linked to MSCI indexes, partially offset by lower revenues from ETFs linked to MSCI indexes and from non-ETF passive products linked to MSCI indexes. The increase in revenues from futures and options contracts was primarily driven by an increase in total trading volumes. The decrease in revenues from ETFs linked to MSCI indexes was primarily driven by the impact of a change in product mix, offset, in part, by a 4.5% increase in average AUM. The impact of foreign currency exchange rate fluctuations on revenues from asset-based fees was negligible.

Non-recurring revenues were \$5.7 million for both the three months ended June 30, 2019 and 2018.

Index segment Adjusted EBITDA expenses increased 11.2% to \$61.6 million for the three months ended June 30, 2019 compared to \$55.4 million for the three months ended June 30, 2018, reflecting higher expenses across all expense activity categories to fund current and future revenue growth. Adjusting for the impact of foreign currency exchange rate fluctuations, Adjusted EBITDA expenses would have increased 13.2% for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Analytics Segment

The following table presents the results for the Analytics segment for the periods indicated:

	Three Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands)			
Operating revenues:				
Recurring subscriptions	\$ 121,699	\$ 117,528	\$ 4,171	3.5%
Non-recurring	1,982	1,591	391	24.6%
Operating revenues total	123,681	119,119	4,562	3.8%
Adjusted EBITDA expenses	84,610	82,792	1,818	2.2%
Adjusted EBITDA	\$ 39,071	\$ 36,327	\$ 2,744	7.6%
Adjusted EBITDA margin %	31.6%	30.5%		

Analytics segment revenues increased 3.8% to \$123.7 million for the three months ended June 30, 2019 compared to \$119.1 million for the three months ended June 30, 2018. The increase was primarily driven by growth in both Multi-Asset Class and Equity Analytics products and the timing of client implementations, partially offset by declines from the divestiture of InvestorForce, which occurred in October 2018. The impact of foreign currency exchange rate fluctuations on Analytics segment revenues was negligible. Adjusting for foreign currency exchange rate fluctuations and excluding the impact of the divestitures of InvestorForce and FEA, Analytics segment revenues would have increased 8.6% for the three months ended June 30, 2019.

Analytics segment Adjusted EBITDA expenses increased 2.2% to \$84.6 million for the three months ended June 30, 2019 compared to \$82.8 million for the three months ended June 30, 2018, primarily driven by higher expenses across the Selling and Marketing and R&D expense activity categories. Adjusting for the impact of foreign currency exchange rate fluctuations, Adjusted EBITDA expenses would have increased 4.0% for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

All Other Segment

The following table presents the results for the All Other segment for the periods indicated:

	Three Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands)			
Operating revenues:				
Recurring subscriptions	\$ 35,305	\$ 29,584	\$ 5,721	19.3%
Non-recurring	1,022	1,409	(387)	(27.5%)
Operating revenues total	36,327	30,993	5,334	17.2%
Adjusted EBITDA expenses	27,517	24,411	3,106	12.7%
Adjusted EBITDA	\$ 8,810	\$ 6,582	\$ 2,228	33.8%
Adjusted EBITDA margin %	24.3%	21.2%		

All Other segment revenues increased 17.2% to \$36.3 million for the three months ended June 30, 2019 compared to \$31.0 million for the three months ended June 30, 2018. The increase in All Other revenues was driven by a \$4.1 million, or 24.0%, increase in ESG revenues to \$21.4 million and by a \$1.2 million, or 8.7%, increase in Real Estate revenues to \$14.9 million. The increase in ESG revenues was driven by strong growth in ESG Ratings product and ESG Screening product revenues. The increase in Real Estate revenues was primarily driven by strong growth in our Global Intel products, partially offset by the negative impact of foreign currency exchange rate fluctuations. Adjusting for the impact of foreign currency exchange rate fluctuations, All Other operating revenues would have increased 21.9%, ESG revenues would have increased 27.3% and Real Estate revenues would have increased 15.0% for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

All Other segment Adjusted EBITDA expenses increased 12.7% to \$27.5 million for the three months ended June 30, 2019 compared to \$24.4 million for the three months ended June 30, 2018, driven by higher expenses attributable to both ESG and Real Estate operations. Adjusting for the impact of foreign currency exchange rate fluctuations, Adjusted EBITDA expenses would have increased 15.5% for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

The following table presents the results of operations for the periods indicated:

	Six Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands, except per share data)			
Operating revenues	\$ 756,939	\$ 714,362	\$ 42,577	6.0%
Operating expenses:				
Cost of revenues	154,321	142,672	11,649	8.2%
Selling and marketing	107,705	93,825	13,880	14.8%
Research and development	46,924	40,508	6,416	15.8%
General and administrative	53,875	50,223	3,652	7.3%
Amortization of intangible assets	23,806	30,875	(7,069)	(22.9%)
Depreciation and amortization of property, equipment and leasehold improvements	15,255	15,582	(327)	(2.1%)
Total operating expenses	401,886	373,685	28,201	7.5%
Operating income	355,053	340,677	14,376	4.2%
Other expense (income), net	67,016	44,916	22,100	49.2%
Income from continuing operations before provision for income taxes	288,037	295,761	(7,724)	(2.6%)
Provision for income taxes	(15,845)	63,840	(79,685)	(124.8%)
Net income	\$ 303,882	\$ 231,921	\$ 71,961	31.0%
Earnings per basic common share	\$ 3.60	\$ 2.59	\$ 1.01	39.0%
Earnings per diluted common share	\$ 3.55	\$ 2.52	\$ 1.03	40.9%
Operating margin	46.9%	47.7%		

The following table presents operating revenues by type for the periods indicated:

	Six Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands)			
Recurring subscriptions	\$ 571,513	\$ 527,554	\$ 43,959	8.3%
Asset-based fees	169,541	173,119	(3,578)	(2.1%)
Non-recurring	15,885	13,689	2,196	16.0%
Total operating revenues	\$ 756,939	\$ 714,362	\$ 42,577	6.0%

Total operating revenues grew 6.0% to \$756.9 million for the six months ended June 30, 2019 compared to \$714.4 million for the six months ended June 30, 2018. Adjusting for the impact of foreign currency exchange rate fluctuations, total operating revenues would have increased 6.4% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Revenues from recurring subscriptions increased 8.3% to \$571.5 million for the six months ended June 30, 2019 compared to \$527.6 million for the six months ended June 30, 2018, primarily driven by growth in Index products, which increased \$27.0 million, or 11.6%, and growth in All Other products, which increased \$10.9 million, or 18.5%. Adjusting for the impact of foreign currency exchange rate fluctuations, revenues from recurring subscriptions would have increased 8.9% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Revenues from asset-based fees decreased 2.1% to \$169.5 million for the six months ended June 30, 2019 compared to \$173.1 million for the six months ended June 30, 2018. The decrease in revenues from asset-based fees was primarily driven by a \$3.8 million, or 3.2%, decrease in revenues from ETFs linked to MSCI indexes. This decline was driven by the impact of a change in product mix, partially offset by a 1.4% increase in average AUM. In addition, the decrease in revenues from asset-based fees was driven by a decline in revenues from non-ETF passive products linked to MSCI indexes, partially offset by increases in revenues from exchange traded futures and options contracts linked to MSCI indexes. The increase in revenues from futures and options contracts was primarily driven by an increase in total trading volumes. The impact of foreign currency exchange rate fluctuations on revenues from asset-based fees was negligible.

The following table presents the average value of AUM in ETFs linked to MSCI indexes for the year-to-date periods indicated:

(in billions)	Year-to-Date Average ⁽¹⁾					
	2018				2019	
	March	June	September	December	March	June
AUM in ETFs linked to MSCI indexes	\$ 779.5	\$ 778.0	\$ 770.6	\$ 757.2	\$ 766.0	\$ 788.7

(1) For additional information on AUM amounts presented in this table, please refer to the footnotes in the tables presenting AUM in ETFs linked to MSCI indexes for "Period Ended" and "Quarterly Average" in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations— Results of Operations— Operating Revenues."

For the six months ended June 30, 2019, the average value of AUM in ETFs linked to MSCI equity indexes was \$788.7 billion, up \$10.7 billion, or 1.4%, from \$778.0 billion for the six months ended June 30, 2018.

Non-recurring revenues increased 16.0% to \$15.9 million for the six months ended June 30, 2019, compared to \$13.7 million for the six months ended June 30, 2018, primarily driven by growth in Index products, which increased \$2.1 million, or 23.2%.

The following table presents operating revenues by reportable segment and revenue type for the periods indicated:

	Six Months Ended		Increase/(Decrease)	
	June 30,			
	2019	2018		
	(in thousands)			
Operating revenues:				
Index				
Recurring subscriptions	\$ 259,819	\$ 232,831	\$ 26,988	11.6%
Asset-based fees	169,541	173,119	(3,578)	(2.1%)
Non-recurring	10,963	8,898	2,065	23.2%
Index total	440,323	414,848	25,475	6.1%
Analytics				
Recurring subscriptions	241,809	235,772	6,037	2.6%
Non-recurring	3,307	2,334	973	41.7%
Analytics total	245,116	238,106	7,010	2.9%
All Other				
Recurring subscriptions	69,885	58,951	10,934	18.5%
Non-recurring	1,615	2,457	(842)	(34.3%)
All Other total	71,500	61,408	10,092	16.4%
Total operating revenues	\$ 756,939	\$ 714,362	\$ 42,577	6.0%

Refer to the section titled "Segment Results" that follows for further discussion of segment revenues.

Operating Expenses

The following table presents operating expenses by activity category for the periods indicated:

	Six Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands)			
Operating expenses:				
Cost of revenues	\$ 154,321	\$ 142,672	\$ 11,649	8.2%
Selling and marketing	107,705	93,825	13,880	14.8%
Research and development	46,924	40,508	6,416	15.8%
General and administrative	53,875	50,223	3,652	7.3%
Amortization of intangible assets	23,806	30,875	(7,069)	(22.9%)
Depreciation and amortization of property, equipment and leasehold improvements	15,255	15,582	(327)	(2.1%)
Total operating expenses	<u>\$ 401,886</u>	<u>\$ 373,685</u>	<u>\$ 28,201</u>	<u>7.5%</u>

Total operating expenses increased 7.5% to \$401.9 million for the six months ended June 30, 2019 compared to \$373.7 million for the six months ended June 30, 2018. Adjusting for the impact of foreign currency exchange rate fluctuations, total operating expenses would have increased 10.0% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Cost of Revenues

Cost of revenues increased 8.2% to \$154.3 million for the six months ended June 30, 2019 compared to \$142.7 million for the six months ended June 30, 2018, reflecting increases across the Index and the All Other reportable segments. The change was driven by increases in compensation and benefits costs, primarily relating to \$7.0 million of payroll tax expense related to the vesting of the 2016 multi-year MSUs in the current period, and higher incentive compensation, offset, in part, by lower wages and salaries, as well as increases in non-compensation costs, including professional fees and miscellaneous expenses.

Selling and Marketing

Selling and marketing expenses increased 14.8% to \$107.7 million for the six months ended June 30, 2019 compared to \$93.8 million for the six months ended June 30, 2018, reflecting increases across all three reportable segments. The change was driven by increases in compensation and benefits costs, primarily relating to \$4.5 million of payroll tax expense related to the vesting of the 2016 multi-year MSUs in the current period, and higher incentive compensation and severance costs, as well as increases in non-compensation costs, including marketing costs, recruiting costs and professional fees.

Research and Development

R&D expenses increased 15.8% to \$46.9 million for the six months ended June 30, 2019 compared to \$40.5 million for the six months ended June 30, 2018, reflecting higher investments across all three reportable segments. The change was driven by increases in compensation and benefits costs, primarily relating to higher benefit costs and incentive compensation as well as \$0.3 million of payroll tax expense related to the vesting of the 2016 multi-year MSUs in the current period and increases in non-compensation costs, including professional fees, information technology costs and recruiting costs.

General and Administrative

G&A expenses increased 7.3% to \$53.9 million for the six months ended June 30, 2019 compared to \$50.2 million for the six months ended June 30, 2018. The change was driven by increases in compensation and benefits costs, primarily relating to \$3.5 million of payroll tax expense related to the vesting of the 2016 multi-year MSUs in the current period, and higher wages and salaries, offset, in part, by lower incentive compensation. Partially offsetting the increase in compensation and benefits costs was lower non-compensation costs, including non-income taxes and professional fees.

The following table presents operating expenses using compensation and non-compensation categories, rather than using activity categories, for the periods indicated:

	Six Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands)			
Compensation and benefits	\$ 266,487	\$ 234,606	\$ 31,881	13.6%
Non-compensation expenses	96,338	92,622	3,716	4.0%
Amortization of intangible assets	23,806	30,875	(7,069)	(22.9%)
Depreciation and amortization of property, equipment and leasehold improvements	15,255	15,582	(327)	(2.1%)
Total operating expenses	<u>\$ 401,886</u>	<u>\$ 373,685</u>	<u>\$ 28,201</u>	<u>7.5%</u>

Compensation and benefits costs increased 13.6% to \$266.5 million for the six months ended June 30, 2019 compared to \$234.6 million for the six months ended June 30, 2018, primarily driven by \$15.4 million of payroll tax expense related to the vesting of the 2016 multi-year MSUs in the current period and higher incentive compensation and severance costs.

Non-compensation expenses increased 4.0% to \$96.3 million for the six months ended June 30, 2019 compared to \$92.6 million for the six months ended June 30, 2018, primarily driven by higher costs relating to professional fees, recruiting costs, information technology costs and marketing costs, partially offset by lower non-income taxes.

Amortization of Intangible Assets

Amortization of intangible assets expense decreased 22.9% to \$23.8 million for the six months ended June 30, 2019 compared to \$30.9 million for the six months ended June 30, 2018, primarily reflecting higher amortization of internally developed capitalized software, partially offset by the absence of amortization following the write-off of the IPD tradename used by the Real Estate segment during the six months ended June 30, 2018 and the InvestorForce divestiture, which occurred in October 2018.

Depreciation and Amortization of Property, Equipment and Leasehold Improvements

Depreciation and amortization of property, equipment and leasehold improvements decreased 2.1% to \$15.3 million for the six months ended June 30, 2019 compared to \$15.6 million for the six months ended June 30, 2018. The decrease was primarily the result of certain data center assets and network licenses becoming fully depreciated.

Other Expense (Income), Net

Other expense (income), net increased 49.2% to \$67.0 million for the six months ended June 30, 2019 compared to \$44.9 million for the six months ended June 30, 2018. The increase was primarily driven by the gain realized from the FEA divestiture, which occurred in April 2018, and higher interest expense associated with higher outstanding debt and higher foreign currency exchange losses.

Income Taxes

The Company's provision for income taxes was a benefit of \$15.8 million and an expense of \$63.8 million for the six months ended June 30, 2019 and 2018, respectively. These amounts reflect effective tax rates of negative 5.5% and 21.6% for the six months ended June 30, 2019 and 2018, respectively.

The effective tax rate of negative 5.5% for the six months ended June 30, 2019 reflects the Company's estimate of the effective tax rate for the period and was impacted by certain discrete items totaling \$78.6 million. For the six months ended June 30, 2019, these discrete items primarily related to \$66.6 million of excess tax benefits recognized upon vesting during the period of the 2016 multi-year MSUs and \$11.0 million of excess tax benefits on other share-based compensation recognized during the period. In addition, the effective tax rate was impacted by a beneficial geographic mix of earnings.

The effective tax rate of 21.6% for the six months ended June 30, 2018 reflected the Company's estimate of the effective tax rate for the period and was impacted by certain discrete items totaling \$8.5 million that decreased the Company's effective tax rate by 1.5 percentage points. For the six months ended June 30, 2018, these discrete items included \$8.2 million of excess tax benefits related to stock-based compensation and a \$1.6 million net adjustment benefit relating to the adjustment resulting from the Company's provisional accounting for the effects of the Tax Cuts and Jobs Act that was enacted on December 22, 2017 ("Tax Reform").

Net Income

As a result of the factors described above, net income for the six months ended June 30, 2019 increased 31.0% to \$303.9 million compared to \$231.9 million for the six months ended June 30, 2018.

Weighted Average Shares

The weighted average shares outstanding used to calculate basic and diluted earnings per share for the six months ended June 30, 2019 decreased by 5.7% and 7.1%, respectively, compared to the six months ended June 30, 2018. The decreases primarily reflect the impact of share repurchases made prior to March 31, 2019 pursuant to the 2016 and 2018 Repurchase Programs and the vesting of the restricted stock units that were included in the dilutive share count in the prior year.

Adjusted EBITDA

The following table presents the calculation of Adjusted EBITDA for the periods indicated:

	Six Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands)			
Operating revenues	\$ 756,939	\$ 714,362	\$ 42,577	6.0%
Adjusted EBITDA expenses	347,436	327,228	20,208	6.2%
Adjusted EBITDA	<u>\$ 409,503</u>	<u>\$ 387,134</u>	<u>\$ 22,369</u>	5.8%
Adjusted EBITDA margin %	54.1%	54.2%		
Operating margin %	46.9%	47.7%		

Adjusted EBITDA increased 5.8% to \$409.5 million for the six months ended June 30, 2019 compared to \$387.1 million for the six months ended June 30, 2018. Adjusted EBITDA margin slightly decreased to 54.1% for the six months ended June 30, 2019 compared to 54.2% for the six months ended June 30, 2018. The decline in margin reflects a lower rate of growth in operating revenues as compared to the rate of growth of Adjusted EBITDA expenses.

Reconciliation of Adjusted EBITDA to Net Income and Adjusted EBITDA Expenses to Operating Expenses

The following table presents the reconciliation of Adjusted EBITDA to net income for the periods indicated:

	Six Months Ended June 30,	
	2019	2018
	(in thousands)	
Index Adjusted EBITDA	\$ 316,126	\$ 303,446
Analytics Adjusted EBITDA	75,469	69,920
All Other Adjusted EBITDA	17,908	13,768
Consolidated Adjusted EBITDA	409,503	387,134
2016 multi-year MSUs grant payroll tax expense	15,389	—
Amortization of intangible assets	23,806	30,875
Depreciation and amortization of property, equipment and leasehold improvements	15,255	15,582
Operating income	355,053	340,677
Other expense (income), net	67,016	44,916
Provision for income taxes	(15,845)	63,840
Net income	\$ 303,882	\$ 231,921

The following table presents the reconciliation of Adjusted EBITDA expenses to operating expenses for the periods indicated:

	Six Months Ended June 30,	
	2019	2018
	(in thousands)	
Index Adjusted EBITDA expenses	\$ 124,197	\$ 111,402
Analytics Adjusted EBITDA expenses	169,647	168,186
All Other Adjusted EBITDA expenses	53,592	47,640
Consolidated Adjusted EBITDA expenses	347,436	327,228
2016 multi-year MSUs grant payroll tax expense	15,389	—
Amortization of intangible assets	23,806	30,875
Depreciation and amortization of property, equipment and leasehold improvements	15,255	15,582
Total operating expenses	\$ 401,886	\$ 373,685

The discussion of the segment results for the six months ended June 30, 2019 and 2018 is presented below.

Segment Results

Index Segment

The following table presents the results for the Index segment for the periods indicated:

	Six Months Ended June 30,			
	2019	2018		
	(in thousands)			
Operating revenues				
Recurring subscriptions	\$ 259,819	\$ 232,831	\$ 26,988	11.6%
Asset-based fees	169,541	173,119	(3,578)	(2.1%)
Non-recurring	10,963	8,898	2,065	23.2%
Operating revenues total	440,323	414,848	25,475	6.1%
Adjusted EBITDA expenses	124,197	111,402	12,795	11.5%
Adjusted EBITDA	\$ 316,126	\$ 303,446	\$ 12,680	4.2%
Adjusted EBITDA margin %	71.8%	73.1%		

Revenues related to Index products increased 6.1% to \$440.3 million for the six months ended June 30, 2019 compared to \$414.8 million for the six months ended June 30, 2018.

Recurring subscriptions were up 11.6% to \$259.8 million for the six months ended June 30, 2019 compared to \$232.8 million for the six months ended June 30, 2018. The increase was driven by strong growth in core products, factor and ESG index products and custom index products. The impact of foreign currency exchange rate fluctuations on revenues from recurring subscriptions was negligible.

Revenues from asset-based fees decreased 2.1% to \$169.5 million for the six months ended June 30, 2019 compared to \$173.1 million for the six months ended June 30, 2018. The decrease in revenues from asset-based fees was primarily driven by a \$3.8 million, or 3.2%, decrease in revenues from ETFs linked to MSCI indexes. This decline was driven by the impact of a change in product mix, partially offset by a 1.4% increase in average AUM. In addition, the decrease in revenues from asset-based fees was driven by a decline in revenues from non-ETF passive products linked to MSCI indexes, partially offset by increases in revenues from exchange traded futures and options contracts linked to MSCI indexes. The increase in revenues from futures and options contracts was primarily driven by an increase in total trading volumes. The impact of foreign currency exchange rate fluctuations on revenues from asset-based fees was negligible.

Non-recurring revenues were \$11.0 million and \$8.9 million for the six months ended June 30, 2019 and 2018, respectively.

Index segment Adjusted EBITDA expenses increased 11.5% to \$124.2 million for the six months ended June 30, 2019 compared to \$111.4 million for the six months ended June 30, 2018, reflecting higher expenses across all expense activity categories to fund current and future revenue growth. Adjusting for the impact of foreign currency exchange rate fluctuations, Adjusted EBITDA expenses would have increased 14.5% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Analytics Segment

The following table presents the results for the Analytics segment for the periods indicated:

	Six Months Ended June 30,		Increase/(Decrease)	
	2019	2018		
	(in thousands)			
Operating revenues				
Recurring subscriptions	\$ 241,809	\$ 235,772	\$ 6,037	2.6%
Non-recurring	3,307	2,334	973	41.7%
Operating revenues total	245,116	238,106	7,010	2.9%
Adjusted EBITDA expenses	169,647	168,186	1,461	0.9%
Adjusted EBITDA	\$ 75,469	\$ 69,920	\$ 5,549	7.9%
Adjusted EBITDA margin %	30.8%	29.4%		

Analytics segment revenues increased 2.9% to \$245.1 million for the six months ended June 30, 2019 compared to \$238.1 million for the six months ended June 30, 2018, primarily driven by growth in both Multi-Asset Class and Equity Analytics products and the timing of client implementations, partially offset by declines in Energy and Commodity Analytics products, resulting from the FEA divestiture, which occurred in April 2018, and declines from the divestiture of InvestorForce, which occurred in October 2018. The impact of foreign currency exchange rate fluctuations on Analytics segment revenues was negligible. Adjusting for foreign currency exchange rate fluctuations and excluding the impact of the divestitures of InvestorForce and FEA, Analytics segment revenues would have increased 8.9% for the six months ended June 30, 2019.

Analytics segment Adjusted EBITDA expenses increased 0.9% to \$169.6 million for the six months ended June 30, 2019 compared to \$168.2 million for the six months ended June 30, 2018, primarily driven by higher expenses across the Selling and Marketing and R&D expense activity categories. Adjusting for the impact of foreign currency exchange rate fluctuations, Adjusted EBITDA expenses would have increased 3.2% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

All Other Segment

The following table presents the results for the All Other segment for the periods indicated:

	Six Months Ended		Increase/(Decrease)	
	June 30,			
	2019	2018		
	(in thousands)			
Operating revenues				
Recurring subscriptions	\$ 69,885	\$ 58,951	\$ 10,934	18.5%
Non-recurring	1,615	2,457	(842)	(34.3%)
Operating revenues total	71,500	61,408	10,092	16.4%
Adjusted EBITDA expenses	53,592	47,640	5,952	12.5%
Adjusted EBITDA	\$ 17,908	\$ 13,768	\$ 4,140	30.1%
Adjusted EBITDA margin %	25.0%	22.4%		

All Other segment revenues increased 16.4% to \$71.5 million for the six months ended June 30, 2019 compared to \$61.4 million for the six months ended June 30, 2018. The increase in All Other revenues was driven by a \$9.3 million, or 27.4%, increase in ESG revenues to \$43.0 million and by a \$0.8 million, or 3.0%, increase in Real Estate revenues to \$28.5 million. The increase in ESG revenues was driven by strong growth in ESG Ratings product and ESG Screening product revenues. The increase in Real Estate revenues was primarily driven by strong growth in our Global Intel product offering, partially offset by the negative impact of foreign currency exchange rate fluctuations. Adjusting for the impact of foreign currency exchange rate fluctuations, All Other operating revenues would have increased 21.4%, ESG revenues would have increased 30.7% and Real Estate revenues would have increased 10.0% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

All Other segment Adjusted EBITDA expenses increased 12.5% to \$53.6 million for the six months ended June 30, 2019 compared to \$47.6 million for the six months ended June 30, 2018, driven by higher expenses attributable to both ESG and Real Estate operations. Adjusting for the impact of foreign currency exchange rate fluctuations, Adjusted EBITDA expenses would have increased 16.3% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Run Rate

“Run Rate” estimates at a particular point in time the annualized value of the recurring revenues under our client license agreements (“Client Contracts”) for the next 12 months, assuming all Client Contracts that come up for renewal are renewed and assuming then-current currency exchange rates, subject to the adjustments and exclusions described below. For any Client Contract where fees are linked to an investment product’s assets or trading volume/fees, the Run Rate calculation reflects, for ETFs, the market value on the last trading day of the period, for futures and options, the most recent quarterly volumes and/or reported exchange fees, and for other non-ETF products, the most recent client-reported assets. Run Rate does not include fees associated with “one-time” and other non-recurring transactions. In addition, we add to Run Rate the annualized fee value of recurring new sales, whether to existing or new clients, when we execute Client Contracts, even though the license start date, and associated revenue recognition, may not be effective until a later date. We remove from Run Rate the annualized fee value associated with products or services under any Client Contract with respect to which we have received a notice of termination or non-renewal during the period and have determined that such notice evidences the client’s final decision to terminate or not renew the applicable products or services, even though such notice is not effective until a later date.

Changes in our recurring revenues typically lag changes in Run Rate. The actual amount of recurring revenues we will realize over the following 12 months will differ from Run Rate for numerous reasons, including:

- fluctuations in revenues associated with new recurring sales;
- modifications, cancellations and non-renewals of existing Client Contracts, subject to specified notice requirements;
- differences between the recurring license start date and the date the Client Contract is executed due to, for example, contracts with onboarding periods;
- fluctuations in asset-based fees, which may result from changes in certain investment products’ total expense ratios, market movements, including foreign currency exchange rates, or from investment inflows into and outflows from investment products linked to our indexes;
- fluctuations in fees based on trading volumes of futures and options contracts linked to our indexes;

- fluctuations in the number of hedge funds for which we provide investment information and risk analysis to hedge fund investors;
- price changes;
- revenue recognition differences under U.S. GAAP, including those related to the timing of implementation and report deliveries for certain of our products and services;
- fluctuations in foreign currency exchange rates; and
- the impact of acquisitions and divestitures.

The following table presents the Run Rates as of the dates indicated and the growth percentages over the periods indicated:

	As of			Year-Over-Year Comparison	Sequential Comparison
	June 30, 2019	June 30, 2018	March 31, 2019		
	(in thousands)				
Index:					
Recurring subscriptions	\$ 531,590	\$ 478,421	\$ 515,667	11.1%	3.1%
Asset-based fees	345,126	327,299	335,261	5.4%	2.9%
Index total	876,716	805,720	850,928	8.8%	3.0%
Analytics	503,969	489,979	496,183	2.9%	1.6%
All Other	137,045	116,021	130,979	18.1%	4.6%
Total Run Rate	\$ 1,517,730	\$ 1,411,720	\$ 1,478,090	7.5%	2.7%
Recurring subscriptions total	\$ 1,172,604	\$ 1,084,421	\$ 1,142,829	8.1%	2.6%
Asset-based fees	345,126	327,299	335,261	5.4%	2.9%
Total Run Rate	\$ 1,517,730	\$ 1,411,720	\$ 1,478,090	7.5%	2.7%

Total Run Rate grew 7.5% to \$1,517.7 million at June 30, 2019 compared to \$1,411.7 million at June 30, 2018. Recurring subscriptions Run Rate grew 8.1% to \$1,172.6 million at June 30, 2019 compared to \$1,084.4 million at June 30, 2018. Adjusting for the impact of foreign currency exchange rate fluctuations, recurring subscriptions Run Rate would have increased 8.4% at June 30, 2019.

Run Rate from asset-based fees increased 5.4% to \$345.1 million at June 30, 2019 from \$327.3 million at June 30, 2018, primarily driven by higher AUM in ETFs linked to MSCI indexes as well as higher non-ETF passive funds also linked to MSCI indexes and higher volume in futures and options. As of June 30, 2019, the value of AUM in ETFs linked to MSCI indexes was \$819.3 billion, up \$74.6 billion, or 10.0%, from \$744.7 billion as of June 30, 2018. The increase of \$74.6 billion consisted of net inflows of \$60.5 billion and a market appreciation of \$14.1 billion. Partially offsetting the impact of the increase in AUM in ETFs linked to MSCI indexes was a change in product mix, which was the primary driver of a decline in average basis point fees to 2.85 at June 30, 2019 from 2.96 a year ago.

Index recurring subscriptions Run Rate grew 11.1% to \$531.6 million at June 30, 2019 compared to \$478.4 million at June 30, 2018, driven by strong growth in core developed and emerging market modules, factor and ESG, and custom index products and strong growth across our asset management, banking, hedge funds, wealth management and asset owner client segments.

Run Rate from Analytics products increased 2.9% to \$504.0 million at June 30, 2019 compared to \$490.0 million at June 30, 2018, primarily driven by strong growth in both Multi-Asset Class and Equity Analytics products, partially offset by the removal of Run Rate associated with InvestorForce, which was divested in October 2018. Adjusting for the impact of foreign currency exchange rate fluctuations, Analytics Run Rate would have increased 3.0% at June 30, 2019.

Run Rate from All Other products increased 18.1% to \$137.0 million at June 30, 2019 compared to \$116.0 million at June 30, 2018. The \$21.0 million increase was primarily driven by a \$17.4 million, or 24.3%, increase in ESG Run Rate to \$88.8 million, and a \$3.7 million, or 8.2%, increase in Real Estate Run Rate to \$48.2 million. The increase in ESG Run Rate was primarily driven by strong growth in ESG Ratings products and ESG Screening products. The increase in Real Estate Run Rate was primarily driven by growth in Global Intel products. Adjusting for the impact of foreign currency exchange rate fluctuations, ESG Run Rate would have increased 25.2% and All Other Run Rate would have increased 19.7%, while Real Estate Run Rate would have increased 10.7% at June 30, 2019 compared to June 30, 2018.

Subscription Sales

The following table presents our recurring subscription sales, cancellations and non-recurring sales by reportable segment for the periods indicated:

	Three Months Ended			Year-Over-Year Comparison	Sequential Comparison
	June 30, 2019	June 30, 2018	March 31, 2019		
(in thousands)					
New recurring subscription sales					
Index	\$ 19,526	\$ 20,906	\$ 17,329	(6.6%)	12.7%
Analytics	13,669	17,395	12,751	(21.4%)	7.2%
All Other	8,014	6,678	7,215	20.0%	11.1%
New recurring subscription sales total	41,209	44,979	37,295	(8.4%)	10.5%
Subscription cancellations					
Index	(3,601)	(4,577)	(4,366)	(21.3%)	(17.5%)
Analytics	(7,102)	(9,452)	(7,764)	(24.9%)	(8.5%)
All Other	(1,902)	(1,384)	(1,275)	37.4%	49.2%
Subscription cancellations total	(12,605)	(15,413)	(13,405)	(18.2%)	(6.0%)
Net new recurring subscription sales					
Index	15,925	16,329	12,963	(2.5%)	22.8%
Analytics	6,567	7,943	4,987	(17.3%)	31.7%
All Other	6,112	5,294	5,940	15.5%	2.9%
Net new recurring subscription sales total	28,604	29,566	23,890	(3.3%)	19.7%
Non-recurring sales					
Index	5,982	5,328	5,081	12.3%	17.7%
Analytics	2,631	2,425	2,577	8.5%	2.1%
All Other	630	909	454	(30.7%)	38.8%
Non-recurring sales total	9,243	8,662	8,112	6.7%	13.9%
Gross sales⁽¹⁾					
Index	\$ 25,508	\$ 26,234	\$ 22,410	(2.8%)	13.8%
Analytics	16,300	19,820	15,328	(17.8%)	6.3%
All Other	8,644	7,587	7,669	13.9%	12.7%
Total gross sales	\$ 50,452	\$ 53,641	\$ 45,407	(5.9%)	11.1%
Net sales					
Index	\$ 21,907	\$ 21,657	\$ 18,044	1.2%	21.4%
Analytics	9,198	10,368	7,564	(11.3%)	21.6%
All Other	6,742	6,203	6,394	8.7%	5.4%
Total net sales	\$ 37,847	\$ 38,228	\$ 32,002	(1.0%)	18.3%

(1) Total gross sales equal new recurring subscription sales plus non-recurring sales.

Retention Rate

The following table presents our Retention Rate by reportable segment for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Index	97.1%	95.9%	96.8%	96.1%
Analytics	94.2%	92.1%	94.0%	92.6%
All Other	93.9%	94.9%	94.9%	94.6%
Total	95.5%	94.1%	95.4%	94.4%

Retention Rate is an important metric because subscription cancellations decrease our Run Rate and ultimately our operating revenues over time. The annual Retention Rate represents the retained subscription Run Rate (subscription Run Rate at the beginning of the fiscal year less actual cancels during the year) as a percentage of the subscription Run Rate at the beginning of the fiscal year.

The Retention Rate for a non-annual period is calculated by annualizing the cancellations for which we have received a notice of termination or for which we believe there is an intention not to renew during the non-annual period, and we believe that such notice or intention evidences the client's final decision to terminate or not renew the applicable agreement, even though such notice is not effective until a later date. This annualized cancellation figure is then divided by the subscription Run Rate at the beginning of the fiscal year to calculate a cancellation rate. This cancellation rate is then subtracted from 100% to derive the annualized Retention Rate for the period.

Retention Rate is computed by operating segment on a product/service-by-product/service basis. In general, if a client reduces the number of products or services to which it subscribes within a segment, or switches between products or services within a segment, we treat it as a cancellation for purposes of calculating our Retention Rate except in the case of a product or service switch that management considers to be a replacement product or service. In those replacement cases, only the net change to the client subscription, if a decrease, is reported as a cancel. In the Analytics and the ESG segments, substantially all product or service switches are treated as replacement products or services and netted in this manner, while in our Index and Real Estate segments, product or service switches that are treated as replacement products or services and receive netting treatment occur only in certain limited instances. In addition, we treat any reduction in fees resulting from a down-sale of the same product or service as a cancellation to the extent of the reduction. We do not calculate Retention Rate for that portion of our Run Rate attributable to assets in index-linked investment products or futures and options contracts, in each case, linked to our indexes.

In our product lines, Retention Rate is generally higher during the first three fiscal quarters and lower in the fourth fiscal quarter, as the fourth fiscal quarter is traditionally the largest renewal period in the year.

Critical Accounting Policies and Estimates

We describe our significant accounting policies in Note 1, "Introduction and Basis of Presentation," of the Notes to Consolidated Financial Statements included in our Form 10-K and also in Note 2, "Recent Accounting Standards Updates," in the Notes to Unaudited Condensed Consolidated Financial Statements included herein. There have been no significant changes in our accounting policies or critical accounting estimates since the end of the fiscal year ended December 31, 2018 other than those described in Note 2, "Recent Accounting Standards Updates," and Note 8, "Leases," in the Notes to Unaudited Condensed Consolidated Financial Statements included herein.

Liquidity and Capital Resources

We require capital to fund ongoing operations, internal growth initiatives and acquisitions. Our primary sources of liquidity are cash flows generated from our operations, existing cash and cash equivalents and credit capacity under our existing credit facility. In addition, we believe we have access to additional funding in the public and private markets. We intend to use these sources of liquidity to, among other things, service our existing and future debt obligations and fund our working capital requirements, capital expenditures, investments, acquisitions, dividend payments and repurchases of our common stock. In connection with our business strategy, we regularly evaluate acquisition opportunities. We believe our liquidity, along with other financing alternatives, will provide the necessary capital to fund these transactions and achieve our planned growth.

Senior Notes and Credit Agreement

We have issued an aggregate of \$2,600.0 million in Senior Notes and entered into a \$250.0 million Revolving Credit Agreement with a syndicate of banks. See Note 7, “Commitments and Contingencies,” of the Notes to Unaudited Condensed Consolidated Financial Statements included herein for additional information on our Senior Notes and Revolving Credit Agreement.

The Senior Notes and the Revolving Credit Agreement are fully and unconditionally, and jointly and severally, guaranteed by our direct or indirect wholly-owned domestic subsidiaries that account for more than 5% of our and our subsidiaries’ consolidated assets, other than certain excluded subsidiaries (the “subsidiary guarantors”). Amounts due under the Revolving Credit Agreement are our and the subsidiary guarantors’ senior unsecured obligations and rank equally with the Senior Notes and any of our other unsecured, unsubordinated debt, senior to any of our subordinated debt and effectively subordinated to our secured debt to the extent of the assets securing such debt.

The indentures governing our Senior Notes (the “Indentures”) among us, each of the subsidiary guarantors, and Wells Fargo Bank, National Association, as trustee, contain covenants that limit our and certain of our subsidiaries’ ability to, among other things, incur liens, enter into sale/leaseback transactions and consolidate, merge or sell all or substantially all of our assets. In addition, the Indentures restrict our non-guarantor subsidiaries’ ability to create, assume, incur or guarantee additional indebtedness without such non-guarantor subsidiaries guaranteeing the Senior Notes on a *pari passu* basis.

The Revolving Credit Agreement contains affirmative and restrictive covenants that, among other things, limit our ability and the ability of our existing or future subsidiaries to:

- incur liens and further negative pledges;
- incur additional indebtedness or prepay, redeem or repurchase indebtedness;
- make loans or hold investments;
- merge, dissolve, liquidate, consolidate with or into another person;
- enter into acquisition transactions;
- enter into sale/leaseback transactions;
- issue disqualified capital stock;
- sell, transfer or dispose of assets;
- pay dividends or make other distributions in respect of our capital stock or engage in stock repurchases, redemptions and other restricted payments;
- create new subsidiaries;
- permit certain restrictions affecting our subsidiaries;
- change the nature of our business, accounting policies or fiscal periods;
- enter into any transactions with affiliates other than on an arm’s-length basis; and
- amend our organizational documents or amend, modify or change the terms of certain agreements relating to our indebtedness.

The Revolving Credit Agreement and the Indentures also contain customary events of default, including those relating to non-payment, breach of representations, warranties or covenants, cross-default and cross-acceleration, bankruptcy and insolvency events, invalidity or impairment of loan documentation or collateral, change of control and customary ERISA defaults. None of the restrictions above are expected to impact our ability to effectively operate the business.

The Revolving Credit Agreement also requires us and our subsidiaries to achieve financial and operating results sufficient to maintain compliance with the following financial ratios on a consolidated basis through the termination of the Revolving Credit Agreement: (1) the maximum Consolidated Leverage Ratio (as defined in the Revolving Credit Agreement) measured quarterly on a rolling four-quarter basis shall not exceed 4.25:1.00 and (2) the minimum Consolidated Interest Coverage Ratio (as defined in the Revolving Credit Agreement) measured quarterly on a rolling four-quarter basis shall be at least 4.00:1.00. As of June 30, 2019, our Consolidated Leverage Ratio was 3.04:1.00 and our Consolidated Interest Coverage Ratio was 6.14:1.00. There have been no amounts drawn under the Revolving Credit Facility since its November 20, 2014 inception.

Our non-guarantor subsidiaries under the Senior Notes consist of: (i) domestic subsidiaries of the Company that account for 5% or less of consolidated assets of the Company and its subsidiaries and (ii) any foreign or domestic subsidiary of the Company that is deemed to be a controlled foreign corporation within the meaning of Section 957 of the Internal Revenue Code of 1986, as amended. Our non-guarantor subsidiaries accounted for approximately \$829.8 million, or 56.2%, of our total revenue for the trailing 12 months ended June 30, 2019, approximately \$238.1 million, or 33.9%, of our consolidated operating income for the trailing 12 months ended June 30, 2019, and approximately \$838.7 million, or 24.5%, of our consolidated total assets (excluding intercompany assets) and \$526.4 million, or 14.4%, of our consolidated total liabilities, in each case as of June 30, 2019.

Share Repurchases

The following table provides information with respect to repurchases of the Company's common stock pursuant to open market repurchases:

Six Months Ended	Average Price Paid Per Share	Total Number of Shares Repurchased	Dollar Value of Shares Repurchased
		(in thousands)	
June 30, 2019	\$ 147.97	690	\$ 102,081
June 30, 2018	\$ 145.42	1,535	\$ 223,243

As of June 30, 2019, there was \$706.1 million of available authorization remaining under the 2018 Repurchase Program.

Cash Dividend

On July 30, 2019, the Board of Directors declared a quarterly cash dividend of \$0.68 per share for the three months ending September 30, 2019. This reflects an increase of 17.2% over the quarterly cash dividend declared for the three months ended June 30, 2019. The third quarter 2019 dividend is payable on August 30, 2019 to shareholders of record as of the close of trading on August 16, 2019.

Cash Flows

	As of	
	June 30, 2019	December 31, 2018
	(in thousands)	
Cash and cash equivalents	\$ 771,117	\$ 904,176

Cash and cash equivalents were \$771.1 million and \$904.2 million as of June 30, 2019 and December 31, 2018, respectively. We seek to maintain minimum cash balances globally of approximately \$200.0 million to \$250.0 million for general operating purposes. As of June 30, 2019 and December 31, 2018, \$309.5 million and \$275.6 million, respectively, of the cash and cash equivalents were held by foreign subsidiaries. As a result of Tax Reform, we can now more efficiently access a significant portion of our cash held outside of the U.S. in the short-term without being subject to U.S. income taxes. Repatriation of some foreign cash may still be subject to certain withholding taxes in local jurisdictions and other distribution restrictions. The global cash and cash equivalent balances that are maintained will be available to meet our global needs whether for general corporate purposes or other needs, including acquisitions or expansion of our products.

We believe that global cash flows from operations, together with existing cash and cash equivalents and funds available under our existing credit facility and our ability to access the debt and capital markets for additional funds, will continue to be sufficient to fund our global operating activities and cash commitments for investing and financing activities, such as material capital expenditures and share repurchases, for at least the next 12 months and for the foreseeable future thereafter. In addition, we expect that foreign cash flows from operations, together with existing cash and cash equivalents will continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next 12 months and for the foreseeable future thereafter.

Net Cash Provided by (Used In) Operating, Investing and Financing Activities

	Six Months Ended	
	June 30,	
	2019	2018
	(in thousands)	
Net cash provided by operating activities	\$ 277,345	\$ 295,762
Net cash (used in) provided by investing activities	(20,527)	7,933
Net cash (used in) provided by financing activities	(391,549)	178,358
Effect of exchange rate changes	1,672	(3,959)
Net (decrease) increase in cash	<u>\$ (133,059)</u>	<u>\$ 478,094</u>

Cash Flows From Operating Activities

Cash flows from operating activities consist of net income adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities was \$277.3 million and \$295.8 million for the six months ended June 30, 2019 and 2018, respectively. The year-over-year decrease was primarily driven by higher payments for cash expenses and interest, partially offset by higher cash collections and the benefit of lower payments for income taxes.

Our primary uses of cash from operating activities are for the payment of cash compensation expenses, office rent, technology costs, market data costs, interest expenses and income taxes. The payment of cash for compensation and benefits is historically at its highest level in the first quarter when we pay discretionary employee compensation related to the previous fiscal year.

Cash Flows From Investing Activities

Cash used in investing activities was \$20.5 million for the six months ended June 30, 2019 compared to cash provided by investing activities of \$7.9 million for the six months ended June 30, 2018. The year-over-year change was primarily driven by the absence of the proceeds from the divestiture of FEA.

Cash Flows From Financing Activities

Cash used in financing activities was \$391.5 million for the six months ended June 30, 2019 compared to cash provided by financing activities of \$178.4 million for the six months ended June 30, 2018. The year-over-year change was primarily driven by the impact of the 2027 Senior Notes offering in May 2018, as well as the impact of increased share purchases and higher dividend payments.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Risk

We are subject to foreign currency exchange fluctuation risk. Exchange rate movements can impact the U.S. dollar-reported value of our revenues, expenses, assets and liabilities denominated in non-U.S. dollar currencies or where the currency of such items is different than the functional currency of the entity where these items were recorded.

We generally invoice our clients in U.S. dollars; however, we invoice a portion of our clients in Euros, British pounds sterling, Japanese yen and a limited number of other non-U.S. dollar currencies. For the six months ended June 30, 2019 and 2018, 14.0% and 13.2%, respectively, of our revenues are subject to foreign currency exchange rate risk and primarily includes clients billed in foreign currency as well as U.S. dollar exposures on non-U.S. dollar foreign operating entities. Of the 14.0% of non-U.S. dollar exposure for the six months ended June 30, 2019, 41.2% was in Euros, 26.0% was in Japanese yen and 22.5% was in British pounds sterling. Of the 13.2% of non-U.S. dollar exposure for the six months ended June 30, 2018, 42.2% was in Euros, 28.4% was in Japanese yen and 17.2% was in British pounds sterling.

Revenues from index-linked investment products represented 22.4% and 24.2% of operating revenues for the six months ended June 30, 2019 and 2018, respectively. While a substantial portion of our fees for index-linked investment products are invoiced in U.S. dollars, the fees are based on the investment product's assets, of which two-thirds are invested in securities denominated in currencies other than the U.S. dollar. Accordingly, declines in such other currencies against the U.S. dollar will decrease the fees payable to us under such licenses. In addition, declines in such currencies against the U.S. dollar could impact the attractiveness of such investment products resulting in net fund outflows, which would further reduce the fees payable under such licenses.

We are exposed to additional foreign currency risk in certain of our operating costs. Approximately 40.8% and 41.4% of our operating expenses for the six months ended June 30, 2019 and 2018, respectively, were denominated in foreign currencies, the significant majority of which were denominated in British pounds sterling, Indian rupees, Hungarian forints, Euros, Hong Kong dollars, Swiss francs, and Mexican pesos. Expenses incurred in foreign currency may increase as we expand our business outside the U.S.

We have certain monetary assets and liabilities denominated in currencies other than local functional amounts and when these balances were remeasured into their local functional currency, either a gain or a loss resulted from the change of the value of the functional currency as compared to the originating currencies. We manage foreign currency exchange rate risk, in part, through the use of derivative financial instruments comprised principally of forward contracts on foreign currency which are not designated as hedging instruments for accounting purposes. The objective of the derivative instruments is to minimize the impact on the income statement of the volatility of amounts denominated in certain foreign currencies. We recognized total foreign currency exchange losses of \$3.1 million and \$0.1 million for the six months ended June 30, 2019 and 2018, respectively.

Item 4. Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures, as defined in Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), as of June 30, 2019, and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

OTHER FINANCIAL INFORMATION

The interim financial information included in this Quarterly Report on Form 10-Q for the three and six month periods ended June 30, 2019 and 2018 has not been audited by PricewaterhouseCoopers LLP ("PwC"). In reviewing such information, PwC has applied limited procedures in accordance with professional standards for reviews of interim financial information. Readers should restrict reliance on PwC's reports on such information accordingly. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for its reports on interim financial information, because such reports do not constitute "reports" or "parts" of registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

PART II

Item 1. Legal Proceedings

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the Company in the ordinary course of business. While the amounts claimed could be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. Therefore, it is possible that MSCI's business, operating results, financial condition or cash flows in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are currently pending or asserted will not, individually or in the aggregate, have a material effect on MSCI's business, operating results, financial condition or cash flows.

Item 1A. Risk Factors

There have been no material changes since December 31, 2018 to the significant risk factors and uncertainties known to the Company that, if they were to materialize or occur, would, individually or in the aggregate, have a material effect on MSCI's business, operating results, financial condition or cash flows.

For a discussion of the risk factors affecting the Company, see "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for fiscal year 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There have been no unregistered sales of equity securities.

The table below presents information with respect to purchases made by or on behalf of the Company of its common shares during the three months ended June 30, 2019.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
Month #1 (April 1, 2019-April 30, 2019)	3,234	\$ 205.68	—	\$706,072,000
Month #2 (May 1, 2019-May 31, 2019)	217	\$ 225.12	—	\$706,072,000
Month #3 (June 1, 2019-June 30, 2019)	121	\$ 234.77	—	\$706,072,000
Total	<u>3,572</u>	<u>\$ 207.85</u>	<u>—</u>	<u>\$706,072,000</u>

- (1) May include any of (i) shares purchased by the Company on the open market under the 2018 Repurchase Program; (ii) shares withheld to satisfy tax withholding obligations on behalf of employees that occur upon vesting and delivery of outstanding shares underlying restricted stock units; (iii) shares withheld to satisfy tax withholding obligations and exercise price on behalf of employees that occur upon exercise and delivery of outstanding shares underlying stock options; and (iv) shares held in treasury under the MSCI Inc. Non-Employee Directors Deferral Plan. The value of shares withheld to satisfy tax withholding obligations was determined using the fair market value of the Company's common stock on the date of withholding, using a valuation methodology established by the Company.
- (2) See Note 9, "Shareholders' Equity (Deficit)" of the Notes to the Unaudited Condensed Consolidated Financial Statements included herein for further information regarding our stock repurchase programs.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

An exhibit index is presented below.

EXHIBIT INDEX
MSCI INC.
QUARTER ENDED JUNE 30, 2019

Exhibit Number	Description
3.1	<u>Third Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Form 10-Q (File No. 001-33812), filed with the SEC on May 4, 2012 and incorporated by reference herein)</u>
3.2	<u>Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Form 10-Q (File No. 001-33812), filed with the SEC on May 4, 2012 and incorporated by reference herein)</u>
*† 10.1	<u>Form of 2019 Special Performance Award Agreement for Performance Stock Units Under the MSCI Inc. 2016 Omnibus Incentive Plan</u>
11	Statement Re: Computation of Earnings Per Common Share (The calculation of per share earnings is in Part I, Item 1, Note 4 to the Condensed Consolidated Financial Statements (Earnings Per Common Share) and is omitted in accordance with Section (b)(11) of Item 601 of Regulation S-K)
* 15.1	<u>Letter of awareness from PricewaterhouseCoopers LLP, dated August 1, 2019, concerning unaudited interim financial information</u>
* 31.1	<u>Rule 13a-14(a) Certification of the Chief Executive Officer</u>
* 31.2	<u>Rule 13a-14(a) Certification of the Chief Financial Officer</u>
** 32.1	<u>Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer</u>
* 101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
* 101.SCH	XBRL Taxonomy Extension Schema Document
* 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
* 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
* 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
* 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
* Filed herewith.	
** Furnished herewith.	
† Indicates a management compensation plan, contract or arrangement.	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 1, 2019

MSCI INC.
(Registrant)

By: /s/ Linda S. Huber
Linda S. Huber
Chief Financial Officer and Treasurer
(Principal Financial Officer)

**2019 SPECIAL PERFORMANCE AWARD AGREEMENT
FOR PERFORMANCE STOCK UNITS
UNDER THE MSCI INC. 2016 OMNIBUS INCENTIVE PLAN**

MSCI Inc. (“**MSCI**,” and together with its Subsidiaries, the “**Company**”) hereby grants to you Performance Stock Units (“**PSUs**”) as described below. The awards are being granted under the MSCI Inc. 2016 Omnibus Incentive Plan (as may be amended from time to time, the “**Plan**”).

Participant: [Name]
Number of PSUs Granted: [•] PSUs (the “**Target PSUs**”)
Grant Date: [•] (the “**Grant Date**”)
Vesting Schedule: [•]
Performance Period: [•]

Your PSUs may be subject to forfeiture or recoupment if you terminate employment with the Company, fail to affirmatively accept the terms of this Award Agreement by [•] or do not comply with the Notice Requirements, as set forth in the Plan and this Performance Stock Unit Award Agreement (including Exhibit A and Exhibit B attached hereto, this “**Award Agreement**”).

You agree that this Award Agreement is granted under the Plan and governed by the terms and conditions of the Plan and Exhibit A and Exhibit B attached hereto. PSUs granted to you pursuant to this Award Agreement and any Shares issued in settlement or satisfaction thereof may be subject to the MSCI Inc. Clawback Policy and any stock ownership guidelines of MSCI, as may be in effect from time to time, if on or after the Grant Date you are or become covered by such policies, as determined in accordance with the terms of such policies. You will be able to access a prospectus and tax supplement that contains important information about this award via the MSCI website or your brokerage account. Unless defined in this Award Agreement, capitalized terms shall have the meanings ascribed to them in the Plan.

IN WITNESS WHEREOF, MSCI has duly executed and delivered this Award Agreement as of the Grant Date.

MSCI Inc.

Name: Scott Crum
 Title: Chief Human Resources Officer

TERMS AND CONDITIONS

OF THE 2019 SPECIAL PERFORMANCE AWARD AGREEMENT

Section 1. PSUs Generally. MSCI has awarded you PSUs as an incentive for you to continue to provide services to the Company and to align your interests with those of the Company. As such, you will earn your Adjusted PSUs (as defined below) only if you remain in continuous employment with the Company through the Vesting Date, or as otherwise set forth below. Each PSU corresponds to one share of MSCI common stock, par value \$0.01 per share (each, a “Share”). Each PSU constitutes a contingent and unsecured promise by MSCI to deliver one Share on the conversion date for such PSU.

Section 2. Performance Adjustment, Vesting and Conversion Schedule and HSR Act.

(a) *Performance Adjustment.* The number of Target PSUs awarded under this Award Agreement shall be adjusted, within a range of [•]% to [•]% of the number of Target PSUs, after the end of the Performance Period based on the achievement of the [•] performance metric set forth in Appendix 1 hereto (the “**Performance Metric**”). Following the end of the Performance Period, management of MSCI shall provide its calculation of the Performance Metric to the Committee. The Committee will review the extent of the achievement of the Performance Metric and shall certify in writing such achievement.

The number of PSUs that will be converted into Shares pursuant to Section 2(b), Section 4 or Section 5 (the “**Adjusted PSUs**”) will be determined based on the following formula on a date no later than [•] (such date, the “**Adjustment Date**”):

$$\text{Target PSUs} \quad \times \quad \text{Adjustment Percentage} \quad = \quad \text{Number of} \\ \text{(as defined in Appendix 1)} \quad \quad \quad \text{Adjusted PSUs}$$

(b) *Vesting and Conversion.* The Target PSUs will vest (as to service) [•] (the “**Vesting Date**”), subject to adjustment in accordance with Section 2(a); *provided* that, subject to Section 4 and Section 5, you continue to be employed by the Company on the Vesting Date; *provided, further*, that you have complied with all applicable provisions of the HSR Act. Vested Adjusted PSUs shall convert into Shares no earlier than [•], and no later than the Adjustment Date.

(c) *HSR Act.* If Adjusted PSUs would have converted pursuant to this Section 2, Section 4 or Section 5(b), but did not convert solely because you were not in compliance with all applicable provisions of the HSR Act, subject to Section 409A, the conversion date for such Adjusted PSUs shall occur on the first date following the date on which you have complied with all applicable provisions of the HSR Act.

Section 3. Dividend Equivalent Payments. Until your PSUs convert into Shares, if MSCI pays a dividend on Shares, you will be credited with a dividend equivalent payment in the same amount as the dividend you would have received if you held Shares for your vested and unvested PSUs immediately prior to the record date (taking into account any adjustments pursuant to Section 2(a) and adjustments provided under the Plan). Assuming you hold PSUs on the record date, MSCI will credit the dividend equivalent payments when it pays the corresponding dividend on its Shares. Your dividend equivalents will vest and be paid at the same time as, and subject to the same vesting and cancellation provisions set forth in this Award Agreement with respect to, your PSUs (*provided* that, subject to Section 20, the dividend equivalents may be paid following the scheduled conversion date on the next regularly scheduled payroll date). No dividend equivalents will be paid to you with respect to any canceled or forfeited PSUs. MSCI will decide on the form of payment and may pay dividend equivalents in Shares, in cash or in a combination thereof.

Section 4. Termination of Employment. Upon termination of employment with the Company prior to the Vesting Date pursuant to this Section 4, the following special vesting and payment terms will apply to your unvested PSUs:

(a) *Termination of Employment Due to Death or Disability.* If your employment with the Company terminates due to death or Disability, in each case, prior to the Vesting Date, your Adjusted PSUs will vest and convert into Shares on the Adjustment Date (even though you are not employed by the Company on the Vesting Date). Upon a termination of employment due to death, the Adjusted PSUs shall be delivered in accordance with Section 10.

(b) *Involuntary Termination of Employment by the Company.* In the event of an involuntary termination of your employment by the Company without Cause, provided that you execute and do not revoke an agreement and release of claims satisfactory to the Company, which will contain restrictive covenants substantially in the form set forth in Exhibit B, within 60 days following termination of your employment, you will be entitled to receive a pro-rated portion of your Target PSUs equal to the product of (i) the total number of Target PSUs *multiplied by* (ii) the quotient of (A) the total number of months you were employed with the Company during the Performance Period (rounding up partial months) *divided by* (B) 36. Such pro-rated Target PSUs will vest and convert into Shares on the Adjustment Date in accordance with Section 2. All other PSUs that do not vest and convert into Shares in accordance with this Section 4(b) shall be forfeited in their entirety. Notwithstanding anything to the contrary herein, in the event of a termination of your employment as described in this Section 4(b), pursuant to Section 6, you may still be bound by, and must comply with, the restrictive covenants set forth in Exhibit B, as applicable.

(c) *[Reserved]*

(d) *Governmental Service Termination.* If your employment with the Company terminates prior to the Adjustment Date in a Governmental Service Termination, to the extent permitted under Section 409A, your PSUs will be adjusted (within a range of [\bullet]% to [\bullet]%) based on the expected (or actual, as the case may be if such termination occurs after the expiration of the Performance Period) achievement of the Performance Metrics for the Performance Period, which will be determined by extrapolating from the Performance Metrics that have been achieved as of the end of the most recent completed fiscal quarter prior to the date your employment with the Company terminates, and such Adjusted PSUs will vest and convert into Shares within 60 days following the date of such termination. If your employment with the Company terminates after the Adjustment Date in a Governmental Service Termination under circumstances not involving a Cancellation Event, your Adjusted PSUs will vest and convert into Shares within 60 days following the date of such termination.

(e) *Other Resignations from Employment.* All other resignations from employment must comply with the Notice Requirements.

(i) If you resign from your employment with the Company under circumstances which are not in accordance with the provisions above in this Section 4, you will forfeit any PSUs that have not vested as of your last day of employment with the Company; and

(ii) If, prior to the Vesting Date, you give MSCI notice of your intention to resign from your employment with the Company as of a date following the Vesting Date, your PSUs will vest and settle in accordance with Section 2; *provided, however*, that if you do not subsequently comply with the Notice Requirements, the Committee may, in its discretion, require that the gross cash value of the PSUs delivered to you in accordance with this Section 4(e)(ii) be subject to recoupment or payback.

For the avoidance of doubt, (A) revocation of a notice of intention to resign may, in the Company's sole discretion or if required to comply with Section 409A, be deemed to be noncompliant with the Notice Requirements and, in connection with such revocation, your PSUs may be forfeited and (B) if, after you have given notice of your intention to resign or retire, as applicable, from your employment with the Company, the Company involuntarily terminates your employment without Cause prior to the expiration of your notice period, your outstanding PSUs will be treated in accordance with Section 4(b).

Notwithstanding anything to the contrary contained herein, the Adjusted PSUs shall only vest pursuant to this Section 4 provided that you have complied with all applicable provisions of the HSR Act.

Section 5. Change in Control.

(a) *General.* In the event of a Change in Control, the Committee, in its sole discretion, may provide for (i) the continuation or assumption of your outstanding PSUs under the Plan by the Company (if it is the surviving corporation) or by the surviving corporation or its parent, in which case your PSUs will continue to be subject to the terms of this Award Agreement, or (ii) the lapse of restrictions relating to and the settlement of your outstanding PSUs immediately prior to such Change in Control in the event a buyer will not continue or assume the PSUs; *provided, however*, in each case, the Performance Metric targets relating to any outstanding Target PSUs (that are not Adjusted PSUs) will be deemed to have been achieved at the greater of (x) the actual achievement of the Performance Metrics for the period (A) commencing on the first day of the Performance Period and (B) ending on the date immediately prior to such Change in Control and (y) [•]%. Following a Change in Control in which your outstanding PSUs are continued or assumed pursuant to clause (i) above, such PSUs may be settled in cash, Shares or a combination thereof.

(b) *Qualifying Termination.* In the event of a Qualifying Termination (as defined below), your PSUs will vest and convert into Shares within 60 days following such Qualifying Termination. If such 60-day period begins in one taxable year and ends in a subsequent taxable year, such vesting and conversion shall occur in the second taxable year. “**Qualifying Termination**” means a termination of employment by the Company without Cause or by you for Good Reason (which shall be deemed an involuntary termination of employment by the Company without Cause), in each case within 24 months following the effective date of the Change in Control in which the PSUs are continued or assumed. Notwithstanding anything to the contrary contained herein, the PSUs shall only vest pursuant to this Section 5(b) provided that you have complied with all applicable provisions of the HSR Act.

Section 6. Restrictive Covenants. In consideration of the grant of PSUs under this Award Agreement, as well as all other awards granted by the Company to you under the Plan, and in consideration of the economic benefits derivable by you therefrom, you agree to be bound by, and to comply with, the restrictive covenants set forth in Exhibit B to this Award Agreement. In the event you violate any of the restrictive covenants set forth in Exhibit B (a) prior to or on the Adjustment Date, you will forfeit the PSUs (whether or not they are Adjusted PSUs) outstanding as of the date of such violation or (b) after the Adjustment Date, but prior to or on the expiry date of the restrictive covenants set forth in Exhibit B, you will promptly deliver to the Company all Shares acquired upon conversion of the Adjusted PSUs (or, to the extent you no longer hold such Shares, you will pay to the Company an amount on a gross basis equal to the Fair Market Value of any such Shares on the date the Shares were delivered to you). You may be required to provide MSCI with a written certification or other evidence that it deems appropriate, in its sole discretion, to confirm that you have not violated any of the restrictive covenants set forth in Exhibit B.

Section 7. Cancellation of Awards. Notwithstanding any other terms of this Award Agreement, your PSUs will be canceled prior to conversion in the event of any Cancellation Event. You may be required to provide MSCI with a written certification or other evidence that it deems appropriate, in its sole discretion, to confirm that no Cancellation Event has occurred. If you fail to submit a timely certification or evidence, MSCI will cancel your award. Except as explicitly provided in Section 4 or Section 5(b), upon a termination of your employment by you or by the Company for any reason, any of your PSUs that have not vested pursuant to Section 2 as of the date of your termination of employment with the Company will be canceled and forfeited in full as of such date.

Section 8. Tax and Other Withholding Obligations. Pursuant to Section 15(d) of the Plan and the rules and procedures that the Committee may establish from time to time, tax or other withholding obligations arising upon vesting and conversion (as applicable) of your PSUs may be satisfied, in the Committee's sole discretion, by having MSCI withhold Shares, tendering Shares or by having MSCI withhold cash if MSCI provides for a cash withholding option, in each case in an amount necessary to satisfy the tax or other withholding obligations. Shares withheld or tendered will be valued using the Fair Market Value of the Shares on the date your PSUs convert. In order to comply with applicable accounting standards or the Company's policies in effect from time to time, the Committee may limit the amount of Shares that you may have withheld or that you may tender. You acknowledge that, if you are subject to Tax-Related Items (as defined below) in more than one jurisdiction, the Company (including any former employer) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Section 9. Nontransferability. You may not sell, pledge, hypothecate, assign or otherwise transfer your PSUs, other than as provided in Section 10 or by will or the laws of descent and distribution or otherwise as provided for by the Committee.

Section 10. Designation of a Beneficiary. Any designation of a beneficiary or beneficiaries to receive all or part of the Shares to be paid under this Award Agreement in the event of your death will be governed by local law. To make a beneficiary designation, you must coordinate with your personal tax or estate planning representative. Any Shares that become payable upon your death will be distributed to your estate in accordance with local law rules. You may replace or revoke your beneficiary designation at any time. If there is any question as to the legal right of any beneficiary(ies) to receive Shares under this award, MSCI may determine in its sole discretion to deliver the Shares in question to your estate. MSCI's determination shall be binding and conclusive on all persons, and it will have no further liability to anyone with respect to such Shares.

Section 11. Ownership and Possession. Except as set forth herein, you will not have any rights as a stockholder in the Shares corresponding to your PSUs prior to conversion of your PSUs.

Section 12. Securities Law Compliance Matters. MSCI may, if it determines it is appropriate, affix any legend to the stock certificates representing Shares issued upon conversion of your PSUs and any stock certificates that may subsequently be issued in substitution for the original certificates. MSCI may advise the transfer agent to place a stop order against such Shares if it determines that such an order is necessary or advisable.

Section 13. Compliance with Laws and Regulations. Any sale, assignment, transfer, pledge, mortgage, encumbrance or other disposition of Shares issued upon conversion of your PSUs (whether directly or indirectly, whether or not for value, and whether or not voluntary) must be made in compliance with any applicable constitution, rule, regulation, or policy of any of the exchanges, associations or other institutions with which MSCI has membership or other privileges, and any applicable law, or applicable rule or regulation of any governmental agency, self-regulatory organization or state or federal regulatory body.

Section 14. No Entitlements.

(a) *No Right to Continued Employment.* This PSU award is not an employment agreement, and nothing in this Award Agreement or the Plan shall alter your status as an "at-will" employee of the Company.

(b) *No Right to Future Awards.* This award, and all other awards of PSUs and other equity-based awards, are discretionary. This award does not confer on you any right or entitlement to receive another award of PSUs or any other equity-based award at any time in the future or in respect of any future period. You agree that any release required under Section 4 of this Award Agreement is in exchange for the grant of PSUs hereunder, for which you have no current entitlement.

(c) *No Effect on Future Employment Compensation.* MSCI has made this award to you in its sole discretion. This award does not confer on you any right or entitlement to receive compensation in any specific amount. In addition, this award is not part of your base salary or wages and will not be taken into account in determining any other employment-related rights you may have, such as rights to pension or severance pay.

Section 15. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

Section 16. Consents under Local Law. Your award is conditioned upon the making of all filings and the receipt of all consents or authorizations required to comply with, or to be obtained under, applicable local law.

Section 17. Award Modification and Section 409A.

(a) *Modification.* MSCI reserves the right to modify or amend unilaterally the terms and conditions of your PSUs, without first asking your consent, or to waive any terms and conditions that operate in favor of MSCI. MSCI may not modify your PSUs in a manner that would materially impair your rights in your PSUs without your consent; *provided, however,* that MSCI may, without your consent, amend or modify your PSUs in any manner that MSCI considers necessary or advisable to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations or to ensure that your PSUs are not subject to tax prior to payment. MSCI will notify you of any amendment of your PSUs that affects your rights. Any amendment or waiver of a provision of this Award Agreement (other than any amendment or waiver applicable to all recipients generally), which amendment or waiver operates in your favor or confers a benefit on you, must be in writing and signed by the Chief Human Resources Officer, the Chief Financial Officer or the General Counsel (or if such positions no longer exist, by the holders of equivalent positions) to be effective.

(b) *Section 409A.*

(i) You understand and agree that all payments made pursuant to this Award Agreement are intended to be exempt and/or comply with Section 409A, and shall be interpreted on a basis consistent with such intent. For the avoidance of doubt, the Company makes no representations that the payments provided under this Award Agreement comply with Section 409A, and in no event will the Company be liable for any taxes, penalties, interest or other expenses that may be incurred by you on account of non-compliance with Section 409A.

(ii) Notwithstanding the other provisions of this Award Agreement, to the extent necessary to comply with Section 409A, no conversion specified hereunder shall occur unless permissible under Section 409A. If MSCI considers you to be one of its "specified employees" and you are a U.S. taxpayer, in each case, at the time of your "separation from service" (as such terms are defined in the Code) from the Company, no conversion specified hereunder shall occur prior to the expiration of the six-month period measured from the date of your separation from service from the Company (such period, the "**Specified Employee Period**"). Any conversion of Adjusted PSUs into Shares that would have occurred during the Specified Employee Period but for the fact that you are deemed to be a specified employee shall be satisfied either by (A) conversion of such Adjusted PSUs into Shares on the first business day following the Specified Employee Period or (B) a cash payment on the first business day following the Specified Employee Period equal to the value of such Adjusted PSUs on the scheduled conversion date (based on the value of the Shares on such date) plus accrued interest as determined by MSCI; *provided,* that to the extent this Section 17(b)(ii) is applicable, in the event that after the date of your separation from service from the Company you (X) die or (Y) accept employment at a Governmental Employer and provide MSCI with satisfactory evidence demonstrating that as a result of such new employment the divestiture of your continued interest in MSCI equity awards or continued ownership of the Shares is reasonably necessary to avoid the violation of U.S. federal, state or local, foreign ethics or conflicts of interest law applicable to you at such Governmental Employer, any conversion or payment delayed pursuant to this Section 17(b)(ii) shall occur or be made immediately. For the avoidance of doubt, any determination as to form of payment provided in this Section 17(b)(ii) will be in the sole discretion of MSCI.

(iii) For purposes of any provision of this Award Agreement providing for the payment of any amounts of nonqualified deferred compensation upon or following a termination of employment from the Company, references to your “termination of employment” (and corollary terms) shall be construed to refer to your “separation from service” from the Company.

(iv) MSCI reserves the right to modify the terms of this Award Agreement, including, without limitation, the payment provisions applicable to your PSUs, to the extent necessary or advisable to comply with Section 409A and reserves the right to make any changes to your PSU award so that it does not become subject to Section 409A or become subject to a Specified Employee Period.

Section 18. Severability. In the event MSCI determines that any provision of this Award Agreement would cause you to be in constructive receipt for United States federal or state income tax purposes of any portion of your award, then such provision will be considered null and void, and this Award Agreement will be construed and enforced as if the provision had not been included in this Award Agreement as of the date such provision was determined to cause you to be in constructive receipt of any portion of your award.

Section 19. Successors. This Award Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon your death, acquire any rights hereunder in accordance with this Award Agreement or the Plan.

Section 20. Rule of Construction for Timing of Conversion. With respect to each provision of this Award Agreement that provides for your PSUs to convert into Shares, or your dividend equivalents to be paid, on a specified event or date, such conversion or payment will be considered to have been timely made, and neither you nor any of your beneficiaries or your estate shall have any claim against the Company for damages based on a delay in conversion or payment, and the Company shall have no liability to you (or to any of your beneficiaries or your estate) in respect of any such delay, as long as payment is made by December 31 of the year in which the applicable Vesting Date or such other specified event or date occurs, or if later, by March 15th of the year following such specified event or date.

Section 21. Non-U.S. Participants. The following provisions will apply to you if you reside or work outside of the United States. For the avoidance of doubt, if you reside or work in the United States and subsequently relocate to another country after the Grant Date, or if you reside in another country and subsequently relocate to the United States after the Grant Date, the following provisions may apply to you to the extent MSCI determines that the application of such terms and conditions is necessary or advisable for tax, legal or administrative reasons.

(a) Termination of Employment. Unless otherwise provided in Section 4 or Section 5(b), your employment relationship will be considered terminated as of the date you are no longer actively providing services to the Company (whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and such date will not be extended by any notice period (*i.e.*, your period of service would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any). The Committee shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of your PSUs (including whether you may still be considered to be providing services while on a leave of absence).

(b) Tax and Other Withholding Obligations. You acknowledge that, regardless of any action taken by the Company, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“**Tax-Related Items**”) is and remains your responsibility and may exceed the amount actually withheld by the Company. You further acknowledge that the Company (i) makes no representations or undertaking regarding the treatment of any Tax-Related Items in connection with any aspect of the PSUs, including, but not limited to, the grant, vesting or settlement of the PSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividend equivalents and/or dividends; and (ii) does not commit to and is under no obligation to structure the terms of the grant or any aspect of the PSUs to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result.

If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested PSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

In the event that withholding in and/or tendering Shares is problematic under applicable tax or securities law or has materially adverse accounting consequences, by your acceptance of the PSUs, you authorize and direct MSCI and any brokerage firm determined acceptable to MSCI to sell on your behalf a whole number of Shares from those Shares issued to you as MSCI determines to be appropriate to generate cash proceeds sufficient to satisfy the obligation for Tax-Related Items. Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering maximum applicable rates, in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the stock equivalent.

Finally, you agree to pay to the Company, including through withholding from your wages or other cash compensation paid to you by MSCI and/or your employer, any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. MSCI may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if you fail to comply with your obligations in connection with the Tax-Related Items.

(c) *Nature of Grant.* In accepting the PSUs, you acknowledge, understand and agree that:

(i) the Plan is established voluntarily by MSCI, it is discretionary in nature and it may be modified, amended, suspended or terminated by MSCI at any time, to the extent permitted by the Plan;

(ii) this PSU award is not an employment or service agreement, and nothing in this Award Agreement or your participation in the Plan shall create a right to continued employment with the Company or interfere with the ability of the Company to terminate your employment or service relationship (if any);

(iii) this award, and all other awards of PSUs and other equity-based awards, are exceptional, discretionary, voluntary and occasional. This award does not confer on you any contractual or other right or entitlement to receive another award of PSUs, any other equity-based award or benefits in lieu of PSUs at any time in the future or in respect of any future period. You agree that any release required under Section 4 of this Award Agreement is in exchange for the grant of PSUs hereunder, for which you have no current entitlement;

(iv) MSCI has made this award to you in its sole discretion. All decisions with respect to future PSU or other grants, if any, will be at the sole discretion of MSCI;

(v) you are voluntarily participating in the Plan;

(vi) the grant of PSUs and the Shares subject to the PSUs, and the income and value of the same, are not intended to replace any pension rights or compensation;

(vii) this award does not confer on you any right or entitlement to receive compensation in any specific amount. In addition, the PSUs and the Shares subject to the PSUs, and the income from and value of the same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, leave pay, pension or retirement or welfare benefits or similar payments, and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the employer, or any Subsidiary;

(viii) unless otherwise agreed with MSCI, the PSUs and the Shares subject to the PSUs, and the income from and value of the same, are not granted as consideration for, or in connection with, the service you may provide as a director of a Subsidiary;

(ix) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(x) no claim or entitlement to compensation or damages shall arise from forfeiture of the PSUs resulting from the termination of your employment relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); and

(xi) you acknowledge and agree that the Company shall not be liable for any foreign exchange rate fluctuation between your local currency and the U.S. Dollar that may affect the value of the PSU or of any amounts due to you pursuant to the settlement of the PSU or the subsequent sale of any Shares acquired upon settlement.

(d) *[Reserved]*

(e) **Data Privacy.**

The Company is located at 7 World Trade Center, 250 Greenwich Street, 49th Floor, New York, New York 10007, United States of America, and grants employees of the Company, Subsidiaries and affiliates the opportunity to participate in the Plan, at the Company's sole discretion. If you would like to participate in the Plan, you understand and acknowledge that:

(i) ***if you are a United Kingdom ("UK"), European Union ("EU") or European Economic Area ("EEA") employee, the Company will collect, process and transfer your personal data in accordance with the Employee Privacy Notice, a copy of which can be found on MSCI's intranet.***

(ii) ***if you are not a UK/EU/EEA employee, the Company will collect, process and transfer your personal data in accordance with the MSCI Personal Information and Data Protection Policy and Consent, a copy of which can be found on MSCI's intranet.***

(f) ***Language.*** If you have received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

(g) ***Electronic Delivery and Acceptance.*** MSCI may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an online or electronic system established and maintained by MSCI or a third party designated by MSCI.

(h) *[Reserved]*

(i) *Insider Trading Restrictions/Market Abuse Laws.* By accepting the PSUs, you acknowledge that you are bound by all the terms and conditions of any MSCI insider trading policy as may be in effect from time to time. You further acknowledge that, depending on your country of residence, you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to accept, acquire, sell, or otherwise dispose of Shares, rights to Shares (e.g., PSUs) or rights linked to the value of Shares (e.g., phantom awards, futures) under the Plan during such times as you are considered to have “inside information” regarding MSCI (as determined under the laws or regulations in the applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you place before you possessed inside information. Furthermore, you may be prohibited from (i) disclosing the inside information to any third party (other than on a “need to know” basis) and (ii) “tipping” third parties or otherwise causing them to buy or sell securities. Third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You acknowledge that you are responsible for ensuring compliance with any applicable restrictions, and you should consult your personal legal advisor on this matter.

(j) *Foreign Asset/Account, Exchange Control Reporting.* Your country may have certain exchange control and/or foreign asset/account reporting requirements which may affect your ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends or dividend equivalents received or sale proceeds resulting from the sale of Shares) in a brokerage or bank account outside of your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You acknowledge that it is your responsibility to comply with any applicable regulations, and that you should consult your personal advisor on this matter.

Section 22. Venue. For purposes of litigating any dispute that arises under this grant or the Award, the parties hereby submit to and consent to the jurisdiction of the State of New York, agree that such litigation shall be conducted in the courts of New York County, New York, or the federal courts for the United States for the Southern District of New York, where this grant is made and/or to be performed.

Section 23. Defined Terms. For purposes of this Award Agreement, the following terms shall have the meanings set forth below:

A “**Cancellation Event**” will be deemed to have occurred under any one of the following circumstances:

- (a) misuse of Confidential Information (as defined in Exhibit B to this Award Agreement) or the failure to comply with your obligations under MSCI’s Code of Conduct or otherwise with respect to Confidential Information;
- (b) termination from the Company for Cause (or a later determination that you could have been terminated for Cause; *provided* that such determination is made within six months of termination);
- (c) your commission of a fraudulent act or participation in misconduct which leads to a material restatement of the Company’s financial statements; or
- (d) failure to affirmatively accept the terms of this Award Agreement by [•].

“Cause” means:

(a) any act or omission which constitutes a material willful breach of your obligations to the Company or your continued and willful refusal to substantially perform satisfactorily any duties reasonably required of you, which results in material injury to the interest or business reputation of the Company and which breach, failure or refusal (if susceptible to cure) is not corrected (other than failure to correct by reason of your incapacity due to physical or mental illness) within 30 days after written notification thereof to you by the Company; *provided* that no act or failure to act on your part shall be deemed willful unless done or omitted to be done by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company;

(b) your commission of any dishonest or fraudulent act, or any other act or omission with respect to the Company, which has caused or may reasonably be expected to cause a material injury to the interest or business reputation of the Company and which act or omission is not successfully refuted by you within 30 days after written notification thereof to you by the Company;

(c) your plea of guilty or *nolo contendere* to or conviction of a felony under the laws of the United States or any state thereof or any other plea or confession of a similar crime in a jurisdiction in which the Company conducts business; or

(d) your commission of a fraudulent act or participation in misconduct which leads to a material restatement of the Company’s financial statements.

“Code” means the Internal Revenue Code of 1986, as amended.

“Committee” has the meaning ascribed to such term in the Plan; *provided, however*, that, for purposes of administering Section 4 with respect to awards granted to participants who are not officers or directors of the Company subject to Section 16(b) of the Exchange Act, the Committee may delegate its authority to the Company’s Chief Executive Officer, Chief Human Resources Officer or Head of Compensation and Benefits.

“Disability” means (a) you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or (b) you, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, are receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

“Good Reason” means:

(a) any material diminution in your title, status, position, the scope of your assigned duties, responsibilities or authority, including the assignment to you of any duties, responsibilities or authority inconsistent with the duties, responsibilities and authority assigned to you prior to a Change in Control (including any such diminution resulting from a transaction in which the Company is no longer a public company);

(b) any reduction in your total compensation that was in existence prior to a Change in Control (for purposes of this clause (b), total compensation is comprised of your (i) current annual base salary, (ii) your current target annual cash bonus and (iii) the grant date fair value of your most recent annual equity-based incentive compensation awards (on an annualized basis, if applicable) (the "Equity Value"). Notwithstanding the foregoing, for purposes of (iii), if any of your equity-based incentive compensation awards are "front-loaded" awards intended to cover multiple years of awards, the Committee may, in its reasonable discretion, adjust in connection with the grant of such award the Equity Value for purposes of this definition to take into account what the grant date fair value for an equity-based incentive compensation award would be if the award represented only a single-year award. Additionally, if in any year, no equity-based incentive compensation awards were granted to you or an equity-based incentive compensation award was granted to you, in each case, taking into account the front-loaded award in a prior year, the Committee shall allocate a portion of such front-loaded award to the Equity Value for the relevant year. Finally, the Committee shall have the authority, in its reasonable discretion, to exclude any extraordinary and nonrecurring equity-based incentive compensation awards or arrangements from the calculation of Equity Value for purposes hereunder;

(c) a relocation of more than 25 miles from the location of your principal job location or office prior to a Change in Control; or

(d) any other action or inaction that constitutes a material breach by the Company of any agreement pursuant to which you provide services to the Company; *provided*, that you provide the Company with written notice of your intent to terminate your employment for Good Reason within 90 days of your becoming aware of any circumstances set forth above (with such notice indicating the specific termination provision above on which you are relying and describing in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the indicated provision) and that you provide the Company with at least 30 days following receipt of such notice to remedy such circumstances.

"Governmental Employer" means a federal governmental or executive branch department or agency.

"Governmental Service Termination" means the termination of your employment with the Company as a result of your accepting employment at a Governmental Employer and you provide MSCI with satisfactory evidence demonstrating that, as a result of such new employment, the divestiture of your continued interest in MSCI equity awards or continued ownership in MSCI common stock is reasonably necessary to avoid the violation of U.S. federal, state or local, foreign ethics or conflicts of interest law applicable to you at such Governmental Employer.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Notice Requirements" means prior written notice to MSCI of at least:

(a) 180 days if you are a member of the MSCI Executive Committee (or a successor or equivalent committee) at the time of notice of resignation; or

(b) 90 days if you are a Managing Director of the Company (or equivalent title) at the time of notice of resignation.

For the avoidance of doubt, employees working or residing outside of the United States may be subject to notice periods mandated under local labor or regulatory requirements which may differ from the Notice Requirements set forth above.

"Section 409A" means Section 409A of the Code.

PERFORMANCE METRICS

[•]

APPENDIX 1-1

RESTRICTIVE COVENANTS

All Participants are subject to the provisions of this Exhibit B. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Award Agreement.

Section 1. Confidential Information: Assignment of Inventions. (a) During your employment or service with the Company and at all times thereafter, you agree to keep secret and retain in strictest confidence and trust for the sole benefit of the Company, and shall not disclose, directly or indirectly, or use for your benefit or the benefit of others, without the prior written consent of the Company, any Confidential Information. For purposes of this Exhibit B and the Award Agreement, “**Confidential Information**” shall mean all proprietary or confidential matters or trade secrets of, and confidential and competitively valuable information concerning, the Company (whether or not such information is in written form). Without limiting the generality of the foregoing, Confidential Information shall include: information concerning organization and operations, business and affairs; formulae, processes, technical data; “know-how”; flow charts; computer programs and computer software; access codes or other systems of information; algorithms; technology and business processes; business, product or marketing clients or strategies; sales and other forecasts; financial information or financing/financial projections; lists of clients or customers or potential clients or customers; details of client or consultant contracts; supplier or vendor lists or arrangements; business acquisition or disposition plans; employee information, new personnel acquisition plans and information relating to compensation and benefits; budget information and procedures; research products; research and development; all data, concepts, ideas, findings, discoveries, developments, programs, designs, inventions, improvements, methods, practices and techniques, whether or not patentable, relating to present or planned future activities or products or services; and public information that becomes proprietary as a result of the Company’s compilation of that information for use in its business; *provided, however*, that the Confidential Information shall in no event include (x) any Confidential Information which was generally available to the public at the time of disclosure by you or (y) any Confidential Information which becomes publicly available other than as a consequence of the breach by you of your confidentiality obligations hereunder or under any other confidentiality agreement you have entered into with the Company, if any. In the event of a termination of your employment or service with the Company for any reason, you shall deliver to MSCI all documents and data pertaining to the Confidential Information and shall not take with you any documents or data of any kind or any reproductions (in whole or in part) or extracts of any items relating to the Confidential Information. Nothing contained in this Section 1 of this Exhibit B shall prohibit you from disclosing Confidential Information if such disclosure is required by law, governmental process or valid legal process. Unless you are reporting a possible violation of law to a governmental entity or law enforcement, making a disclosure that is protected under the whistleblower protections of applicable law and/or participating in a governmental investigation, in the event that you are legally compelled to disclose any of the Confidential Information, you shall provide MSCI with prompt written notice so that MSCI, at its sole cost and expense, may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Section 1 of this Exhibit B. If such protective order or other remedy is not obtained, or if the Company waives compliance with the provisions of this Section 1, you shall furnish only that portion of the Confidential Information that you in good faith believe is legally required to be disclosed. In addition to the foregoing, and subject to the second preceding sentence, you hereby agree to comply with the requirements of any and all agreements that you have entered into, or may in the future enter into, with the Company with respect to the use or disclosure of confidential or proprietary information of the Company.

(b) All rights to discoveries, inventions, improvements and innovations, copyright and copyrightable materials (including all data and records pertaining thereto) related to the business of the Company, whether or not patentable, copyrightable, registrable as a trademark or reduced to writing, that you may discover, invent or originate during your employment or service with the Company or any predecessor entity, either alone or with others and whether or not during working hours or by the use of the facilities of the Company (collectively, "Inventions"), shall be the exclusive property of the Company, and you hereby irrevocably assign all right, title and interest in and to all Inventions to the Company. You shall promptly disclose all Inventions to the Company, shall execute at the request of the Company any assignments or other documents that the Company may deem necessary to protect or perfect the rights of the Company therein, and shall assist the Company, at the Company's expense, in obtaining, defending and enforcing the Company's rights therein. You hereby appoint the Company as your attorney-in-fact to execute on your behalf any assignments or other documents deemed necessary by the Company to protect or perfect its rights to any Inventions.

Section 2. Non-Compete. During your employment or service with the Company and for a period of one year following the termination of your employment or service with the Company for any reason (the "**Non-Compete Restricted Period**"), you shall not, without the consent of the Company, directly or indirectly, provide services to, accept employment with, be a consultant or advisor to, form, lend financial support to, own any interest in (other than shares of a publicly traded company that represent less than 1% of the outstanding shares) or otherwise enter into any arrangement with, or engage in any activity for or on behalf of, any Competitor (as defined below). Notwithstanding the foregoing, you shall not be in violation of this Section 2 following the termination of your employment or service with the Company to the extent that you provide Permitted Services to a Permitted Business (in each case, as defined below).

(b) For purposes of this Exhibit B, the following terms shall have the following meanings:

"**Competitor**" means any person, entity or business that is engaged in, or that owns a significant equity, voting, financial or other interest in an entity that is engaged in, one or more Competing Businesses.

"**Competing Business**" means any business or activity that competes with the MSCI Business or is reasonably anticipated to compete with the MSCI Business.

"**MSCI Business**" means any business engaged in, contemplated or actively planned by the Company as of the date of your termination of employment that you provided services to, or participated in the planning of, during your employment with the Company.

"**Permitted Business**" means (i) one or more Competing Businesses of the applicable Competitor that are (A) an immaterial part of the overall business of the Competitor and (B) not a significant competitor of the MSCI Business or reasonably anticipated to become a significant competitor of the MSCI Business, as determined in good faith by the Committee or (ii) any other business or activity of the applicable Competitor that is not a Competing Business.

"**Permitted Services**" means assistance or services that (i) are solely administrative in nature, (ii) do not include any aspect of the operation, strategy, supervision, compliance or regulation of any Competing Business (including, without limitation, assistance or services relating to information technology, data, operations, product management, research, client coverage and support, compensation, recruiting, and marketing assistance and management) and (iii) with respect to any assistance or services to, or in support of, a Competing Business, are an immaterial portion of your overall job responsibilities to the applicable Competitor.

Section 3. Non-Solicit and No-Hire. During your employment or service with the Company and for a period of two years following the termination of your employment or service with the Company for any reason (the “**Non-Solicit Restricted Period**”), you shall not, directly or indirectly, (a) solicit or encourage any employee of the Company to terminate his or her employment with the Company, (b) hire any employee of the Company prior to the date on which such person has not been employed by the Company or any of its Subsidiaries for a period of at least one year or (c) induce or attempt to induce any customer, client, supplier, vendor, licensee or other business relationship of the Company to cease doing or reduce their business with the Company, or in any way interfere with the relationship between the Company and any customer, client, supplier, licensee or other business relationship of the Company.

Section 4. Non-Disparagement. At all times during your employment or service with the Company and after termination of your employment or service with the Company for any reason, you will not knowingly make any statement, written or oral, that would disparage the business or reputation of the Company or its officers, managers, directors or employees. It will not be a violation of this Section 4 for you to make truthful statements, under oath, as required by law, to a governmental entity or law enforcement agency or as part of a litigation or administrative agency proceeding.

Section 5. Certain Remedies. You acknowledge that the terms of this Exhibit B are reasonable and necessary in light of your unique position, responsibility and knowledge of the operations of the Company and the unfair advantage that your knowledge and expertise concerning the business of the Company would afford a competitor of the Company and are not more restrictive than necessary to protect the legitimate interests of the Company. If the final judgment of a court of competent jurisdiction, or any final non-appealable decision of an arbitrator in connection with a mandatory arbitration, declares that any term or provision of this Exhibit B or the Award Agreement is invalid or unenforceable, the parties agree that the court or arbitrator making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or geographic area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Exhibit B and the Award Agreement shall be enforceable as so modified after the expiration of the time within which the judgment or decision may be appealed. You acknowledge that the Company and its shareholders would be irreparably harmed by any breach of this Exhibit B and that there would be no adequate remedy at law or in damages to compensate the Company and its shareholders for any such breach. You agree that MSCI shall be entitled to injunctive relief, without having to post bond or other security, requiring specific performance by you of your obligations in this Exhibit B in addition to any other remedy to which the Company is entitled at law or in equity, and you consent to the entry thereof. You agree that the Non-Compete Restricted Period and the Non-Solicit Restricted Period, as applicable, shall be extended by any and all periods during which you are in breach of this Exhibit B.

August 1, 2019

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We are aware that our report dated August 1, 2019 on our review of interim financial information of MSCI Inc., which appears in this Quarterly Report on Form 10-Q, is incorporated by reference in the Registration Statements on Form S-8 No. 333-147540, No. 333-165888, No. 333-167624 and No. 333-210987 dated November 20, 2007, June 3, 2010, June 18, 2010 and April 28, 2016, respectively, and on Form S-3 No. 333-226557 dated August 3, 2018 of MSCI Inc.

Very truly yours,

/s/ PricewaterhouseCoopers LLP
New York, New York

SECTION 302 CERTIFICATION

I, Henry A. Fernandez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSCI Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ Henry A. Fernandez
Henry A. Fernandez
Chairman and Chief Executive Officer
(Principal Executive Officer)

SECTION 302 CERTIFICATION

I, Linda S. Huber, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSCI Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ Linda S. Huber

Linda S. Huber
Chief Financial Officer and Treasurer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Henry A. Fernandez, Chairman and Chief Executive Officer of MSCI Inc. (the "Registrant") and Linda S. Huber, Chief Financial Officer and Treasurer of the Registrant, each hereby certifies that, to the best of his/her knowledge:

1. The Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Periodic Report"), to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Registrant at the end of the period covered by the Periodic Report and results of operations of the Registrant for the periods covered by the Periodic Report.

Date: August 1, 2019

/s/ Henry A. Fernandez

Henry A. Fernandez
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Linda S. Huber

Linda S. Huber
Chief Financial Officer and Treasurer
(Principal Financial Officer)