MSCI

A Clear View of Risk and Return

First Quarter 2012 Earnings Presentation

May 2, 2012

msci.com

Forward-Looking Statements – Safe Harbor Statement

- This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 our control and that could materially affect actual results, levels of activity, performance, or achievements. For a discussion of risk and uncertainties that could materially affect actual results, levels of activity, performance or achievements, please see the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and its other reports filed with the SEC. The forward-looking statements included in this presentation represent the Company's view as of the date of the presentation. The Company 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.

Summary of First Quarter 2012 Financial Results

- Operating revenues increased 3% to $229.1 million versus Q1'11
- Net income increased by 31% to $44.0 million
- Adjusted EBITDA[1] declined by 2% to $101.9 million. Adjusted EBITDA margin was 44.5%
- Diluted EPS for first quarter 2012 rose 30% to $0.35
- Adjusted EPS[2] rose 2% to $0.44

❖ Excluding the impact of a $5.2 million non-cash revenue correction,

- 1Q revenues **grew** 5% to $234.3 million
- Adjusted EBITDA **grew** 3% to $107.2 million. Adjusted EBITDA margin would have been 45.7%
- Adjusted EPS **increased** 9% to $0.47

(1) Net income before provision for income taxes, depreciation and amortization, other net expense and income, non-recurring stock-based compensation and restructuring costs. Please see pages 16-18 for reconciliation.

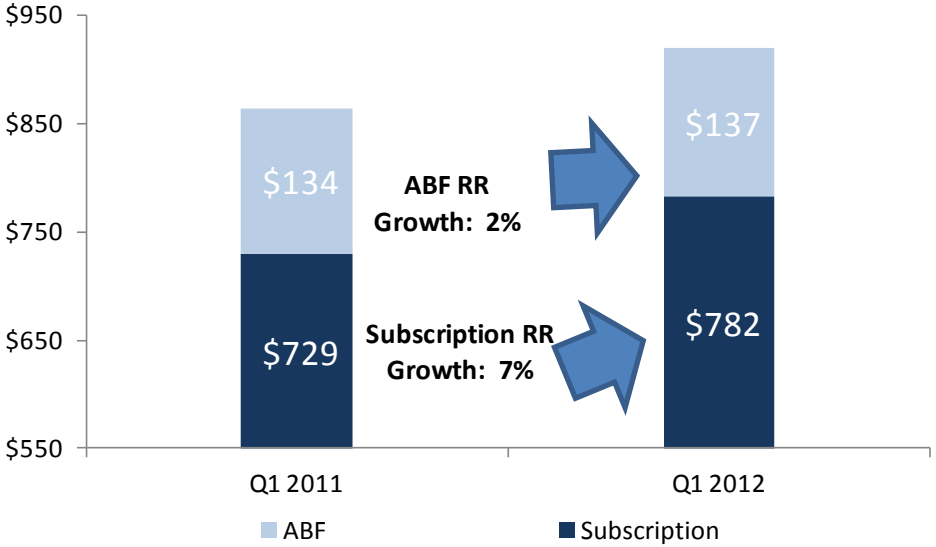
(2) For the purposes of calculating Adjusted EPS, the after-tax impact of non-recurring stock-based compensation, amortization of intangible assets, debt repayment expenses and restructuring costs are excluded from the calculation of EPS. Please see pages 16-18 for reconciliation.

Summary of First Quarter 2012 Operating Results

($ in millions)

- Q1'12 **run rate (RR)** grew YoY by **6%** to **$919 million**
  - Subscription run rate grew by 7%
  - Asset-based fee (ABF) run rate grew by 2%
- Total sales[1] of $43 million in Q1'12 - down 11% from Q1'11
  - Q1'12 total sales down 3% excluding impact of a single $4.3 million non-recurring ABF sale in Q1'11
- Q1'12 Recurring subscription sales of $34 million down 3% from Q1'11
- Retention rates steady at 93% for Q1'12
- New office opened in Seoul, Korea

Total YoY Run Rate Growth of 6%



Total Sales[1] and Retention

	Q1'11	Q1'12	Change
Recurring subcription sales	$ 35	$ 34	-3%
Other non-recurring sales	9	9	-1%
Non-recurring ABF Sale	4	-	*n/a*
Total sales	$ 48	$ 43	-11%
Aggregate retention rate	92%	93%	1%

(1) Includes recurring subscription sales and non-recurring sales

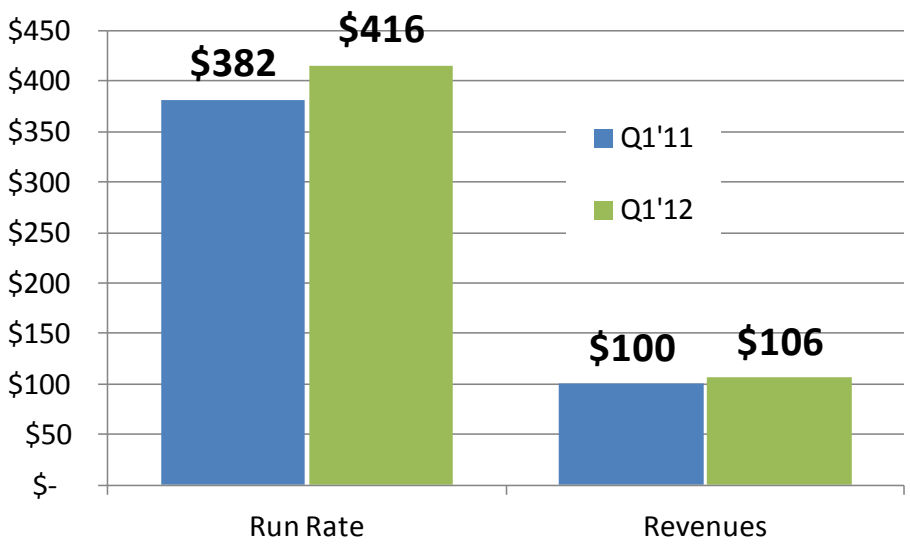
MSCI Index and ESG Products

($ in millions)

Highlights:

- Q1'12 Index and ESG products run rate grew by **9%** YoY to **$416 million**
  - Subscription run rate grew by 12%
  - Asset-based fee run rate grew by 2% YoY and 14% sequentially
- Total sales of $16 million in Q1'12

Index and ESG Run Rate and Revenue



Index and ESG Sales and Retention

	Q1'11	Q1'12	Change
Total sales	**$ 17**	**$ 16**	**-1%**
Non-recurring ABF sale	**4**	**-**	***n/a***
Total sales	**$ 21**	**$ 16**	**-21%**
Aggregate retention rate	**95%**	**94%**	**-1%**

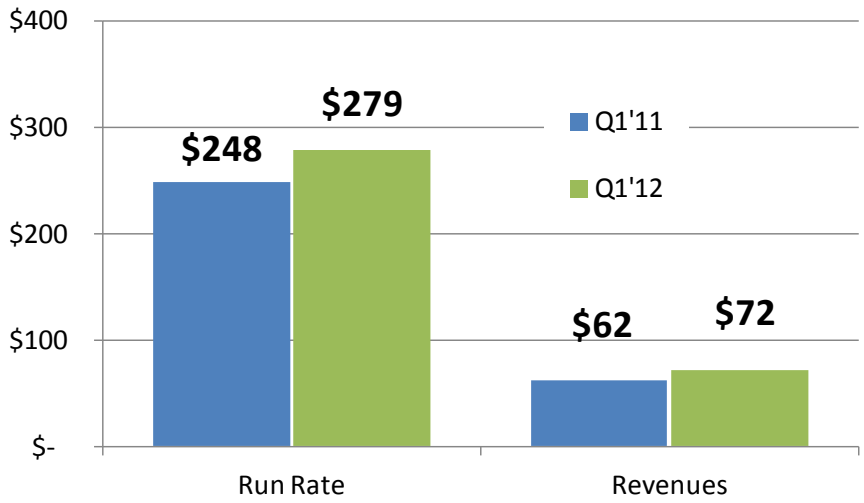
Index and ESG Subscription

($ in millions)

Highlights:

- Q1'12 run rate grew by **12%** YoY to **$279 million**
- Total sales were $16 million in Q1'12
  - Core Emerging Market and Developed Market modules continue to drive sales
  - Sales of small cap modules a point of strength
  - ESG products sales increased
- Strategy indices starting to gain acceptance globally
- Retention rates steady at 94% for Q1'12

Index and ESG Subscription Run Rate and Subscription Revenue



Index and ESG Subscription Sales and Retention

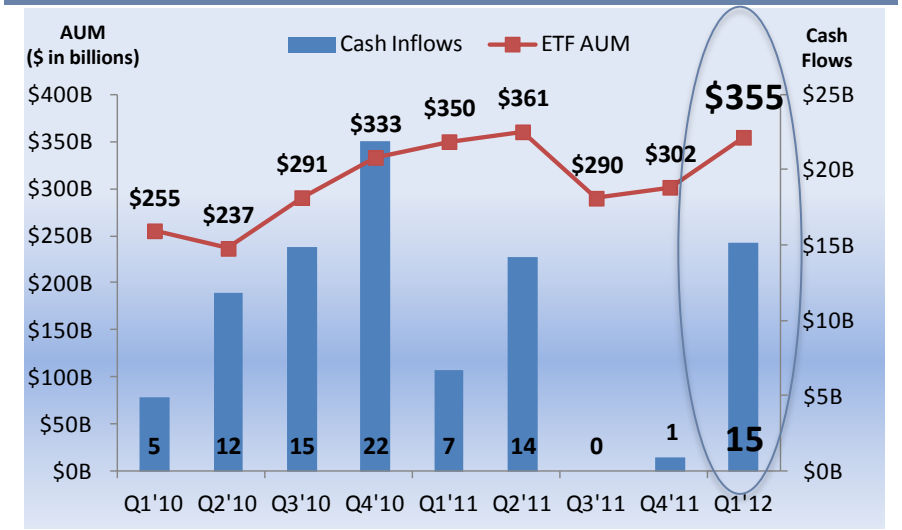
	Q1'11	Q1'12	Change
Total sales	**$ 17**	**$ 16**	**-6%**
Aggregate retention rate	**95%**	**94%**	**-1%**

MSCI-Linked ETFs

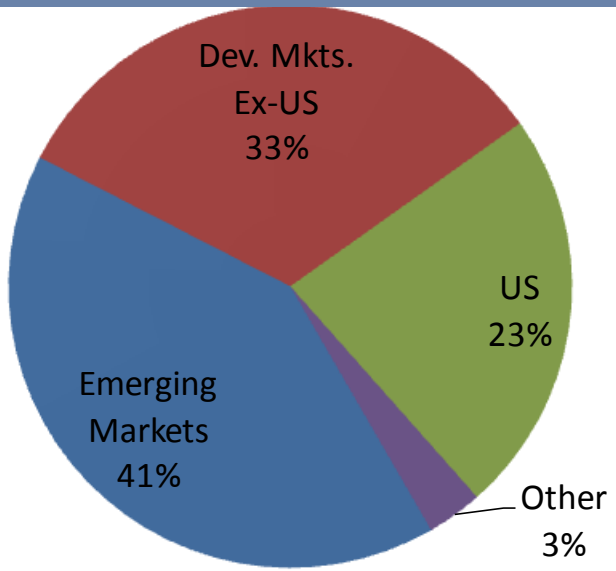
Highlights:

- Total ABF Run Rate grew by **2%** YoY and **14%** sequentially to **$137 million**
- Total AUM rose 18% sequentially to $355 billion at the end of Q1'12
- MSCI-linked ETFs benefited from fund flows of $15 billion
- Average basis point fee remained flat at 3.0 basis points
- 560 ETFs linked to MSCI indices, up 36 from the end of 2011

Total AUM Linked to MSCI Indices of $355bn



MSCI-Linked ETF AUM by Market Exposure



Source: Bloomberg

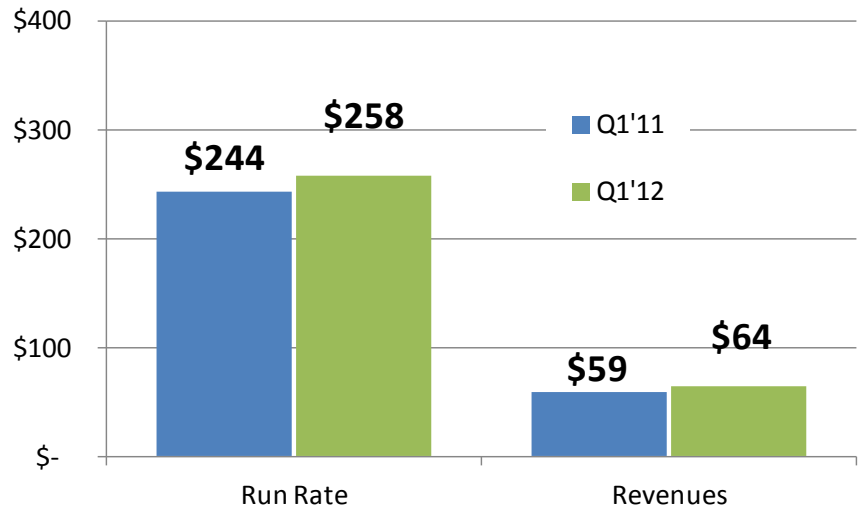
Risk Management Analytics

($ in millions)

Highlights:

- Q1'12 run rate grew by **6%** YoY to **$258 million**
- Total sales of $11 million in Q1'12
  - Sales to asset owners a key driver in Q1'12 - added two new large state pension funds to BarraOne platform
  - New wealth management client extends MSCI leadership
  - Continued strong demand for hedge fund transparency products
  - Sales to asset managers weaker
- Retention rates steady at 94% for Q1'12

Risk Management Analytics Run Rate and Revenue



Risk Management Analytics Sales and Retention

	Q1'11	Q1'12	Change
Total sales	**$ 12**	**$ 11**	**-8%**
Aggregate retention rate	**94%**	**94%**	**0%**

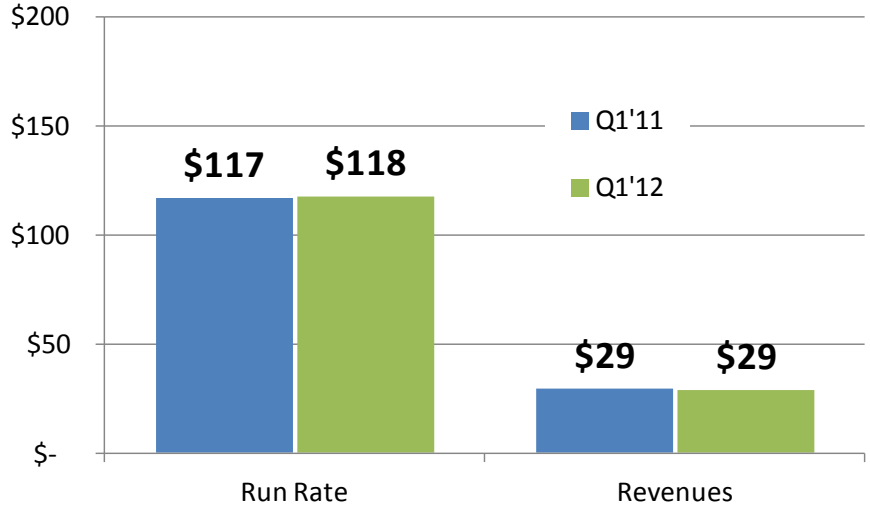
Portfolio Management Analytics

($ in millions)

Highlights:

- Q1'12 run rate grew by **1%** YoY to **$118 million**
- New product enhancements released in Q1
- Total sales of $3 million in Q1'12
  - Selling environment remains competitive
  - New products driving increasing percentage of total sales
- Retention rates continued to increase: to 92% from 89%

Portfolio Management Analytics Run Rate and Revenue



Portfolio Management Analytics Sales and Retention

	Q1'11	Q1'12	Change
Total sales	**$ 5**	**$ 3**	**-33%**
Aggregate retention rate	**89%**	**92%**	**3%**

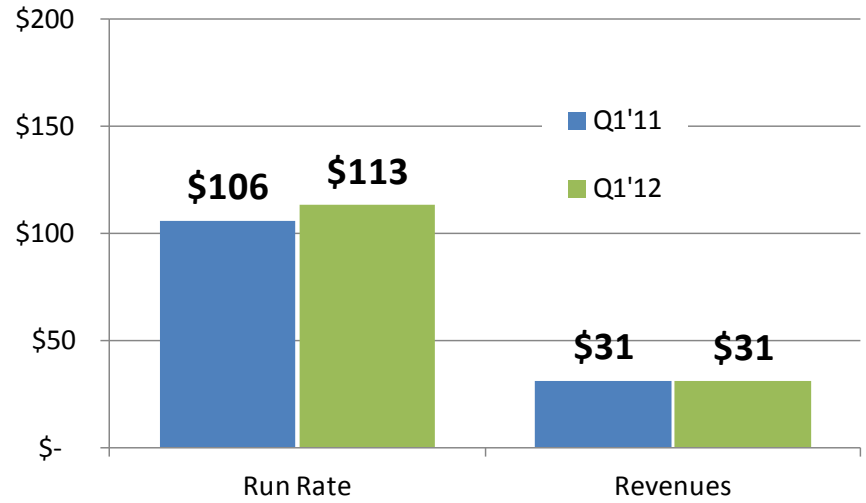
Governance

($ in millions)

Highlights:

- Q1'12 run rate grew by **7%** YoY to **$113 million**
- Total sales for Q1'12 rose to $12 million, up 17% from $11 million in Q1'11
  - Sales of executive compensation data and analytics tool remain strong
  - Institutional proxy research and voting market still competitive
- Retention rates increased to 89% from 85% in Q1'11

Governance Run Rate and Revenue

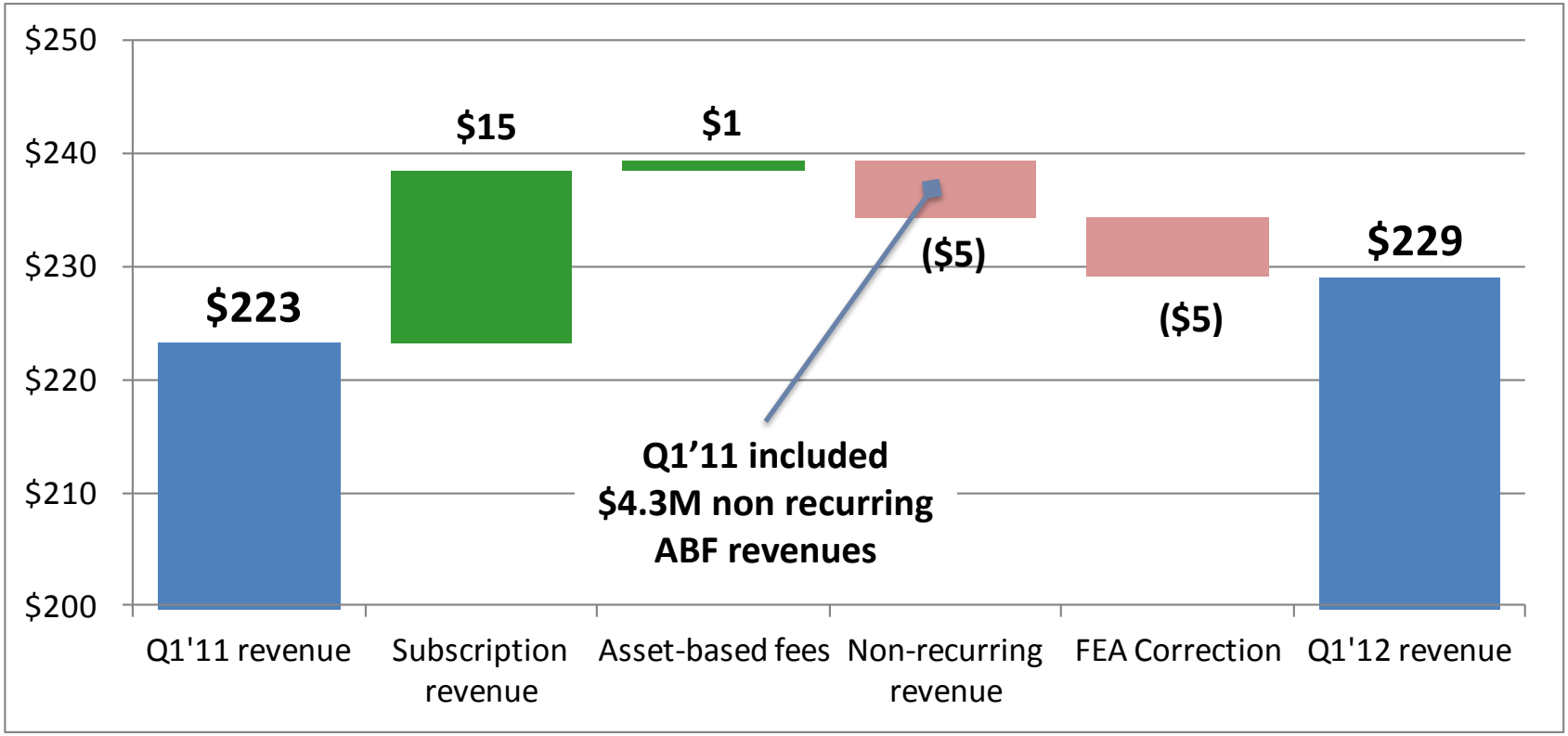


Governance Sales and Retention

	Q1'11	Q1'12	Change
Total sales	**$ 11**	**$ 12**	**17%**
Aggregate retention rate	**85%**	**89%**	**4%**

Breakdown of Q1'11 vs Q1'12 Revenue Growth

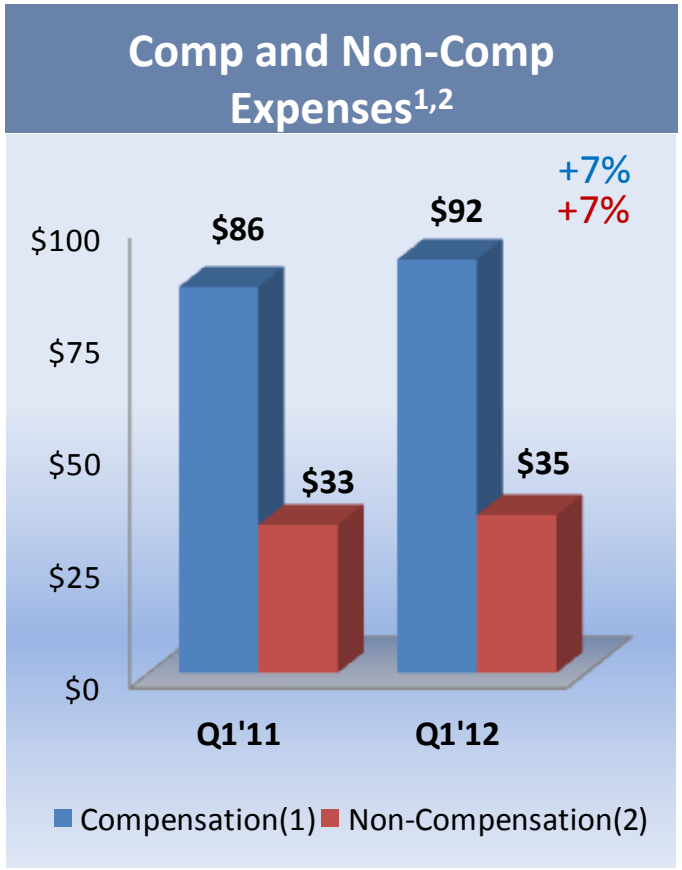
($ in millions)



Compensation and Non-Compensation Expense

($ in millions)

- Comp and Non-comp expenses[1,2] increased 7% to $127 million
  - Compensation expense rose 7%
    - 20% increase in headcount vs. Q1'11
    - 60% in EMC and 40% in DMC
  - Non-Compensation costs rose 7%
    - Occupancy costs rose by $1.8 million
    - 1% growth ex-occupancy

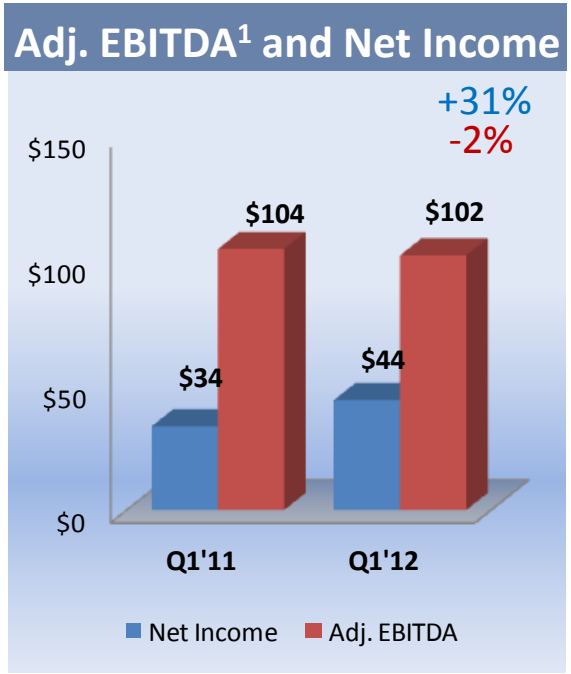


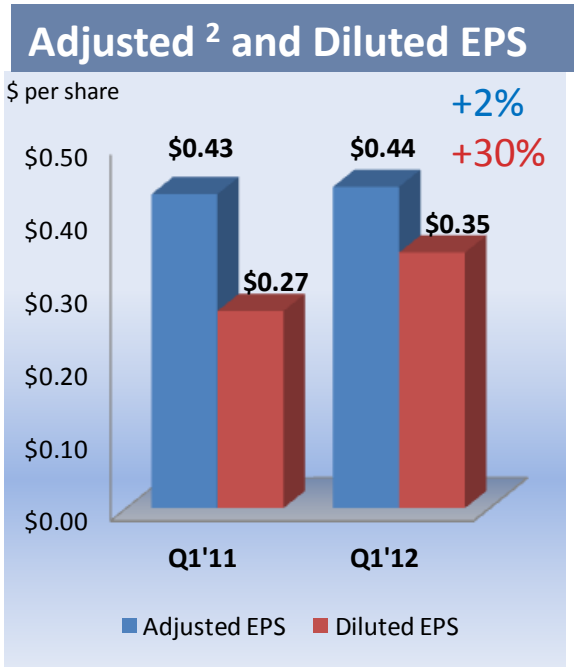
(1)Compensation expense excludes non-recurring stock-based compensation. Please see pages 16-18 for reconciliation to operating expenses.

(2) Non-compensation excludes depreciation, amortization and restructuring costs. Please see pages 16-18 for reconciliation to operating expenses.

Summary of Profitability Metrics: Net Income, EPS and Adjusted EBITDA[1]

- Net Income rose 30%
  - Effective tax rate was 35.6% in Q1'12 down from 37.2% in Q1'11
- Adjusted EBITDA[1] was $102 million
- Diluted EPS rose 30%
- Adjusted EPS[2] rose 2% YoY to $0.44





(1) Net income before provision for income taxes, depreciation and amortization, other net expense and income, non-recurring stock-based compensation and restructuring costs. Please see pages 16-18 for reconciliation.

(2) For the purpose of calculating Adjusted EPS, the after-tax impact of non-recurring stock-based compensation, amortization of intangible assets, debt repayment expenses and restructuring costs are excluded from the calculation of EPS; see pages 16-18 for reconciliation.

Summary Balance Sheet

In thousands	As of March 31, 2012
Cash and cash equivalents	$ 266,022
Short-term investments	194,157
Trade receivables, net of allowances	172,181
Deferred revenue	$ 330,050
Current maturites of long-term debt	10,342
Long-term debt, net of current maturities	1,063,962

Total Cash & Investments

$460M

Total Debt

$1,074M

- Update on Announced Refinancing
  - MSCI expects to close $880 million Term Loan A Facility shortly (subject to customary closing conditions)
  - Proceeds plus cash on hand will be used to repay 100% of the current debt outstanding

Use of Non-GAAP Financial Measures

- MSCI has presented supplemental non-GAAP financial measures as part of this presentation. A reconciliation is provided that reconciles each non-GAAP financial measure with the most comparable GAAP measure. The presentation of non-GAAP financial measures should not be considered as alternative measures for the most directly comparable GAAP financial measures. These measures are used by management to monitor the financial performance of the business, inform business decision making and forecast future results.
- Adjusted EBITDA is defined as net income before provision for income taxes, other net expense and income, depreciation and amortization, non-recurring stock-based compensation and restructuring costs .
- Adjusted Net Income and Adjusted EPS are defined as net income and EPS, respectively, before provision for non-recurring stock-based compensation expenses, amortization of intangible assets, restructuring costs and the accelerated interest expense resulting from the termination of an interest rate swap and the accelerated amortization of deferred financing and debt discount costs (debt repayment expenses and refinancing expenses), as well as for any related tax effects.
- We believe that adjustments related to restructuring costs and debt repayment and refinancing expenses are useful to management and investors because it allows for an evaluation of MSCI's underlying operating performance by excluding the costs incurred in connection with the acquisition of RiskMetrics. Additionally, we believe that adjusting for non-recurring stock-based compensation and amortization of intangible assets may help investors compare our performance to that of other companies in our industry as we do not believe that other companies in our industry have as significant a portion of their operating expenses represented by non-recurring stock-based compensation and amortization of intangible assets. We believe that the non-GAAP financial measures presented in this presentation facilitate meaningful period-to-period comparisons and provide a baseline for the evaluation of future results.
- Adjusted EBITDA and Adjusted EPS are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies.
- During first quarter 2012, MSCI recorded a non-cash $5.2 million cumulative revenue reduction to correct an error related to energy and commodity analytics revenues previously reported prior to January 1, 2012. Because the revenue that was corrected as part of this adjustment is a non-recurring charge related to prior periods, we believe that excluding it from revenue, Adjusted EBITDA and Adjusted EPS supports a more accurate understanding of MSCI's underlying operating performance for the current period.

Reconciliation of Adjusted Net Income and Adjusted EPS

(Dollars in thousands, except per share figures)

		Three Months Ended		
		March 31, 2012	March 31, 2011	December 31, 2011
Net Income		**$ 43,966**	**$ 33,521**	**$ 44,486**
Plus:	Non-recurring stock-based comp	582	2,813	1,144
Plus:	Amortization of intangible assets	15,959	16,692	16,268
Plus:	Debt repayment and refinancing expenses	-	6,404	-
Plus:	Restructuring costs	(29)	4,431	126
Less:	Income tax effect	(5,873)	(11,275)	(6,463)
Adjusted net income		**$ 54,605**	**$ 52,586**	**$ 55,561**
Diluted EPS		**$ 0.35**	**$ 0.27**	**$ 0.36**
Plus:	Non-recurring stock-based comp	0.01	0.02	0.01
Plus:	Amortization of intangible assets	0.13	0.14	0.13
Plus:	Debt repayment and refinancing expenses	-	0.05	-
Plus:	Restructuring costs	-	0.04	-
Less:	Income tax effect	(0.05)	(0.09)	(0.05)
Adjusted EPS		**$ 0.44**	**$ 0.43**	**$ 0.45**

Reconciliation of Adjusted EBITDA to Net Income

(Dollars in thousands, except per share figures)

	Three Months Ended March 31, 2012			Three Months Ended March 31, 2011		
	Performance and Risk	Governance	Total	Performance and Risk	Governance	Total
Net Income			$ 43,966			$ 33,521
Plus: Provision for income taxes			24,273			19,823
Plus: Other expense (income), net			12,740			22,085
Operating income	**$ 77,475**	**$ 3,504**	**$ 80,979**	**$ 72,646**	**$ 2,783**	**$ 75,429**
Plus: Non-recurring stock-based comp	522	60	582	2,679	134	2,813
Plus: Depreciation and amortization	3,565	851	4,416	3,979	1,131	5,110
Plus: Amortization of intangible assets	12,639	3,320	15,959	13,342	3,350	16,692
Plus: Restructuring costs	(19)	(10)	(29)	2,316	2,115	4,431
Adjusted EBITDA	**$ 94,182**	**$ 7,725**	**$ 101,907**	**$ 94,962**	**$ 9,513**	**$ 104,475**

Reconciliation of Operating Expenses

(Dollars in thousands, except per share figures)

In thousands	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	% Change from March 31, 2011
Cost of services			
Compensation	$ 53,549	$ 51,082	4.8%
Non-recurring stock based comp	268	1,130	(76.3%)
Total compensation	$ 53,817	$ 52,212	3.1%
Non-compensation	18,474	18,006	2.6%
Total cost of services	$ 72,291	$ 70,218	3.0%
Selling, general and administrative			
Compensation	$ 38,492	$ 34,805	10.6%
Non-recurring stock based comp	314	1,683	(81.3%)
Total compensation	$ 38,806	$ 36,488	6.4%
Non-compensation	16,630	14,930	11.4%
Total selling, general and administrative	$ 55,436	$ 51,418	7.8%
Restructuring costs	(29)	4,431	(100.7%)
Amortization of intangibles	15,959	16,692	(4.4%)
Depreciation and amortization	4,416	5,110	(13.6%)
Total operating expenses	$ 148,073	$ 147,869	0.1%
In thousands			
Total non-recurring stock-based compensation	$ 582	$ 2,813	(79.3%)
Compensation excluding non-recurring comp	92,041	85,887	7.2%
Non-compensation expenses	35,104	32,936	6.6%
Restructuring costs	(29)	4,431	(100.7%)
Amortization of intangibles	15,959	16,692	(4.4%)
Depreciation and amortization	4,416	5,110	(13.6%)
Total operating expenses	$ 148,073	$ 147,869	0.1%