
**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, 2023

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)

<p style="text-align: center;">Delaware (State or other jurisdiction of Incorporation or Organization)</p> <p style="text-align: center;">7 World Trade Center 250 Greenwich Street, 49th Floor New York, New York (Address of Principal Executive Offices)</p>	<p>13-4038723 (I.R.S. Employer Identification Number)</p> <p>10007 (Zip Code)</p>
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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 18, 2023, there were 79,088,640 shares of the registrant's common stock, par value \$0.01, outstanding.

FOR THE QUARTER ENDED JUNE 30, 2023

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AVAILABLE INFORMATION

Our corporate headquarters is located at 7 World Trade Center, 250 Greenwich Street, 49th Floor, New York, New York, 10007, and our telephone number is (212) 804-3900. We maintain a website on the internet at www.msci.com. The contents of our website are not a part of or incorporated by reference in this Quarterly Report on Form 10-Q.

We file 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 reports, proxy and information statements and other information that we file electronically with the SEC at www.sec.gov. We also make available free of charge, on or through our website, these reports, proxy statements and other information as soon as reasonably practicable following the time they are electronically filed with or furnished to the SEC. To access these, click on the “SEC Filings” link under the “Financial Information” tab found on our Investor Relations homepage (<http://ir.msci.com>).

We also use our Investor Relations homepage, Corporate Responsibility homepage and corporate Twitter account (@MSCI_Inc) as channels of distribution of Company information. The information we post through these channels may be deemed material.

Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about us when you enroll your email address by visiting the “Email Alerts” section of our Investor Relations homepage at <https://ir.msci.com/email-alerts>. The contents of our website, including our Investor Relations homepage and Corporate Responsibility homepage, and our social media channels are not, however, a part of or incorporated by reference in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

We have included in this Quarterly Report on Form 10-Q, and from time to time may make in our public filings, press releases or other public statements, certain statements that constitute forward-looking statements. In addition, our management may make forward-looking statements to analysts, investors, representatives of the media and others. These forward-looking statements are not historical facts and represent only MSCI’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control. These forward-looking statements 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. Statements concerning our financial position, business strategy and plans or objectives for future operations are forward-looking statements. 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 our actual results, levels of activity, performance or achievements. Such risks and uncertainties include those set forth under “Risk Factors” in Part I, Item 1A of the 2022 Annual Report on Form 10-K filed with the SEC on February 10, 2023. 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 reflects our current views with respect to future events, levels of activity, performance or achievements and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. The forward-looking statements in this report speak only as of the time they are made and do not necessarily reflect our outlook at any other point in time. 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. Therefore, readers should carefully review the risk factors set forth in the Annual Report on Form 10-K and in other reports or documents we file from time to time with the SEC.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

(unaudited)	As of	
	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents (includes restricted cash of \$3,885 and \$368 at June 30, 2023 and December 31, 2022, respectively)	\$ 792,329	\$ 993,564
Accounts receivable (net of allowances of \$2,934 and \$2,652 at June 30, 2023 and December 31, 2022, respectively)	612,885	663,236
Prepaid income taxes	69,737	36,654
Prepaid and other assets	49,234	54,520
Total current assets	1,524,185	1,747,974
Property, equipment and leasehold improvements, net	60,966	53,853
Right of use assets	122,415	126,584
Goodwill	2,232,459	2,229,670
Intangible assets, net	546,425	558,517
Equity method investment	210,496	214,389
Deferred tax assets	28,429	29,207
Other non-current assets	37,453	37,341
Total assets	\$ 4,762,828	\$ 4,997,535
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 7,277	\$ 15,039
Income taxes payable	12,057	8,058
Accrued compensation and related benefits	119,451	182,370
Current portion of long-term debt	8,717	8,713
Other accrued liabilities	161,000	153,461
Deferred revenue	909,623	882,886
Total current liabilities	1,218,125	1,250,527
Long-term debt	4,501,119	4,503,233
Long-term operating lease liabilities	127,225	131,575
Deferred tax liabilities	17,661	29,098
Other non-current liabilities	92,366	91,027
Total liabilities	5,956,496	6,005,460
Commitments and Contingencies (see Note 7)		
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; 133,812,966 and 133,623,005 common shares issued and 79,126,903 and 79,959,989 common shares outstanding at June 30, 2023 and December 31, 2022, respectively)	1,338	1,336
Treasury shares, at cost (54,686,063 and 53,663,016 common shares held at June 30, 2023 and December 31, 2022, respectively)	(6,428,102)	(5,938,116)
Additional paid in capital	1,553,365	1,515,874
Retained earnings	3,736,376	3,473,192
Accumulated other comprehensive loss	(56,645)	(60,211)
Total shareholders' equity (deficit)	(1,193,668)	(1,007,925)
Total liabilities and shareholders' equity (deficit)	\$ 4,762,828	\$ 4,997,535

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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

(unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating revenues	\$ 621,157	\$ 551,806	\$ 1,213,375	\$ 1,111,751
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	110,066	100,768	218,713	203,539
Selling and marketing	67,988	61,073	134,463	127,126
Research and development	30,140	23,916	61,463	52,238
General and administrative	35,657	36,724	76,701	82,291
Amortization of intangible assets	26,154	22,179	50,821	43,899
Depreciation and amortization of property, equipment and leasehold improvements	5,199	6,765	10,659	13,299
Total operating expenses	275,204	251,425	552,820	522,392
Operating income	345,953	300,381	660,555	589,359
Interest income	(10,403)	(924)	(20,765)	(1,222)
Interest expense	46,617	41,085	92,823	81,799
Other expense (income)	2,581	188	4,967	(193)
Other expense (income), net	38,795	40,349	77,025	80,384
Income before provision for income taxes	307,158	260,032	583,530	508,975
Provision for income taxes	60,333	49,445	97,977	69,965
Net income	\$ 246,825	\$ 210,587	\$ 485,553	\$ 439,010
Earnings per share:				
Basic	\$ 3.10	\$ 2.60	\$ 6.08	\$ 5.40
Diluted	\$ 3.09	\$ 2.59	\$ 6.05	\$ 5.37
Weighted average shares outstanding:				
Basic	79,592	80,923	79,815	81,255
Diluted	79,905	81,295	80,193	81,789

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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

(unaudited)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net income	\$ 246,825	\$ 210,587	\$ 485,553	\$ 439,010
Other comprehensive income (loss):				
Foreign currency translation adjustments	2,516	(11,796)	6,878	(14,746)
Income tax effect	(323)	1,606	(1,431)	2,468
Foreign currency translation adjustments, net	2,193	(10,190)	5,447	(12,278)
Pension and other post-retirement adjustments	(1,581)	7,376	(2,094)	7,486
Income tax effect	179	(1,070)	213	(1,114)
Pension and other post-retirement adjustments, net	(1,402)	6,306	(1,881)	6,372
Other comprehensive (loss) income, net of tax	791	(3,884)	3,566	(5,906)
Comprehensive income	\$ 247,616	\$ 206,703	\$ 489,119	\$ 433,104

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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

(unaudited)	Common Stock	Treasury Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2022	\$ 1,336	\$ (5,938,116)	\$ 1,515,874	\$ 3,473,192	\$ (60,211)	\$ (1,007,925)
Net income				238,728		238,728
Dividends declared (\$1.38 per common share)				(111,986)		(111,986)
Dividends paid in shares			44			44
Other comprehensive income (loss), net of tax					2,775	2,775
Common stock issued	2					2
Shares withheld for tax withholding		(43,960)				(43,960)
Compensation payable in common stock			20,988			20,988
Common stock repurchased and held in treasury						—
Common stock issued to Directors and (held in)/released from treasury		(30)				(30)
Balance at March 31, 2023	1,338	(5,982,106)	1,536,906	3,599,934	(57,436)	(901,364)
Net income				246,825		246,825
Dividends declared (\$1.38 per common share)				(110,383)		(110,383)
Dividends paid in shares			33			33
Other comprehensive income (loss), net of tax					791	791
Common stock issued						—
Shares withheld for tax withholding		(611)				(611)
Compensation payable in common stock			16,426			16,426
Common stock repurchased and held in treasury		(444,655)				(444,655)
Common stock issued to Directors and (held in)/released from treasury		(730)				(730)
Balance at June 30, 2023	<u>\$ 1,338</u>	<u>\$ (6,428,102)</u>	<u>\$ 1,553,365</u>	<u>\$ 3,736,376</u>	<u>\$ (56,645)</u>	<u>\$ (1,193,668)</u>
Balance at December 31, 2021	\$ 1,332	\$ (4,540,144)	\$ 1,457,623	\$ 2,976,517	\$ (58,795)	\$ (163,467)
Net income				228,423		228,423
Dividends declared (\$1.04 per common share)				(87,280)		(87,280)
Dividends paid in shares			77			77
Other comprehensive income (loss), net of tax					(2,022)	(2,022)
Common stock issued	4					4
Shares withheld for tax withholding		(105,000)				(105,000)
Compensation payable in common stock			22,754			22,754
Common stock repurchased and held in treasury		(772,657)				(772,657)
Common stock issued to Directors and (held in)/released from treasury		(21)				(21)
Balance at March 31, 2022	1,336	(5,417,822)	1,480,454	3,117,660	(60,817)	(879,189)
Net income				210,587		210,587
Dividends declared (\$1.04 per common share)				(84,593)		(84,593)
Dividends paid in shares			22			22
Other comprehensive income (loss), net of tax					(3,884)	(3,884)
Common stock issued						—
Shares withheld for tax withholding		(3,862)				(3,862)
Compensation payable in common stock			11,858			11,858
Common stock repurchased and held in treasury		(276,994)				(276,994)
Common stock issued to Directors and (held in)/released from treasury		(391)				(391)
Balance at June 30, 2022	<u>\$ 1,336</u>	<u>\$ (5,699,069)</u>	<u>\$ 1,492,334</u>	<u>\$ 3,243,654</u>	<u>\$ (64,701)</u>	<u>\$ (1,026,446)</u>

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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

(unaudited)	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities		
Net income	\$ 485,553	\$ 439,010
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	50,821	43,899
Stock-based compensation expense	37,231	34,419
Depreciation and amortization of property, equipment and leasehold improvements	10,659	13,299
Amortization of right of use assets	11,586	12,491
Loss on impairment of right of use assets, net	—	705
Amortization of debt origination fees	2,526	2,607
Deferred taxes	(11,766)	(22,826)
Other adjustments	5,978	2,511
Changes in assets and liabilities:		
Accounts receivable	50,985	70,131
Prepaid income taxes	(32,729)	(10,686)
Prepaid and other assets	5,836	6,768
Other non-current assets	(3,109)	(5,726)
Accounts payable	(7,850)	(4,906)
Income taxes payable	3,547	(18,407)
Accrued compensation and related benefits	(65,529)	(97,272)
Other accrued liabilities	2,869	6,703
Deferred revenue	23,443	(2,731)
Long-term operating lease liabilities	(10,396)	(13,085)
Other non-current liabilities	(3,515)	4,098
Other	(195)	(4,129)
Net cash provided by operating activities	555,945	456,873
Cash flows from investing activities		
Capitalized software development costs	(32,663)	(29,699)
Capital expenditures	(15,378)	(4,737)
Other	(389)	23
Net cash used in investing activities	(48,430)	(34,413)
Cash flows from financing activities		
Repurchase of common stock held in treasury	(485,417)	(1,158,513)
Payment of dividends	(222,260)	(171,936)
Repayment of borrowings	(4,375)	(5,000)
Proceeds from borrowings, inclusive of premium	—	355,000
Payment of debt issuance costs in connection with debt	—	(2,277)
Payment of contingent consideration	—	(210)
Net cash (used in) provided by financing activities	(712,052)	(982,936)
Effect of exchange rate changes	3,302	(18,673)
Net (decrease) increase in cash, cash equivalents and restricted cash	(201,235)	(579,149)
Cash, cash equivalents and restricted cash, beginning of period	993,564	1,421,449
Cash, cash equivalents and restricted cash, end of period	\$ 792,329	\$ 842,300
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 90,661	\$ 78,185
Cash paid for income taxes, net of refunds received	\$ 138,587	\$ 124,034
Supplemental disclosure of non-cash investing activities		
Property, equipment and leasehold improvements in other accrued liabilities	\$ 5,567	\$ 4,928
Supplemental disclosure of non-cash financing activities		
Cash dividends declared, but not yet paid	\$ 1,014	\$ 2,765

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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”) is a leading provider of critical decision support tools and solutions for the global investment community. Our mission-critical offerings help investors address the challenges of a transforming investment landscape and power better investment decisions. Leveraging our knowledge of the global investment process and our expertise in research, data and technology, we enable our clients to understand and analyze key drivers of risk and return and confidently and efficiently build more effective portfolios. Our products and services include indexes; portfolio construction and risk management tools; environmental, social and governance (“ESG”) and climate solutions; and real estate market and transaction data and analysis.

Basis of Presentation and Use of Estimates

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. If not materially different, certain note disclosures included therein have been omitted from these interim condensed consolidated financial statements.

In the opinion of management, all adjustments, which consist of normal recurring adjustments necessary for a fair statement of the interim consolidated financial statements, have been included. 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. The Company makes 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 operating revenues and expenses during the periods presented. Significant estimates and judgments made by management include such examples as assessment of impairment of goodwill and intangible assets and income taxes. 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. Inter-company balances and transactions are eliminated in consolidation.

Concentrations

For the six months ended June 30, 2023 and 2022, BlackRock, Inc. (“BlackRock”) accounted for 10.0% and 10.8% of the Company’s consolidated operating revenues, respectively. For the six months ended June 30, 2023 and 2022, BlackRock accounted for 16.9% and 18.0% of the Index segment’s operating revenues, respectively. No single customer represented 10.0% or more of operating revenues within the Analytics, ESG and Climate or All Other – Private Assets segments for the six months ended June 30, 2023 and 2022.

Restricted Cash

Restricted cash primarily relates to security deposits for certain operating leases that are legally restricted and unavailable for our general operations.

Allowance for Credit Losses

Changes in the allowance for credit losses from December 31, 2021 to June 30, 2023 were as follows:

(in thousands)	Amount
Balance as of December 31, 2021	\$ 2,337
Addition (reduction) to credit loss expense	910
Write-offs, net of recoveries	(595)
Balance as of December 31, 2022	\$ 2,652
Addition (reduction) to credit loss expense	927
Write-offs, net of recoveries	(645)
Balance as of June 30, 2023	<u>\$ 2,934</u>

2. RECENT ACCOUNTING PRONOUNCEMENTS

There are no recently issued accounting standards updates that are currently expected to have a material impact on the Company.

3. REVENUE RECOGNITION

MSCI's operating revenues are reported by product type, which generally reflects the timing of recognition. The Company's operating revenue types are recurring subscriptions, asset-based fees and non-recurring revenues. The Company also disaggregates operating revenues by segment.

The tables that follow present the disaggregated operating revenues for the periods indicated:

(in thousands)	For the Three Months Ended June 30, 2023				
	Segments				Total
	Index	Analytics	ESG and Climate	All Other - Private Assets	
Operating Revenue Types					
Recurring subscriptions	\$ 200,714	\$ 147,504	\$ 70,047	\$ 37,427	\$ 455,692
Asset-based fees	138,162	—	—	—	138,162
Non-recurring	23,440	2,377	1,172	314	27,303
Total	<u>\$ 362,316</u>	<u>\$ 149,881</u>	<u>\$ 71,219</u>	<u>\$ 37,741</u>	<u>\$ 621,157</u>

(in thousands)	For the Six Months Ended June 30, 2023				
	Segments				Total
	Index	Analytics	ESG and Climate	All Other - Private Assets	
Operating Revenue Types					
Recurring subscriptions	\$ 397,392	\$ 292,007	\$ 135,779	\$ 75,761	\$ 900,939
Asset-based fees	271,288	—	—	—	271,288
Non-recurring	33,018	4,944	2,498	688	41,148
Total	<u>\$ 701,698</u>	<u>\$ 296,951</u>	<u>\$ 138,277</u>	<u>\$ 76,449</u>	<u>\$ 1,213,375</u>

For the Three Months Ended June 30, 2022						
Segments						
(in thousands)	Index	Analytics	ESG and Climate	All Other - Private Assets	Total	
Operating Revenue Types						
Recurring subscriptions	\$ 179,711	\$ 139,497	\$ 54,037	\$ 33,804	\$ 407,049	
Asset-based fees	132,216	—	—	—	132,216	
Non-recurring	9,022	2,187	1,091	241	12,541	
Total	\$ 320,949	\$ 141,684	\$ 55,128	\$ 34,045	\$ 551,806	

For the Six Months Ended June 30, 2022						
Segments						
(in thousands)	Index	Analytics	ESG and Climate	All Other - Private Assets	Total	
Operating Revenue Types						
Recurring subscriptions	\$ 354,209	\$ 277,296	\$ 104,609	\$ 70,695	\$ 806,809	
Asset-based fees	277,269	—	—	—	277,269	
Non-recurring	20,230	4,185	2,548	710	27,673	
Total	\$ 651,708	\$ 281,481	\$ 107,157	\$ 71,405	\$ 1,111,751	

The tables that follow present the change in accounts receivable, net of allowances, and current deferred revenue between the dates indicated:

(in thousands)	Accounts receivable, net of allowances	Deferred revenue
Opening (December 31, 2022)	\$ 663,236	\$ 882,886
Closing (June 30, 2023)	612,885	909,623
Increase/(decrease)	\$ (50,351)	\$ 26,737

(in thousands)	Accounts receivable, net of allowances	Deferred revenue
Opening (December 31, 2021)	\$ 664,511	\$ 824,912
Closing (June 30, 2022)	586,815	808,020
Increase/(decrease)	\$ (77,696)	\$ (16,892)

The amounts of revenues recognized in the periods that were included in the opening current deferred revenue, which reflects contract liability amounts, were \$269.6 million and \$626.2 million for the three and six months ended June 30, 2023, respectively and \$232.9 million and \$572.6 million for the three and six months ended June 30, 2022, respectively. The difference between the opening and closing balances of the Company's deferred revenue is primarily driven by an increase in the amortization of deferred revenue to operating revenues, partially offset by an increase in billings. As of June 30, 2023 and December 31, 2022, the Company carried a long-term deferred revenue balance of \$28.5 million and \$29.4 million, respectively, in "Other non-current liabilities" on the 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:

(in thousands)	As of
	June 30, 2023
First 12-month period	\$ 682,799
Second 12-month period	419,674
Third 12-month period	186,009
Periods thereafter	121,348
Total	<u>\$ 1,409,830</u>

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. Diluted EPS reflects the assumed conversion of all dilutive securities, including, when applicable, restricted stock units (“RSUs”), performance stock units (“PSUs”) and performance stock options (“PSOs”).

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

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 246,825	\$ 210,587	\$ 485,553	\$ 439,01
Basic weighted average common shares outstanding	79,592	80,923	79,815	81,25
Effect of dilutive securities:				
PSUs, RSUs and PSOs	313	372	378	53
Diluted weighted average common shares outstanding	79,905	81,295	80,193	81,78
Earnings per common share:				
Basic	\$ 3.10	\$ 2.60	\$ 6.08	\$ 5.4
Diluted	\$ 3.09	\$ 2.59	\$ 6.05	\$ 5.3

5. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

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

(in thousands)	As of	
	June 30, 2023	December 31, 2022
Computer & related equipment	\$ 190,453	\$ 181,710
Furniture & fixtures	15,486	14,078
Leasehold improvements	57,687	54,040
Work-in-process	5,688	2,373
Subtotal	269,314	252,201
Accumulated depreciation and amortization	(208,348)	(198,348)
Property, equipment and leasehold improvements, net	<u>\$ 60,966</u>	<u>\$ 53,853</u>

Depreciation and amortization expense of property, equipment and leasehold improvements was \$5.2 million and \$6.8 million for the three months ended June 30, 2023 and 2022, respectively.

Depreciation and amortization expense of property, equipment and leasehold improvements was \$10.7 million and \$13.3 million for the six months ended June 30, 2023 and 2022, respectively.

6. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The following table presents goodwill by reportable segment:

(in thousands)	Index	Analytics	ESG and Climate	All Other - Private Assets	Total
Goodwill at December 31, 2022	\$ 1,201,622	\$ 290,976	\$ 48,047	\$ 689,025	\$ 2,229,670
Foreign exchange translation adjustment	1,726	—	—	1,063	2,789
Goodwill at June 30, 2023	\$ 1,203,348	\$ 290,976	\$ 48,047	\$ 690,088	\$ 2,232,459

Intangible Assets, Net

The following table presents the amount of amortization expense related to intangible assets by category for the periods indicated:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Amortization expense of acquired intangible assets	\$ 15,851	\$ 15,854	\$ 31,682	\$ 31,752
Amortization expense of internally developed capitalized software	10,303	6,325	19,139	12,147
Total amortization of intangible assets expense	\$ 26,154	\$ 22,179	\$ 50,821	\$ 43,899

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

(in thousands)	As of	
	June 30, 2023	December 31, 2022
Gross intangible assets:		
Customer relationships	\$ 532,500	\$ 532,500
Proprietary data	220,778	220,778
Acquired technology and software	209,220	209,220
Trademarks	208,190	208,190
Internally developed capitalized software	202,836	165,928
Subtotal	1,373,524	1,336,616
Foreign exchange translation adjustment	(9,864)	(13,214)
Total gross intangible assets	\$ 1,363,660	\$ 1,323,402
Accumulated amortization:		
Customer relationships	\$ (323,722)	\$ (308,437)
Proprietary data	(51,334)	(41,783)
Acquired technology and software	(181,891)	(179,833)
Trademarks	(166,832)	(162,044)
Internally developed capitalized software	(95,913)	(77,259)
Subtotal	(819,692)	(769,356)
Foreign exchange translation adjustment	2,457	4,471
Total accumulated amortization	\$ (817,235)	\$ (764,885)
Net intangible assets:		
Customer relationships	\$ 208,778	\$ 224,063
Proprietary data	169,444	178,995
Acquired technology and software	27,329	29,387
Trademarks	41,358	46,146
Internally developed capitalized software	106,923	88,670
Subtotal	553,832	567,260
Foreign exchange translation adjustment	(7,407)	(8,743)
Total net intangible assets	\$ 546,425	\$ 558,517

The following table presents the estimated amortization expense for the remainder of the year ending December 31, 2023 and succeeding years:

Years Ending December 31, (in thousands)	Amortization Expense
Remainder of 2023	\$ 54,950
2024	104,375
2025	79,120
2026	44,725
2027	36,644
Thereafter	226,611
Total	\$ 546,425

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2023, the Company had outstanding an aggregate of \$4,200.0 million in senior unsecured notes (collectively, the “Senior Notes”) and an aggregate of \$343.4 million in senior unsecured tranche A term loans (the “Tranche A Term Loans”) under the term loan A facility (the “TLA Facility”), as presented in the table below:

(in thousands)	Maturity Date	Principal Amount Outstanding at June 30, 2023	Carrying Value at June 30, 2023	Carrying Value at December 31, 2022	Fair Value at June 30, 2023	Fair Value at December 31, 2022
Debt						
4.000% senior unsecured notes due 2029	November 15, 2029	\$ 1,000,000	\$ 993,091	\$ 992,546	\$ 903,560	\$ 876,240
3.625% senior unsecured notes due 2030	September 1, 2030	900,000	895,256	894,925	780,624	751,113
3.875% senior unsecured notes due 2031	February 15, 2031	1,000,000	991,614	991,067	867,600	833,130
3.625% senior unsecured notes due 2031	November 1, 2031	600,000	594,524	594,195	514,422	500,880
3.250% senior unsecured notes due 2033	August 15, 2033	700,000	693,197	692,862	565,726	542,696
Variable rate Tranche A Term Loans due 2027	February 16, 2027	343,438	342,155	346,352	341,720	346,073
Total debt ⁽¹⁾		\$ 4,543,438	\$ 4,509,837	\$ 4,511,947	\$ 3,973,652	\$ 3,850,132

⁽¹⁾ Includes \$8.7 million of current-portion of long-term debt.

Maturities of the Company’s principal debt payments as of June 30, 2023 are as follows:

Maturity of Principal Debt Payments (in thousands)	Amounts
Remainder of 2023	\$ 4,375
2024	10,938
2025	19,687
2026	26,250
2027	282,188
Thereafter	4,200,000
Total debt	\$ 4,543,438

Interest payments attributable to the Company’s outstanding indebtedness are due as presented in the following table:

Senior Notes and Tranche A Term Loans	Interest payment frequency	First interest payment date
4.000% senior unsecured notes due 2029	Semi-Annual	May 15
3.625% senior unsecured notes due 2030	Semi-Annual	March 1
3.875% senior unsecured notes due 2031	Semi-Annual	June 1
3.625% senior unsecured notes due 2031	Semi-Annual	May 1
3.250% senior unsecured notes due 2033	Semi-Annual	February 15
Variable rate Tranche A Term Loans due 2027	Variable	July 11

The fair market value of the Company’s debt obligations represent Level 2 valuations. The Company utilized the market approach and obtained security pricing from a vendor who used broker quotes and third-party pricing services to determine fair values.

Credit Agreement. Since November 20, 2014, the Company has maintained a revolving credit agreement with a syndicate of banks. On June 9, 2022, the Company, the guarantors party thereto and the lenders and agents party thereto, entered into an Amended and Restated Credit Agreement (the “Credit Agreement”), amending and restating in its entirety the Company’s prior revolving credit agreement (the “Prior Revolving Credit Agreement”). The Credit Agreement makes available to the Company an aggregate of \$500.0 million of revolving loan commitments, which may be drawn until February 16, 2027, and the TLA Facility. At June 30, 2023, the revolving loan commitments were undrawn. As noted above, at June 30, 2023, the commitments under the TLA Facility were drawn in full, and the resulting Tranche A Term Loans mature on February 16, 2027. The obligations under the Credit Agreement are general unsecured obligations of the Company and the guarantors.

Interest on the Tranche A Term Loans under the TLA Facility accrues, at a variable rate, based on the secured overnight funding rate (“SOFR”) or the alternate base rate (“Base Rate”), plus, in each case, an applicable margin and will be due on each Interest Payment Date (as defined in the Credit Agreement). The applicable margin is calculated by reference to the Company’s Consolidated Leverage Ratio (as defined in the Credit Agreement) and ranges between 1.50% to 2.00% for SOFR loans, and 0.50% to 1.00% for Base Rate loans. At June 30, 2023, the interest rate on the TLA Facility was 7.19%.

In connection with the closings of the Senior Notes offerings, entry into the Prior Revolving Credit Agreement and the subsequent amendments thereto and entry into the Credit Agreement, the Company paid certain financing fees which, together with the existing fees related to prior credit facilities, are being amortized over their related lives. At June 30, 2023, \$35.5 million of the deferred financing fees and premium remain unamortized, \$0.5 million of which is included in “Prepaid and other assets,” \$1.4 million of which is included in “Other non-current assets” and \$33.6 million of which is included in “Long-term debt” on the Unaudited Condensed Consolidated Statement of Financial Condition.

8. LEASES

The components of lease expense (income) of the Company’s operating leases are as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating lease expenses	\$ 7,178	\$ 7,471	\$ 14,292	\$ 15,130
Variable lease costs	930	838	1,821	1,603
Short-term lease costs	188	69	439	210
Sublease income	(1,276)	(1,142)	(2,551)	(2,103)
Total lease costs	\$ 7,020	\$ 7,236	\$ 14,001	\$ 14,840

Maturities of the Company’s operating lease liabilities as of June 30, 2023 are as follows:

Maturity of Lease Liabilities (in thousands)	Operating Leases
Remainder of 2023	\$ 13,837
2024	26,936
2025	24,000
2026	22,267
2027	17,668
Thereafter	67,081
Total lease payments	\$ 171,789
Less: Interest	(21,827)
Present value of lease liabilities	\$ 149,962
Other accrued liabilities	\$ 22,737
Long-term operating lease liabilities	\$ 127,225

Weighted-average remaining lease term and discount rate for the Company’s operating leases are as follows:

Lease Term and Discount Rate	As of	
	June 30, 2023	December 31, 2022
Weighted-average remaining lease term (years)	7.45	7.86
Weighted-average discount rate	3.54 %	3.40 %

Other information related to the Company's operating leases are as follows:

Other Information (in thousands)	Six Months Ended June 30,	
	2023	2022
Operating cash flows used for operating leases	\$ 14,906	\$ 14,227
Right of use assets obtained in exchange for new operating lease liabilities	\$ 7,225	\$ 2,905

9. SHAREHOLDERS' EQUITY (DEFICIT)

Return of capital

On July 28, 2022, the Board of Directors authorized a stock repurchase program (the "2022 Repurchase Program") for the purchase of up to \$1,000.0 million worth of shares of MSCI's common stock in addition to the \$539.1 million of authorization then remaining under a previously existing share repurchase program that was replaced by, and incorporated into, the 2022 Repurchase Program for a total of \$1,539.1 million of stock repurchase authorization available under the 2022 Repurchase Program.

Share repurchases made pursuant to the 2022 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, 2023, there was \$863.5 million of available authorization remaining under the 2022 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 (in thousands, except per share data)	Average Price Paid Per Share	Total Number of Shares Repurchased	Dollar Value of Shares Repurchased ⁽¹⁾
June 30, 2023	\$ 468.31	941	\$ 440,847
June 30, 2022	\$ 480.68	2,184	\$ 1,049,651

- (1) As of January 1, 2023, the Company's share repurchases in excess of issuances are subject to a 1% excise tax enacted by the Inflation Reduction Act. The values in this column exclude the 1% excise tax incurred on share repurchases. Any excise tax incurred is recognized as part of the cost of the shares acquired in the Unaudited Condensed Consolidated Statement of Shareholders' Equity (Deficit)

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 data)	Dividends			
	Per Share	Declared	Distributed	(Released)/Deferred
2023				
Three Months Ended March 31,	\$ 1.38	\$ 111,986	\$ 112,189	\$ (203)
Three Months Ended June 30,	1.38	110,383	110,147	236
Total	\$ 2.76	\$ 222,369	\$ 222,336	\$ 33
2022				
Three Months Ended March 31,	\$ 1.04	\$ 87,280	\$ 87,846	\$ (566)
Three Months Ended June 30,	1.04	84,593	84,189	404
Total	\$ 2.08	\$ 171,873	\$ 172,035	\$ (162)

Common Stock

The following table presents activity related to shares of common stock issued and repurchased during the six months ended June 30, 2023:

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Balance at December 31, 2022	133,623,005	(53,663,016)	79,959,989
Dividend payable/paid	24	—	24
Common stock issued	181,875	—	181,875
Shares withheld for tax withholding	—	(78,844)	(78,844)
Shares repurchased under stock repurchase programs	—	—	—
Shares issued to directors	58	(58)	—
Balance at March 31, 2023	133,804,962	(53,741,918)	80,063,044
Dividend payable/paid	—	—	—
Common stock issued	2,698	—	2,698
Shares withheld for tax withholding	—	(1,270)	(1,270)
Shares repurchased under stock repurchase programs	—	(941,360)	(941,360)
Shares issued to directors	5,306	(1,515)	3,791
Balance at June 30, 2023	133,812,966	(54,686,063)	79,126,903

10. INCOME TAXES

The Company's provision for income taxes was \$98.0 million and \$70.0 million for the six months ended June 30, 2023 and 2022, respectively.

The effective tax rate of 16.8% for the six months ended June 30, 2023 reflects the Company's estimate of the effective tax rate for the period and was impacted by certain favorable discrete items totaling \$16.4 million, primarily related to \$11.2 million of excess tax benefits recognized on share-based compensation vested during the period and \$5.2 million related to prior-year items.

The effective tax rate of 13.7% for the six months ended June 30, 2022 reflects the Company's estimate of the effective tax rate for the period and was impacted by certain favorable discrete items totaling \$27.2 million, primarily related to \$28.3 million of excess tax benefits recognized on share-based compensation vested during the period.

The Company is under or open to examination by the IRS and other tax authorities in certain jurisdictions, including foreign jurisdictions, such as the United Kingdom, Switzerland and India, and states in the United States in which the Company has significant operations, such as New York and California. The tax years currently under or open to examination vary by jurisdiction but include years from 2008 onwards.

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. Based on the current status of income tax audits, the Company believes it is reasonably possible that the total amount of unrecognized benefits may decrease by approximately \$22.9 million in the next twelve months as a result of the resolution of prior-year items.

During the three and six months ended June 30, 2023, the Company's unrecognized tax benefits decreased by \$1.0 million and \$4.8 million, respectively, principally due to the resolution of prior-year items.

11. SEGMENT INFORMATION

The Company has five operating segments: Index, Analytics, ESG and Climate, Real Assets and The Burgiss Group, LLC ("Burgiss"), which are presented as the following four reportable segments: Index, Analytics, ESG and Climate and All Other – Private Assets.

The Index operating segment offers equity and fixed income indexes. The indexes are used in many areas of the investment process, including for developing indexed financial products (e.g., Exchange Traded Funds (“ETFs”), mutual funds, annuities, futures, options, structured products and over-the-counter derivatives), performance benchmarking, 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 tools for analyzing market, credit, liquidity, counterparty and climate risk across all major asset classes, spanning short-, medium- and long-term time horizons. Clients access Analytics tools and content through MSCI’s proprietary applications and application programming interfaces, third-party applications or directly through their own platforms. Additionally, the Analytics operating segment also provides various managed services to help clients operate more efficiently, including consolidation of client portfolio data from various sources, review and reconciliation of input data and results, and customized reporting.

The ESG and Climate operating segment offers products and services that help institutional investors understand how ESG and climate considerations can impact the long-term risk and return of their portfolio and individual security-level investments. In addition, the ESG and Climate operating segment provides data, ratings, research and tools to help investors navigate increasing regulation, meet new client demands and better integrate ESG and climate elements into their investment processes.

The Real Assets operating segment offers data, benchmarks, return-analytics, climate assessments and market insights for tangible assets such as real estate and infrastructure. In addition, Real Assets performance and risk analytics range from enterprise-wide to property-specific analysis. The Real Assets operating segment also provides business intelligence products to real estate owners, managers, developers and brokers worldwide.

The Burgiss operating segment represents the Company’s equity method investment in Burgiss, a global provider of investment decision support tools for private capital.

The Chief Operating Decision Maker (“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 certain non-recurring acquisition-related integration and transaction costs, 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 following table presents operating revenues by reportable segment for the periods indicated:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating revenues				
Index	\$ 362,316	\$ 320,949	\$ 701,698	\$ 651,708
Analytics	149,881	141,684	296,951	281,481
ESG and Climate	71,219	55,128	138,277	107,157
All Other - Private Assets	37,741	34,045	76,449	71,405
Total	\$ 621,157	\$ 551,806	\$ 1,213,375	\$ 1,111,751

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

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Index Adjusted EBITDA	\$ 277,070	\$ 245,170	\$ 530,752	\$ 491,045
Analytics Adjusted EBITDA	65,149	62,961	125,929	113,850
ESG and Climate Adjusted EBITDA	22,798	14,332	40,674	26,424
All Other - Private Assets Adjusted EBITDA	12,289	8,681	24,680	18,369
Total operating segment profitability	377,306	331,144	722,035	649,688
Amortization of intangible assets	26,154	22,179	50,821	43,899
Depreciation and amortization of property, equipment and leasehold improvements	5,199	6,765	10,659	13,299
Acquisition-related integration and transaction costs ⁽¹⁾	—	1,819	—	3,131
Operating income	345,953	300,381	660,555	589,359
Other expense (income), net	38,795	40,349	77,025	80,384
Provision for income taxes	60,333	49,445	97,977	69,965
Net income	\$ 246,825	\$ 210,587	\$ 485,553	\$ 439,010

⁽¹⁾ Incremental and non-recurring costs attributable to acquisitions directly related to the execution of the transaction and integration of the acquired business that have occurred no later than 12 months after the close of the transaction.

Operating revenues by geography are primarily based on the shipping address of the ultimate customer utilizing the product. The following table presents operating revenues by geographic area for the periods indicated:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating revenues				
Americas:				
United States	\$ 256,434	\$ 229,732	\$ 494,850	\$ 463,088
Other	27,574	23,642	55,110	46,109
Total Americas	284,008	253,374	549,960	509,197
Europe, the Middle East and Africa ("EMEA"):				
United Kingdom	99,692	89,187	191,352	176,173
Other	139,851	122,515	278,170	254,088
Total EMEA	239,543	211,702	469,522	430,261
Asia & Australia:				
Japan	24,285	22,843	50,302	46,033
Other	73,321	63,887	143,591	126,260
Total Asia & Australia	97,606	86,730	193,893	172,293
Total	\$ 621,157	\$ 551,806	\$ 1,213,375	\$ 1,111,751

Long-lived assets consist of property, equipment and leasehold improvements, right of use assets and internally developed capitalized software, net of accumulated depreciation and amortization. The following table presents long-lived assets by geographic area on the dates indicated:

(in thousands)	As of	
	June 30, 2023	December 31, 2022
Long-lived assets		
Americas:		
United States	\$ 198,657	\$ 179,453
Other	12,170	11,971
Total Americas	210,827	191,424
EMEA:		
United Kingdom	19,248	19,674
Other	23,678	23,099
Total EMEA	42,926	42,773
Asia & Australia:		
Japan	1,403	652
Other	34,362	32,962
Total Asia & Australia	35,765	33,614
Total	\$ 289,518	\$ 267,811

12. SUBSEQUENT EVENTS

Subsequent to the three months ended June 30, 2023 and through trade date of July 24, 2023, the Company repurchased an additional 38,263 shares of common stock at an average price of \$467.13 per share for a total value of \$17.9 million.

On July 24, 2023, the Board of Directors declared a quarterly cash dividend of \$1.38 per share for the three months ending September 30, 2023 (“third quarter 2023”). The third quarter 2023 dividend is payable on August 31, 2023 to shareholders of record as of the close of trading on August 11, 2023.

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, 2022 (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 solutions for the global investment community. Our mission-critical offerings help investors address the challenges of a transforming investment landscape and power better investment decisions. Leveraging our knowledge of the global investment process and our expertise in research, data and technology, we enable our clients to understand and analyze key drivers of risk and return and confidently and efficiently build more effective portfolios. We operate in four reportable segments as follows: Index, Analytics, ESG and Climate, and All Other – Private Assets. The operating segments of Real Assets and The Burgiss Group, LLC (“Burgiss”) do not individually meet the segment reporting thresholds and have been combined and presented as part of the All Other – Private Assets reportable segment.

Our growth strategy includes: (a) extending leadership in research-enhanced content across asset classes, (b) leading the enablement of ESG and climate investment integration, (c) enhancing distribution and content-enabling technology, (d) expanding solutions that empower client customization, (e) strengthening client relationships and growing into strategic partnerships with clients and (f) executing strategic relationships and acquisitions with complementary content and technology companies. For more information about our Company’s operations, see “Item 1: Business” in our Form 10-K.

As of June 30, 2023, we served approximately 6,600¹ clients in more than 95 countries.

Our principal business model is generally to license annual, recurring subscriptions for the majority of our Index, Analytics and ESG and Climate products and services for a fee due in advance of the service period. Real Assets products are also licensed annually through subscriptions, which are generally recurring, for a fee which is paid in advance when products are generally delivered ratably over the subscription period or in arrears after the product is delivered. A portion of our fees comes from clients who use our indexes as the basis for index-linked investment products. Such fees are primarily based on a client’s assets under management (“AUM”), trading volumes and fee levels.

In evaluating our financial performance, we focus on revenue and profit growth, including results accounted for under generally accepted accounting principles in the United States (“GAAP”) as well as non-GAAP measures, for the Company as a whole and by operating segment.

We present revenues disaggregated by types and by segments, which represent our major product lines. We also review expenses by activity, which provides more transparency into how resources are being deployed. In addition, we utilize operating metrics including Run Rate, subscription sales and Retention Rate to manage and assess performance and to provide deeper insights into the recurring portion of our business.

In the discussion that follows, we provide certain variances excluding the impact of foreign currency exchange rate fluctuations and acquisitions. 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 three-fifths of the AUM is 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.

For the six months ended June 30, 2023, our largest client organization by revenue, BlackRock, accounted for 10.0% of our consolidated operating revenues, with 95.3% of the operating revenues from BlackRock coming from fees based on the assets in BlackRock’s ETFs and non-ETFs that are based on our indexes.

¹ Represents the aggregate of all related clients under their respective parent entity.

The discussion of our results of operations for the three and six months ended June 30, 2023 and 2022 are presented below. The results of operations for interim periods may not be indicative of future results.

Results of Operations

Operating Revenues

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

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Recurring subscriptions	\$ 455,692	\$ 407,049	12.0 %	\$ 900,939	\$ 806,809	11.7 %
Asset-based fees	138,162	132,216	4.5 %	271,288	277,269	(2.2 %)
Non-recurring	27,303	12,541	117.7 %	41,148	27,673	48.7 %
Total operating revenues	\$ 621,157	\$ 551,806	12.6 %	\$ 1,213,375	\$ 1,111,751	9.1 %

Total operating revenues increased 12.6% for the three months ended June 30, 2023. Adjusting for the impact of foreign currency exchange rate fluctuations, total operating revenues would have increased 12.8%.

Operating revenues from recurring subscriptions increased 12.0% for the three months ended June 30, 2023, primarily driven by strong growth in Index products, which increased \$21.0 million, or 11.7%, ESG and Climate products, which increased \$16.0 million, or 29.6%, and Analytics products, which increased \$8.0 million, or 5.7%. Adjusting for the impact of foreign currency exchange rate fluctuations, operating revenues from recurring subscriptions would have increased 12.2%.

Operating revenues from non-recurring revenues increased 117.7% for the three months ended June 30, 2023, primarily driven by one-time license fees related to prior periods, as well as non-recurring licensed data products.

Operating revenues from asset-based fees increased 4.5% for the three months ended June 30, 2023, mainly driven by a growth in revenues from ETFs linked to MSCI equity indexes and non-ETF indexed funds linked to MSCI indexes, partially offset by a decrease in revenues from exchange traded futures and options contracts linked to MSCI indexes. Operating revenues from ETFs linked to MSCI equity indexes increased by 4.7%, primarily driven by increases in average AUM. Operating revenues from non-ETF indexed funds linked to MSCI indexes increased by 7.8%, primarily driven by an increase in average basis point fees, partially offset by a decrease in average AUM. Operating revenues from exchange traded futures and options contracts linked to MSCI indexes decreased by 11.4%, driven by exchange fees and volume decreases.

Total operating revenues increased 9.1% for the six months ended June 30, 2023. Adjusting for the impact of foreign currency exchange rate fluctuations, total operating revenues would have increased 10.0%.

Operating revenues from recurring subscriptions increased 11.7% for the six months ended June 30, 2023, primarily driven by strong growth in Index products, which increased \$43.2 million, or 12.2%, ESG and Climate products, which increased \$31.2 million, or 29.8%, and Analytics products, which increased \$14.7 million, or 5.3%. Adjusting for the impact of foreign currency exchange rate fluctuations, operating revenues from recurring subscriptions would have increased 12.8%.

Operating revenues from non-recurring revenues increased 48.7% for the six months ended June 30, 2023, primarily driven by one-time license fees related to prior periods, as well as non-recurring licensed data products.

Operating revenues from asset-based fees decreased 2.2% for the six months ended June 30, 2023, primarily driven by a decline in revenues from non-ETF indexed funds linked to MSCI indexes and exchange traded futures and options contracts linked to MSCI indexes. Operating revenues from non-ETF indexed funds linked to MSCI indexes decreased by 8.5%, primarily driven by a decrease in average AUM, partially offset by an increase in average basis point fees. Operating revenues from exchange traded futures and options contracts linked to MSCI indexes decreased by 7.9%, driven by exchange fees and volume decrease.

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

(in billions)	Period Ended					
	2022				2023	
	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,
AUM in ETFs linked to MSCI equity indexes ^{(1), (2)}	\$ 1,389.3	\$ 1,189.5	\$ 1,081.2	\$ 1,222.9	\$ 1,305.4	\$ 1,372.5
Sequential Change in Value						
Market Appreciation/(Depreciation)	\$ (89.7)	\$ (207.3)	\$ (105.7)	\$ 118.8	\$ 75.1	\$ 48.4
Cash Inflows	27.4	7.5	(2.6)	22.9	7.4	18.7
Total Change	\$ (62.3)	\$ (199.8)	\$ (108.3)	\$ 141.7	\$ 82.5	\$ 67.1

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

(in billions)	2022				2023	
	March	June	September	December	March	June
AUM in ETFs linked to MSCI equity indexes ^{(1), (2)}						
Quarterly average	\$ 1,392.5	\$ 1,285.4	\$ 1,208.9	\$ 1,182.1	\$ 1,287.5	\$ 1,333.8
Year-to-date average	\$ 1,392.5	\$ 1,338.9	\$ 1,295.6	\$ 1,267.2	\$ 1,287.5	\$ 1,310.7

⁽¹⁾ The historical values of the AUM in ETFs linked to our equity 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 Equity Indexes” on our Investor Relations homepage at <http://ir.msci.com>. This information is updated mid-month each month. Information contained on our website is not deemed part of or incorporated by reference into this Quarterly Report on Form 10-Q or any other report filed with the SEC. The AUM in ETFs also includes AUM in Exchange Traded Notes, the value of which is less than 1.0% of the AUM amounts presented.

⁽²⁾ The value of AUM in ETFs linked to MSCI equity indexes is calculated by multiplying the equity ETF net asset value by the number of shares outstanding.

The average value of AUM in ETFs linked to MSCI equity indexes for the three months ended June 30, 2023, was up \$48.4 billion, or 3.8% . For the six months ended June 30, 2023, it was down \$28.2 billion, or 2.1%.

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Operating revenues:						
Index						
Recurring subscriptions	\$ 200,714	\$ 179,711	11.7 %	\$ 397,392	\$ 354,209	12.2 %
Asset-based fees	138,162	132,216	4.5 %	271,288	277,269	(2.2 %)
Non-recurring	23,440	9,022	159.8 %	33,018	20,230	63.2 %
Index total	362,316	320,949	12.9 %	701,698	651,708	7.7 %
Analytics						
Recurring subscriptions	147,504	139,497	5.7 %	292,007	277,296	5.3 %
Non-recurring	2,377	2,187	8.7 %	4,944	4,185	18.1 %
Analytics total	149,881	141,684	5.8 %	296,951	281,481	5.5 %
ESG and Climate						
Recurring subscriptions	70,047	54,037	29.6 %	135,779	104,609	29.8 %
Non-recurring	1,172	1,091	7.4 %	2,498	2,548	(2.0 %)
ESG and Climate total	71,219	55,128	29.2 %	138,277	107,157	29.0 %
All Other - Private Assets						
Recurring subscriptions	37,427	33,804	10.7 %	75,761	70,695	7.2 %
Non-recurring	314	241	30.3 %	688	710	(3.1 %)
All Other - Private Assets total	37,741	34,045	10.9 %	76,449	71,405	7.1 %
Total operating revenues	\$ 621,157	\$ 551,806	12.6 %	\$ 1,213,375	\$ 1,111,751	9.1 %

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. Cost of revenues, selling and marketing, R&D and G&A all include both compensation as well as non-compensation related expenses.

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Operating expenses:						
Cost of revenues	\$ 110,066	\$ 100,768	9.2 %	\$ 218,713	\$ 203,539	7.5 %
Selling and marketing	67,988	61,073	11.3 %	134,463	127,126	5.8 %
Research and development	30,140	23,916	26.0 %	61,463	52,238	17.7 %
General and administrative	35,657	36,724	(2.9 %)	76,701	82,291	(6.8 %)
Amortization of intangible assets	26,154	22,179	17.9 %	50,821	43,899	15.8 %
Depreciation and amortization of property, equipment and leasehold improvements	5,199	6,765	(23.1 %)	10,659	13,299	(19.9 %)
Total operating expenses	\$ 275,204	\$ 251,425	9.5 %	\$ 552,820	\$ 522,392	5.8 %

Total operating expenses increased 9.5% for the three months ended June 30, 2023. Adjusting for the impact of foreign currency exchange rate fluctuations, the increase would have been 9.6%.

Total operating expenses increased 5.8% for the six months ended June 30, 2023. Adjusting for the impact of foreign currency exchange rate fluctuations, the increase would have been 7.4%.

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, cloud service, 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 9.2% for the three months ended June 30, 2023, reflecting increases across the Index, Analytics and ESG and Climate reportable segments, partially offset by decreases in the All Other – Private Assets reportable segment. The change was driven by increases in compensation and benefits costs, primarily relating to higher wages and salaries and benefits costs, as well as increases in non-compensation costs, primarily reflecting higher market data and recruiting costs.

Cost of revenues increased 7.5% for the six months ended June 30, 2023, reflecting increases across the Index, Analytics and ESG and Climate reportable segments, partially offset by decreases in the All Other – Private Assets reportable segment. The change was driven by increases in compensation and benefits costs, primarily relating to higher wages and salaries, as well as increases in non-compensation costs, primarily reflecting higher market data and recruiting costs.

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 departments associated with acquiring new business, including product management, research, technology and sales operations.

Selling and marketing expenses increased 11.3% for the three months ended June 30, 2023, reflecting increases across all reportable segments. The change was driven by increases in compensation and benefits costs, primarily relating to higher wages and salaries, incentive compensation and benefits costs, as well as increases in non-compensation costs, primarily reflecting increased marketing costs.

Selling and marketing expenses increased 5.8% for the six months ended June 30, 2023, reflecting increases across all reportable segments. The change was driven by increases in compensation and benefits costs, primarily relating to higher wages and salaries and incentive compensation costs, as well as increases in non-compensation costs, primarily reflecting increased marketing costs and travel and entertainment expenses.

Research and Development

R&D expenses consist of costs to develop new or enhance existing products and the costs to develop new or enhanced technologies 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 directly associated with these activities.

R&D expenses increased 26.0% for the three months ended June 30, 2023, reflecting increases across the ESG and Climate, Index and All Other - Private Assets reportable segments, partially offset by decreases in the Analytics reportable segment. The change was driven by increases in compensation and benefits costs, primarily relating to higher wages and salaries and incentive compensation costs, as well as increases in non-compensation costs, primarily reflecting higher information technology costs.

R&D expenses increased 17.7% for the six months ended June 30, 2023, reflecting increases across the ESG and Climate, Index and All Other - Private Assets reportable segments, partially offset by decreases in the Analytics reportable segment. The change was driven by increases in compensation and benefits costs, primarily relating to higher wages and salaries and incentive compensation costs, partially offset by increased capitalization of costs related to internally developed software projects. The change was also driven by increases in non-compensation costs, primarily relating to higher information technology 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 decreased 2.9% for the three months ended June 30, 2023, reflecting decreases across the All Other - Private Assets and Analytics reportable segments, partially offset by increases in the ESG and Climate and Index reportable segments. The change was driven by the absence of non-recurring transaction and integration costs related to the September 2021 acquisition of Real Capital Analytics, Inc. ("RCA") and lower non-compensation costs, primarily relating to lower professional fees. The change was partially offset by increases in compensation and benefits costs, primarily relating to higher incentive compensation costs, partially offset by lower severance costs.

G&A expenses decreased 6.8% for the six months ended June 30, 2023, reflecting decreases across the All Other - Private Assets, Analytics and Index reportable segments, partially offset by increases in the ESG and Climate reportable segment. The change was primarily driven by the absence of non-recurring transaction and integration costs related to the aforementioned acquisition of RCA and lower non-compensation costs, primarily relating to lower professional fees and other tax expenses. The change was partially offset by increases in compensation and benefits costs, primarily relating to higher incentive compensation costs, partially offset by lower severance costs.

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

(in thousands)	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2023	2022		2023	2022	
Compensation and benefits	\$ 174,172	\$ 154,242	12.9 %	\$ 355,751	\$ 334,080	6.5 %
Non-compensation expenses	69,679	68,239	2.1 %	135,589	131,114	3.4 %
Amortization of intangible assets	26,154	22,179	17.9 %	50,821	43,899	15.8 %
Depreciation and amortization of property, equipment and leasehold improvements	5,199	6,765	(23.1 %)	10,659	13,299	(19.9 %)
Total operating expenses	\$ 275,204	\$ 251,425	9.5 %	\$ 552,820	\$ 522,392	5.8 %

Compensation and Benefits

A significant portion of the incentive compensation component of operating expenses is based on the achievement of a number of financial and operating metrics. In a scenario where operating revenue growth and profitability moderate, incentive compensation would be expected to decrease accordingly.

We had 4,980 employees as of June 30, 2023, compared to 4,513 employees as of June 30, 2022, reflecting a 10.3% 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 benefits costs. As of June 30, 2023, 66.2% of our employees were located in emerging market centers compared to 64.1% as of June 30, 2022.

Compensation and benefits costs increased 12.9%, for the three months ended June 30, 2023, driven by an increase in wages and salaries, incentive compensation and benefits costs. Compensation and benefits costs increased 6.5% for the six months ended June 30, 2023, driven by an increase in wages and salaries and incentive compensation costs, partially offset by increased capitalization of expenses related to internally developed software projects and decreased benefits costs. Adjusting for the impact of foreign currency exchange rate fluctuations, compensation and benefits costs would have increased by 13.1% and 8.7%, respectively, for the three and six months ended June 30, 2023.

Non-Compensation Expenses

Fixed costs constitute a significant portion of the non-compensation component of operating expenses. The discretionary non-compensation component of operating expenses could, however, be reduced in the near-term in a scenario where operating revenue growth moderates.

Non-compensation expenses increased 2.1% for the three months ended June 30, 2023, primarily driven by higher information technology costs, partially offset by the absence of non-recurring transaction and integration costs related to the September 2021 acquisition of RCA.

Non-compensation expenses increased 3.4% for the six months ended June 30, 2023, primarily driven by higher information technology and market data costs, partially offset by the absence of non-recurring transaction and integration costs related to the September 2021 acquisition of RCA.

Amortization of Intangible Assets

Amortization of intangible assets expense relates to definite-lived intangible assets arising from past acquisitions and capitalization of internally developed software projects recognized over their estimated useful lives.

Amortization of intangible assets expense increased 17.9% and 15.8% for the three and six months ended June 30, 2023, respectively, primarily driven by higher amortization of internal use 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 computer and related equipment, leasehold improvements, software and furniture and fixtures over the estimated useful life of the assets.

Depreciation and amortization of property, equipment and leasehold improvements decreased 23.1% and 19.9% for the three and six months ended June 30, 2023, respectively, primarily driven by lower depreciation on computer and related equipment.

Total Other Expense (Income), Net

The following table shows our other expense (income), net for the periods indicated:

(in thousands)	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2023	2022		2023	2022	
Interest income	\$ (10,403)	\$ (924)	1025.9 %	\$ (20,765)	\$ (1,222)	1599.3 %
Interest expense	46,617	41,085	13.5 %	92,823	81,799	13.5 %
Other expense (income)	2,581	188	1272.9 %	4,967	(193)	(2673.6 %)
Total other expense (income), net	<u>\$ 38,795</u>	<u>\$ 40,349</u>	(3.9 %)	<u>\$ 77,025</u>	<u>\$ 80,384</u>	(4.2 %)

Total other expense (income), net decreased 3.9% and 4.2% for the three and six months ended June 30, 2023, respectively, primarily driven by higher interest income reflecting higher yields and higher cash balances, partially offset by higher interest expense due to higher average outstanding debt levels and the impact of foreign currency exchange rate fluctuations.

Income Taxes

The following table shows our income tax provision and effective tax rate for the periods indicated:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Provision for income taxes	\$ 60,333	\$ 49,445	22.0 %	\$ 97,977	\$ 69,965	40.0 %
Effective tax rate	19.6 %	19.0 %	3.2 %	16.8 %	13.7 %	22.6 %

The effective tax rate of 19.6% and 19.0% for the three months ended June 30, 2023 and 2022, respectively, reflects the Company's estimate of the effective tax rate for the period. The level of discrete items was not impactful to the effective tax rate for the period.

The effective tax rate of 16.8% for the six months ended June 30, 2023 reflects the Company's estimate of the effective tax rate for the period and was impacted by certain favorable discrete items totaling \$16.4 million, primarily related to \$11.2 million of excess tax benefits recognized on share-based compensation vested during the period and \$5.2 million related to prior-year items.

The effective tax rate of 13.7% for the six months ended June 30, 2022 reflects the Company's estimate of the effective tax rate for the period and was impacted by certain favorable discrete items totaling \$27.2 million, primarily related to \$28.3 million of excess tax benefits recognized on share-based compensation vested during the period.

Net Income

The following table shows our net income for the periods indicated:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Net income	\$ 246,825	\$ 210,587	17.2 %	\$ 485,553	\$ 439,010	10.6 %

As a result of the factors described above, net income increased 17.2% for the three months ended June 30, 2023, and increased 10.6% for the six months ended June 30, 2023.

Weighted Average Shares and Common Shares Outstanding

The following table shows our weighted average shares outstanding for the periods indicated:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Weighted average shares outstanding:						
Basic	79,592	80,923	(1.6 %)	79,815	81,255	(1.8 %)
Diluted	79,905	81,295	(1.7 %)	80,193	81,789	(2.0 %)

The following table shows our common shares outstanding for the periods indicated:

(in thousands)	As of		% Change
	June 30, 2023	December 31, 2022	
Common shares outstanding	79,127	79,960	(1.0 %)

The decrease in weighted average shares and common shares outstanding primarily reflects the impact of share repurchases made pursuant to the stock repurchase program.

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, when applicable, certain non-recurring acquisition-related integration and transaction costs.

“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, when applicable, certain non-recurring acquisition-related integration and transaction costs.

“Adjusted EBITDA margin” is defined as Adjusted EBITDA divided by operating revenues.

Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA expenses are believed to be meaningful measures for management to assess 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 certain capital spending and acquisitions that do not directly affect what management considers to be the Company’s ongoing operating performance in the period. All companies do not calculate adjusted EBITDA, adjusted EBITDA margin 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, Adjusted EBITDA margin and Adjusted EBITDA expenses measures may not be comparable to similarly titled measures computed by other companies.

The following table presents non-GAAP Adjusted EBITDA for the periods indicated:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Operating revenues	\$ 621,157	\$ 551,806	12.6 %	\$ 1,213,375	\$ 1,111,751	9.1 %
Adjusted EBITDA expenses	243,851	220,662	10.5 %	491,340	462,063	6.3 %
Adjusted EBITDA	<u>\$ 377,306</u>	<u>\$ 331,144</u>	13.9 %	<u>\$ 722,035</u>	<u>\$ 649,688</u>	11.1 %
Operating margin %	55.7 %	54.4 %		54.4 %	53.0 %	
Adjusted EBITDA margin %	60.7 %	60.0 %		59.5 %	58.4 %	

The change in Adjusted EBITDA margin reflects changes in the rate of growth of Adjusted EBITDA expenses as compared to the rate of growth of operating revenues, driven by the factors previously described.

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

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Net income	\$ 246,825	\$ 210,587	17.2 %	\$ 485,553	\$ 439,010	10.6 %
Provision for income taxes	60,333	49,445	22.0 %	97,977	69,965	40.0 %
Other expense (income), net	38,795	40,349	(3.9 %)	77,025	80,384	(4.2 %)
Operating income	345,953	300,381	15.2 %	660,555	589,359	12.1 %
Amortization of intangible assets	26,154	22,179	17.9 %	50,821	43,899	15.8 %
Depreciation and amortization of property, equipment and leasehold improvements	5,199	6,765	(23.1 %)	10,659	13,299	(19.9 %)
Acquisition-related integration and transaction costs ⁽¹⁾	—	1,819	(100.0 %)	—	3,131	(100.0 %)
Consolidated Adjusted EBITDA	<u>\$ 377,306</u>	<u>\$ 331,144</u>	13.9 %	<u>\$ 722,035</u>	<u>\$ 649,688</u>	11.1 %
Index Adjusted EBITDA	277,070	245,170	13.0 %	530,752	491,045	8.1 %
Analytics Adjusted EBITDA	65,149	62,961	3.5 %	125,929	113,850	10.6 %
ESG and Climate Adjusted EBITDA	22,798	14,332	59.1 %	40,674	26,424	53.9 %
All Other - Private Assets Adjusted EBITDA	12,289	8,681	41.6 %	24,680	18,369	34.4 %
Consolidated Adjusted EBITDA	<u>\$ 377,306</u>	<u>\$ 331,144</u>	13.9 %	<u>\$ 722,035</u>	<u>\$ 649,688</u>	11.1 %

⁽¹⁾ Incremental and non-recurring costs attributable to acquisitions directly related to the execution of the transaction and integration of the acquired business that have occurred no later than 12 months after the close of the transaction.

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Total operating expenses	\$ 275,204	\$ 251,425	9.5 %	\$ 552,820	\$ 522,392	5.8 %
Amortization of intangible assets	26,154	22,179	17.9 %	50,821	43,899	15.8 %
Depreciation and amortization of property, equipment and leasehold improvements	5,199	6,765	(23.1 %)	10,659	13,299	(19.9 %)
Acquisition-related integration and transaction costs ⁽¹⁾	—	1,819	(100.0 %)	—	3,131	(100.0 %)
Consolidated Adjusted EBITDA expenses	<u>\$ 243,851</u>	<u>\$ 220,662</u>	10.5 %	<u>\$ 491,340</u>	<u>\$ 462,063</u>	6.3 %
Index Adjusted EBITDA expenses	85,246	75,779	12.5 %	170,946	160,663	6.4 %
Analytics Adjusted EBITDA expenses	84,732	78,723	7.6 %	171,022	167,631	2.0 %
ESG and Climate Adjusted EBITDA expenses	48,421	40,796	18.7 %	97,603	80,733	20.9 %
All Other - Private Assets Adjusted EBITDA expenses	25,452	25,364	0.3 %	51,769	53,036	(2.4 %)
Consolidated Adjusted EBITDA expenses	<u>\$ 243,851</u>	<u>\$ 220,662</u>	10.5 %	<u>\$ 491,340</u>	<u>\$ 462,063</u>	6.3 %

⁽¹⁾ Incremental and non-recurring costs attributable to acquisitions directly related to the execution of the transaction and integration of the acquired business that have occurred no later than 12 months after the close of the transaction.

The discussion of the segment results is presented below.

Segment Results

Index Segment

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Operating revenues:						
Recurring subscriptions	\$ 200,714	\$ 179,711	11.7 %	\$ 397,392	\$ 354,209	12.2 %
Asset-based fees	138,162	132,216	4.5 %	271,288	277,269	(2.2 %)
Non-recurring	23,440	9,022	159.8 %	33,018	20,230	63.2 %
Operating revenues total	362,316	320,949	12.9 %	701,698	651,708	7.7 %
Adjusted EBITDA expenses	85,246	75,779	12.5 %	170,946	160,663	6.4 %
Adjusted EBITDA	\$ 277,070	\$ 245,170	13.0 %	\$ 530,752	\$ 491,045	8.1 %
Adjusted EBITDA margin %	76.5 %	76.4 %		75.6 %	75.3 %	

Index operating revenues increased 12.9% for the three months ended June 30, 2023, primarily driven by strong growth from both recurring subscriptions and non-recurring revenues. Adjusting for the impact of foreign currency exchange rate fluctuations, Index operating revenues would have increased 13.0%.

Operating revenues from recurring subscriptions increased 11.7% for the three months ended June 30, 2023, primarily driven by strong growth from both market cap-weighted and factor, ESG and climate Index products.

Operating revenues from non-recurring revenues increased 159.8% for the three months ended June 30, 2023, primarily driven by one-time license fees related to prior periods, as well as non-recurring licensed data products.

Operating revenues from asset-based fees increased 4.5% for the three months ended June 30, 2023, mainly driven by a growth in revenues from ETFs linked to MSCI equity indexes and non-ETF indexed funds linked to MSCI indexes, partially offset by a decrease in revenues from exchange traded futures and options contracts linked to MSCI indexes. Operating revenues from ETFs linked to MSCI equity indexes increased by 4.7%, primarily driven by increases in average AUM. Operating revenues from non-ETF indexed funds linked to MSCI indexes increased by 7.8%, primarily driven by an increase in average basis point fees, partially offset by a decrease in average AUM. Operating revenues from exchange traded futures and options contracts linked to MSCI indexes decreased by 11.4%, driven by exchange fees and volume decreases.

Index segment Adjusted EBITDA expenses increased 12.5% for the three months ended June 30, 2023, primarily driven by higher compensation expenses across all expense activity categories. The increase reflects higher wages and salaries, incentive compensation and benefits costs. Adjusting for the impact of foreign currency exchange rate fluctuations, Index segment Adjusted EBITDA expenses would have increased by 12.4%.

Index operating revenues increased 7.7% for the six months ended June 30, 2023, primarily driven by strong growth from both recurring subscriptions and non-recurring revenues. Adjusting for the impact of foreign currency exchange rate fluctuations, Index operating revenues would have increased 7.9%.

Operating revenues from recurring subscriptions increased 12.2% for the six months ended June 30, 2023, primarily driven by strong growth from both market cap-weighted and factor, ESG and climate Index products.

Operating revenues from non-recurring revenues increased 63.2% for the six months ended June 30, 2023, primarily driven by one-time license fees related to prior periods, as well as non-recurring licensed data products.

Operating revenues from asset-based fees decreased 2.2% for the six months ended June 30, 2023, primarily driven by a decline in revenues from non-ETF indexed funds linked to MSCI indexes and exchange traded futures and options contracts linked to MSCI indexes. Operating revenues from non-ETF indexed funds linked to MSCI indexes decreased by 8.5%, primarily driven by a decrease in average AUM, partially offset by an increase in average basis point fees. Operating revenues from exchange traded futures and options contracts linked to MSCI indexes decreased by 7.9%, driven by exchange fees and volume decreases.

Index segment Adjusted EBITDA expenses increased 6.4% for the six months ended June 30, 2023, driven by higher compensation and non-compensation expenses across the cost of revenues, R&D and selling and marketing expense activity categories, partially offset by lower non-compensation expenses in the G&A expense activity category. The increase was primarily driven by higher wages and salaries and incentive compensation costs, partially offset by lower benefits costs. Adjusting for the impact of foreign currency exchange rate fluctuations, Index segment Adjusted EBITDA expenses would have increased by 8.1%.

Analytics Segment

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Operating revenues:						
Recurring subscriptions	\$ 147,504	\$ 139,497	5.7 %	\$ 292,007	\$ 277,296	5.3 %
Non-recurring	2,377	2,187	8.7 %	4,944	4,185	18.1 %
Operating revenues total	149,881	141,684	5.8 %	296,951	281,481	5.5 %
Adjusted EBITDA expenses	84,732	78,723	7.6 %	171,022	167,631	2.0 %
Adjusted EBITDA	\$ 65,149	\$ 62,961	3.5 %	\$ 125,929	\$ 113,850	10.6 %
Adjusted EBITDA margin %	43.5 %	44.4 %		42.4 %	40.4 %	

Analytics operating revenues increased 5.8% for the three months ended June 30, 2023, primarily driven by growth from recurring subscriptions related to both Equity Analytics and Multi-Asset Class products. Adjusting for the impact of foreign currency exchange rate fluctuations, Analytics operating revenues would have increased 6.0%.

Analytics segment Adjusted EBITDA expenses increased 7.6% for the three months ended June 30, 2023, driven by higher compensation expenses across all expense activity categories reflecting higher wages and salaries, decreased capitalization of expenses related to internally developed software projects and higher incentive compensation costs. Adjusting for the impact of foreign currency exchange rate fluctuations, Analytics segment Adjusted EBITDA expenses would have increased 7.6%.

Analytics operating revenues increased 5.5% for the six months ended June 30, 2023, primarily driven by growth from recurring subscriptions related to both Multi-Asset Class and Equity Analytics products. Adjusting for the impact of foreign currency exchange rate fluctuations, Analytics operating revenues would have increased 6.0%.

Analytics segment Adjusted EBITDA expenses increased 2.0% for the six months ended June 30, 2023, driven by higher compensation expenses across the cost of revenues and selling and marketing expense activity categories partially offset by lower compensation expenses in the R&D and G&A expense activity categories. The increase was primarily driven by increased wages and salaries, decreased capitalization of expenses related to internally developed software projects and higher incentive compensation costs, partially offset by lower benefits costs. Adjusting for the impact of foreign currency exchange rate fluctuations, Analytics segment Adjusted EBITDA expenses would have increased 3.4%.

ESG and Climate Segment

The following table presents the results for the ESG and Climate segment for the periods indicated:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Operating revenues:						
Recurring subscriptions	\$ 70,047	\$ 54,037	29.6 %	\$ 135,779	\$ 104,609	29.8 %
Non-recurring	1,172	1,091	7.4 %	2,498	2,548	(2.0 %)
Operating revenues total	71,219	55,128	29.2 %	138,277	107,157	29.0 %
Adjusted EBITDA expenses	48,421	40,796	18.7 %	97,603	80,733	20.9 %
Adjusted EBITDA	\$ 22,798	\$ 14,332	59.1 %	\$ 40,674	\$ 26,424	53.9 %
Adjusted EBITDA margin %	32.0 %	26.0 %		29.4 %	24.7 %	

ESG and Climate operating revenues increased 29.2% for the three months ended June 30, 2023, primarily driven by strong growth from recurring subscriptions related to Ratings, Climate and Screening products. Adjusting for the impact of foreign currency exchange rate fluctuations, ESG and Climate operating revenues would have increased 29.3%.

ESG and Climate segment Adjusted EBITDA expenses increased 18.7% for the three months ended June 30, 2023, primarily driven by higher compensation expenses across all expense activity categories as a result of increased wages and salaries, incentive compensation and benefits costs due to higher headcount, partially offset by increased capitalization of expenses related to internally developed software projects. Adjusting for the impact of foreign currency exchange rate fluctuations, ESG and Climate segment Adjusted EBITDA expenses would have increased 19.2%.

ESG and Climate operating revenues increased 29.0% for the six months ended June 30, 2023, primarily driven by strong growth from recurring subscriptions related to Ratings, Climate and Screening products. Adjusting for the impact of foreign currency exchange rate fluctuations, ESG and Climate operating revenues would have increased 33.4%.

ESG and Climate segment Adjusted EBITDA expenses increased 20.9% for the six months ended June 30, 2023, driven by higher compensation and non-compensation expenses across all expense activity categories. The increase was primarily driven by increased wages and salaries, incentive compensation and benefits costs as a result of increased headcount, as well as increased information technology costs. The increase was partially offset by increased capitalization of expenses related to internally developed software projects. Adjusting for the impact of foreign currency exchange rate fluctuations, ESG and Climate segment Adjusted EBITDA expenses would have increased 23.3%.

All Other – Private Assets Segment

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Operating revenues:						
Recurring subscriptions	\$ 37,427	\$ 33,804	10.7 %	\$ 75,761	\$ 70,695	7.2 %
Non-recurring	314	241	30.3 %	688	710	(3.1 %)
Operating revenues total	37,741	34,045	10.9 %	76,449	71,405	7.1 %
Adjusted EBITDA expenses	25,452	25,364	0.3 %	51,769	53,036	(2.4 %)
Adjusted EBITDA	\$ 12,289	\$ 8,681	41.6 %	\$ 24,680	\$ 18,369	34.4 %
Adjusted EBITDA margin %	32.6 %	25.5 %		32.3 %	25.7 %	

All Other – Private Assets operating revenues increased 10.9% for the three months ended June 30, 2023, primarily driven by growth from recurring subscriptions related to growth from Index Intel, Performance Insights, and RCA products, partially offset by unfavorable foreign currency exchange rate fluctuations. Adjusting for the impact of foreign currency exchange rate fluctuations, All Other – Private Assets operating revenues would have increased 11.9%.

All Other – Private Assets segment Adjusted EBITDA expenses were relatively flat across all expense activity categories with a minor increase in information technology costs for the three months ended June 30, 2023. Adjusting for the impact of foreign currency exchange rate fluctuations, All Other - Private Assets segment Adjusted EBITDA expenses would have increased 1.4%.

All Other – Private Assets operating revenues increased 7.1% for the six months ended June 30, 2023, primarily driven by growth from recurring subscriptions related to growth from Index Intel and RCA products, partially offset by unfavorable foreign currency exchange rate fluctuations. Adjusting for the impact of foreign currency exchange rate fluctuations, All Other – Private Assets operating revenues would have increased 9.9%.

All Other – Private Assets segment Adjusted EBITDA expenses decreased 2.4% for the six months ended June 30, 2023, primarily driven by lower compensation expenses across the cost of revenues, G&A and selling and marketing expense activity categories, reflecting increased capitalization of expenses related to internally developed software projects and lower incentive compensation and wages and salaries. Adjusting for the impact of foreign currency exchange rate fluctuations, All Other - Private Assets segment Adjusted EBITDA expenses would have increased 0.3%.

Operating Metrics

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, or reach the end of the committed subscription period, 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, non-renewal or an indication the client does not intend to continue their subscription 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 or fee waiver 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;
- price changes or discounts;
- 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 the number of hedge funds for which we provide investment information and risk analysis to hedge fund investors;
- fluctuations in foreign currency exchange rates; and
- the impact of acquisitions and divestitures.

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

(in thousands)	As of		% Change
	June 30, 2023	June 30, 2022	
Index:			
Recurring subscriptions	\$ 818,780	\$ 732,081	11.8 %
Asset-based fees	557,414	520,092	7.2 %
Index total	1,376,194	1,252,173	9.9 %
Analytics	631,218	592,043	6.6 %
ESG and Climate	291,802	231,222	26.2 %
All Other - Private Assets	150,587	137,713	9.3 %
Total Run Rate	\$ 2,449,801	\$ 2,213,151	10.7 %
Recurring subscriptions total	\$ 1,892,387	\$ 1,693,059	11.8 %
Asset-based fees	557,414	520,092	7.2 %
Total Run Rate	\$ 2,449,801	\$ 2,213,151	10.7 %

Total Run Rate increased 10.7%, driven by an 11.8% increase from recurring subscriptions and a 7.2% increase from asset-based fees. Adjusting for the impact of foreign currency exchange rate fluctuations, recurring subscriptions Run Rate would have increased 11.3%.

Run Rate from Index recurring subscriptions increased 11.8%, primarily driven by strong growth from market cap-weighted products, custom Index products and special packages, and factor, ESG and climate products. The increase reflected growth across all regions and client segments.

Run Rate from Index asset-based fees increased 7.2%, driven by higher AUM in ETFs linked to MSCI equity indexes, partially offset by lower AUM in non-ETF indexed funds linked to MSCI indexes and lower exchange traded futures and options volume.

Run Rate from Analytics products increased 6.6%, primarily driven by strong growth in Equity Analytics products as well as growth in Multi-Asset Class products, and reflected growth across all regions. Adjusting for the impact of foreign currency exchange rate fluctuations, Analytics Run Rate would have increased 6.3%.

Run Rate from ESG and Climate products increased 26.2%, driven by strong growth in Ratings, Climate and Screening products. Adjusting for the impact of foreign currency exchange rate fluctuations, ESG and Climate Run Rate would have increased 24.1%.

Run Rate from All Other - Private Assets increased 9.3%, primarily driven by growth in RCA, Index Intel and Performance Insights products. Adjusting for the impact of foreign currency exchange rate fluctuations, All Other - Private Assets Run Rate would have increased 8.8%.

Sales

Sales represents the annualized value of products and services clients commit to purchase from MSCI and will result in additional operating revenues. Non-recurring sales represent the actual value of the customer agreements entered into during the period and are not a component of Run Rate. New recurring subscription sales represent additional selling activities, such as new customer agreements, additions to existing agreements or increases in price that occurred during the period and are additions to Run Rate. Subscription cancellations reflect client activities during the period, such as discontinuing products and services and/or

reductions in price, resulting in reductions to Run Rate. Net new recurring subscription sales represent the amount of new recurring subscription sales net of subscription cancellations during the period, which reflects the net impact to Run Rate during the period.

Total gross sales represent the sum of new recurring subscription sales and non-recurring sales. Total net sales represent the total gross sales net of the impact from subscription cancellations.

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

(in thousands)	Three Months Ended			Six Months Ended		
	June 30, 2023	June 30, 2022	% Change	June 30, 2023	June 30, 2022	% Change
New recurring subscription sales						
Index	\$ 31,088	\$ 27,946	11.2 %	\$ 56,178	\$ 50,363	11.5 %
Analytics	18,290	18,754	(2.5 %)	31,964	32,823	(2.6 %)
ESG and Climate	13,887	22,205	(37.5 %)	26,373	41,347	(36.2 %)
All Other - Private Assets	4,815	5,713	(15.7 %)	9,958	11,272	(11.7 %)
New recurring subscription sales total	68,080	74,618	(8.8 %)	124,473	135,805	(8.3 %)
Subscription cancellations						
Index	(8,133)	(7,161)	13.6 %	(15,215)	(13,081)	16.3 %
Analytics	(7,368)	(8,366)	(11.9 %)	(16,551)	(16,494)	0.3 %
ESG and Climate	(2,057)	(1,369)	50.3 %	(4,692)	(2,012)	133.2 %
All Other - Private Assets	(2,625)	(1,358)	93.3 %	(5,481)	(3,336)	64.3 %
Subscription cancellations total	(20,183)	(18,254)	10.6 %	(41,939)	(34,923)	20.1 %
Net new recurring subscription sales						
Index	22,955	20,785	10.4 %	40,963	37,282	9.9 %
Analytics	10,922	10,388	5.1 %	15,413	16,329	(5.6 %)
ESG and Climate	11,830	20,836	(43.2 %)	21,681	39,335	(44.9 %)
All Other - Private Assets	2,190	4,355	(49.7 %)	4,477	7,936	(43.6 %)
Net new recurring subscription sales total	47,897	56,364	(15.0 %)	82,534	100,882	(18.2 %)
Non-recurring sales						
Index	26,904	14,267	88.6 %	39,686	27,982	41.8 %
Analytics	4,158	2,418	72.0 %	5,528	5,907	(6.4 %)
ESG and Climate	1,315	870	51.1 %	2,534	2,178	16.3 %
All Other - Private Assets	594	455	30.5 %	807	607	32.9 %
Non-recurring sales total	32,971	18,010	83.1 %	48,555	36,674	32.4 %
Gross sales						
Index	\$ 57,992	\$ 42,213	37.4 %	\$ 95,864	\$ 78,345	22.4 %
Analytics	22,448	21,172	6.0 %	37,492	38,730	(3.2 %)
ESG and Climate	15,202	23,075	(34.1 %)	28,907	43,525	(33.6 %)
All Other - Private Assets	5,409	6,168	(12.3 %)	10,765	11,879	(9.4 %)
Total gross sales	\$ 101,051	\$ 92,628	9.1 %	\$ 173,028	\$ 172,479	0.3 %
Net sales						
Index	\$ 49,859	\$ 35,052	42.2 %	\$ 80,649	\$ 65,264	23.6 %
Analytics	15,080	12,806	17.8 %	20,941	22,236	(5.8 %)
ESG and Climate	13,145	21,706	(39.4 %)	24,215	41,513	(41.7 %)
All Other - Private Assets	2,784	4,810	(42.1 %)	5,284	8,543	(38.1 %)
Total net sales	\$ 80,868	\$ 74,374	8.7 %	\$ 131,089	\$ 137,556	(4.7 %)

A significant portion of MSCI's operating revenues are derived from subscriptions or licenses of products and services, which are provided over contractually-agreed periods of time that are subject to renewal or cancellation at the end of current contract terms.

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,	
	2023	2022	2023	2022
Index	95.8%	95.9%	96.1%	96.2%
Analytics	95.2%	94.3%	94.6%	94.4%
ESG and Climate	96.9%	97.3%	96.5%	98.0%
All Other - Private Assets	92.8%	96.0%	92.5%	95.1%
Total	95.5%	95.5%	95.4%	95.7%

Retention Rate is an important metric because subscription cancellations decrease our Run Rate and ultimately our future 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 or discontinue the subscription 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 and Climate operating 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 Assets operating 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-sell 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.

Retention Rate is generally higher during the first three quarters and lower in the fourth quarter, as the fourth 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. There have been no significant changes in our accounting policies since the end of the fiscal year ended December 31, 2022 or critical accounting estimates applied in the fiscal year ended December 31, 2022.

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, fund our working capital requirements for capital expenditures, investments, acquisitions and dividend payments, and make repurchases of our common stock. In connection with our business strategy, we regularly evaluate acquisition and strategic partnership 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

As of June 30, 2023, we had an aggregate of \$4,200.0 million in Senior Notes outstanding. In addition, under the Credit Agreement, we had as of June 30, 2023: (i) an aggregate of \$343.4 million in Tranche A Term Loans outstanding under the TLA Facility and (ii) \$500 million of undrawn borrowing capacity under the revolving credit facility. See Note 7, “Commitments and Contingencies,” of the Notes to Condensed Consolidated Financial Statements (Unaudited) included herein for additional information on our outstanding indebtedness and revolving credit facility.

The Senior Notes and the 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 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 Computershare, National Association, as trustee and successor to Wells Fargo Bank, National Association, contain covenants that limit our and 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 Credit Agreement governing the TLA Facility and the revolving credit facility also contains covenants that limit our and our subsidiaries’ ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make other distributions in respect of capital stock or engage in certain types of stock repurchases, redemptions and other restricted payments, enter into sale/leaseback transactions and consolidate, merge or sell all or substantially all of our assets.

The 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, and bankruptcy and insolvency events, and, in the case of the Credit Agreement, invalidity or impairment of loan documentation, change of control and customary ERISA defaults in addition to the foregoing. None of the restrictions detailed above are expected to impact our ability to effectively operate the business.

The 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 Credit Agreement: (1) the maximum Consolidated Leverage Ratio (as defined in the Credit Agreement) measured quarterly on a rolling four-quarter basis not to exceed 4.25:1.00 (or 4.50:1.00 for two fiscal quarters following a material acquisition) and (2) the minimum Consolidated Interest Coverage Ratio (as defined in the Credit Agreement) measured quarterly on a rolling four-quarter basis of at least 4.00:1.00. As of June 30, 2023, our Consolidated Leverage Ratio was 2.88:1.00 and our Consolidated Interest Coverage Ratio was 8.39:1.00.

Our non-guarantor subsidiaries under the Senior Notes and the Credit Agreement 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 \$1,442.5 million, or 61.4%, of our total revenue for the trailing 12 months ended June 30, 2023, approximately \$592.1 million, or 46.3%, of our consolidated operating income for the trailing 12 months ended June 30, 2023, and approximately \$950.9 million, or 20.0%, of our consolidated total assets (excluding intercompany assets) and \$863.4 million, or 14.5%, of our consolidated total liabilities, in each case as of June 30, 2023.

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 (in thousands except per share data)	Average Price Paid Per Share	Total Number of Shares Repurchased	Dollar Value of Shares Repurchased ⁽¹⁾
June 30, 2023	\$ 468.31	941	\$ 440,847
June 30, 2022	\$ 480.68	2,184	\$ 1,049,651

(1) As of January 1, 2023, the Company’s share repurchases in excess of issuances are subject to a 1% excise tax enacted by the Inflation Reduction Act. The values in this column exclude the 1% excise tax incurred on share repurchases. Any excise tax incurred is recognized as part of the cost of the shares acquired in the Unaudited Condensed Consolidated Statement of Shareholders’ Equity (Deficit)

As of June 30, 2023, there was \$863.5 million of available authorization remaining under the 2022 Repurchase Program. This authorization may be modified, suspended or terminated by the Board of Directors at any time without prior notice.

Cash Dividends

On July 24, 2023, the Board of Directors declared a quarterly cash dividend of \$1.38 per share for the three months ending September 30, 2023. The third quarter 2023 dividend is payable on August 31, 2023 to shareholders of record as of the close of trading on August 11, 2023.

Cash Flows

The following table presents the Company's cash and cash equivalents, including restricted cash, as of the dates indicated:

(in thousands)	As of	
	June 30, 2023	December 31, 2022
Cash and cash equivalents (includes restricted cash of \$3,885 and \$368 at June 30, 2023 and December 31, 2022, respectively)	\$ 792,329	\$ 993,564

We typically seek to maintain minimum cash balances globally of approximately \$225.0 million to \$275.0 million for general operating purposes. As of June 30, 2023 and December 31, 2022, \$282.3 million and \$344.5 million, respectively, of the Company's cash and cash equivalents were held by foreign subsidiaries. Repatriation of some foreign cash may be subject to certain withholding taxes in local jurisdictions and other distribution restrictions. We believe 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 revolving credit facility and our ability to access bank debt, private debt and the 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

(in thousands)	Six Months Ended June 30,	
	2023	2022
Net cash provided by operating activities	\$ 555,945	\$ 456,873
Net cash (used in) investing activities	(48,430)	(34,413)
Net cash (used in) provided by financing activities	(712,052)	(982,936)
Effect of exchange rate changes	3,302	(18,673)
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (201,235)	\$ (579,149)

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. The year-over-year change was primarily driven by higher cash collections from customers, partially offset by higher income tax payments and higher payments for interest expense.

Our primary uses of cash from operating activities are for the payment of cash compensation expenses, income taxes, interest expenses, technology costs, professional fees, market data costs and office rent. Historically, the payment of cash for compensation and benefits is 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

The year-over-year change was primarily driven by higher capital expenditures and capitalized software development costs.

Cash Flows From Financing Activities

The year-over-year change was primarily driven by the impact of lower share repurchases, partially offset by the absence of proceeds from borrowings and by higher dividend payments..

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, 2023 and 2022, 16.8% and 15.8%, respectively, of our revenues are subject to foreign currency exchange rate risk and primarily included clients billed in foreign currency as well as U.S. dollar exposures on non-U.S. dollar foreign operating entities. Of the 16.8% of non-U.S. dollar exposure for the six months ended June 30, 2023, 42.2% was in Euros, 31.3% was in British pounds sterling and 18.0% was in Japanese yen. Of the 15.8% of non-U.S. dollar exposure for the six months ended June 30, 2022, 40.5% was in Euros, 29.0% was in British pounds sterling and 19.9% was in Japanese yen.

Revenues from asset-based fees represented 22.4% and 24.9% of operating revenues for the six months ended June 30, 2023 and 2022, respectively. While a substantial portion of our asset-based fees are invoiced in U.S. dollars, the fees are based on the assets in investment products, of which approximately three-fifths 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 43.5% and 43.3% of our operating expenses for the six months ended June 30, 2023 and 2022, respectively, were denominated in foreign currencies, the significant majority of which were denominated in British pounds sterling, Indian rupees, Euros, Hungarian forints, Mexican pesos and Swiss francs.

We have certain monetary assets and liabilities denominated in currencies other than local functional amounts and when these balances are remeasured into their local functional currency, either a gain or a loss results 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 \$3.9 million and gains of \$2.4 million for the six months ended June 30, 2023 and 2022, 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, 2023, 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, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

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

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 ended December 31, 2022.

There have been no material changes to the risk factors and uncertainties known to the Company and disclosed in the Company's Form 10-K for the fiscal year ended December 31, 2022, 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.

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

There were no unregistered sales of equity securities during the three months ended June 30, 2023.

The table below presents information with respect to purchases made by or on behalf of the Company of its shares of common stock during the three months ended June 30, 2023.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share ⁽²⁾	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 ⁽³⁾
April 1, 2023-April 30, 2023	141,617	\$ 466.61	141,365	\$ 1,238,436,000
May 1, 2023-May 31, 2023	684,896	\$ 468.74	683,207	\$ 918,220,000
June 1, 2023-June 30, 2023	117,632	\$ 468.18	116,788	\$ 863,542,000
Total	944,145	\$ 468.35	941,360	\$ 863,542,000

⁽¹⁾ Includes, when applicable, (i) shares purchased by the Company on the open market under the stock 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; and (iii) 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⁾ Excludes 1% excise tax incurred on share repurchases.

⁽³⁾ 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 program.

Item 6. Exhibits**EXHIBIT INDEX**

Exhibit Number	Description
3.1	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)
3.2	Amended and Restated Bylaws (filed as Exhibit 3.1 to the Company's Form 8-K (File No. 001-33812), filed with the SEC on January 11, 2021 and incorporated by reference herein)
*†	Form of Award Agreement for Restricted Stock Units for Directors Under the MSCI Inc. 2016 Non-Employee Directors Compensation Plan
*	Rule 13a-14(a) Certification of the Chief Executive Officer
*	Rule 13a-14(a) Certification of the Chief Financial Officer
**	Section 1350 Certification of the Chief Executive Officer and the Chief Financial Officer
*	101.INS Inline 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 Inline XBRL Taxonomy Extension Schema Document
*	101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
*	101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
*	101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
*	101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
*	104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

† Indicates a management compensation plan, contract or arrangement.

**20[●] AWARD AGREEMENT
FOR RESTRICTED STOCK UNITS
FOR DIRECTORS
UNDER THE MSCI INC. 2016 NON-EMPLOYEE DIRECTORS COMPENSATION PLAN**

MSCI Inc. (“**MSCI**,” together with its subsidiaries, the “**Company**”) hereby grants to you Restricted Stock Units (“**RSUs**”) as described below. The awards are being granted under the MSCI Inc. 2016 Non-Employee Directors Compensation Plan (as may be amended from time to time, the “**Plan**”).

Participant: [●]
Number of RSUs Granted: [●] RSUs
Grant Date: [●] (the “**Grant Date**”)
Vesting Schedule: [●] (such date, the “**Vesting Date**”).

Provided you continue to provide services to the Company through the Vesting Date, the RSUs will vest and convert as provided above and as further described in Exhibit A attached hereto. Your RSUs may be subject to forfeiture if you terminate service with the Company before the Vesting Date, as set forth in the Plan and this Restricted Stock Unit Award Agreement (including Exhibit A and Exhibit B attached hereto, this “**Award Agreement**”).

You will be deemed to have accepted this award of RSUs and agreed to be bound by the terms and conditions of this Award Agreement, unless you inform the Company in writing within 60 days of the Grant Date that you wish to reject this award of RSUs.

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. 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:
Title:

**TERMS AND CONDITIONS
OF THE 20[●] RESTRICTED STOCK UNIT AWARD AGREEMENT**

Section 1. RSUs Generally. MSCI has awarded you RSUs as an incentive for you to continue to provide services as a director of MSCI and to, among other things, align your interests with those of the Company and to reward you for your continued service as a director of MSCI in the future. As such, you will earn your RSUs for 20[●] only if you remain in continuous service as a director of MSCI through the Vesting Date, or as otherwise set forth below. Each RSU corresponds to one share of MSCI common stock, par value \$0.01 per share (each, a “Share”). Each RSU constitutes a contingent and unsecured promise by MSCI to deliver one Share on the conversion date for such RSU. As the holder of RSUs, you have only the rights of a general unsecured creditor of MSCI. To the extent that you are subject to taxation in the United States, Section 409A (“Section 409A”) of the Internal Revenue Code of 1986, as amended (the “Code”), imposes rules relating to the taxation of deferred compensation, including your 20[●] RSU award. The Company reserves the right to modify the terms of your 20[●] RSU award, including, without limitation, the payment provisions applicable to your RSUs, to the extent necessary or advisable to comply with Section 409A.

Section 2. Vesting Schedule and Conversion.

(a) *Vesting Schedule.* Your RSUs will vest in full on the Vesting Date; *provided that*, subject to Section 4 and Section 5, you continue to provide future services to the Company by remaining in continuous service as a director of MSCI through the Vesting Date.

(b) *Conversion.*

(i) Except as otherwise provided in this Award Agreement or pursuant to any election form submitted in connection with the MSCI Inc. Non-Employee Directors Deferral Plan (as amended), each of your vested RSUs will convert to one Share within 30 days following the Vesting Date.

(ii) Shares to which you are entitled to receive upon conversion of RSUs under any provision of this Award Agreement shall not be subject to any transfer restrictions, other than those that may arise under securities laws or the Company’s policies.

(c) *Stock Ownership Guidelines.* You agree and acknowledge that the Shares issuable to you upon the settlement of the RSUs shall be subject to the terms and conditions of MSCI’s Non-Employee Director Stock Ownership Guidelines (the “Ownership Guidelines”), as may be in effect from time to time. You agree and acknowledge that a copy of the Ownership Guidelines has been previously made available to you and that you understand and acknowledge the terms of such Ownership Guidelines and the terms of this Section 2(c).

Section 3. Dividend Equivalent Payments. Until your RSUs convert to Shares, if and when MSCI pays a dividend on Shares, you will be entitled to a dividend equivalent payment in the same amount as the dividend you would have received if you held Shares for your vested and unvested RSUs immediately prior to the record date. No dividend equivalents will be paid to you with respect to any canceled or forfeited RSUs. MSCI will decide the form of payment and may pay dividend equivalents in Shares, in cash or in a combination thereof, unless otherwise provided in Exhibit B. MSCI will pay the dividend equivalent when it pays the corresponding dividend on its common stock. The gross amount of any dividend equivalents paid to you with respect to RSUs that do not vest and convert to Shares shall be subject to potential recoupment or payback (such recoupment or payback of dividend equivalents, the “Clawback”) following the cancellation or forfeiture of the underlying RSUs. You consent to the Company’s implementation and enforcement of the Clawback and expressly agree that MSCI may take such actions as are necessary to effectuate the Clawback consistent with applicable law. If, within a reasonable period, you do not tender repayment of the dividend equivalents in response to demand for repayment, MSCI may seek a court order against you or take any other actions as are necessary to effectuate the Clawback.

Section 4. Termination of Service. Upon termination of service as a director of MSCI prior to the Vesting Date, pursuant to this Section 4, the following special vesting and payment terms will apply to your unvested RSUs:

(a) *Termination of Service Due to Death or Disability*. If your service as a director of MSCI terminates due to death or Disability, in each case, prior to the Vesting Date, your unvested RSUs will immediately vest and convert into Shares on the date your service as a director of MSCI terminates or within 30 days thereafter. Upon a termination of service due to death, such Shares will be delivered in accordance with Section 7. For purposes of this Award Agreement, “**Disability**” means your “permanent and total disability” (as defined in Section 22(e) of the Code).

(b) *Termination of Service and Cancellation of Awards*. Unless otherwise determined by the Board, your unvested RSUs will be canceled and forfeited in full if your service as a director of MSCI terminates prior to the earlier of (i) the date of MSCI’s annual general shareholders meeting to be held during the same year as the Vesting Date if either (x) you decide not to stand for re-election at such annual shareholders meeting or (y) you are not eligible to stand for re-election at such annual shareholders meeting pursuant to the Retirement Policy set forth in the Board’s Corporate Governance Policies and (ii) the Vesting Date, in each case for any reason other than as set forth in Section 4(a) and Section 5 of this Award Agreement.

Section 5. Change in Control. In the event of a Change in Control, all of your RSUs will immediately vest and convert into Shares effective on the date of such Change in Control.

Section 6. Nontransferability. You may not sell, pledge, hypothecate, assign or otherwise transfer your RSUs, including with respect to shares subject to any retention requirements under the Ownership Guidelines, other than as provided in Section 7 (which allows you to designate a beneficiary or beneficiaries in the event of your death) or by will or the laws of descent and distribution or otherwise as provided by the Board. This prohibition includes any assignment or other transfer that purports to occur by operation of law or otherwise. During your lifetime, payments relating to the RSUs will be made only to you. Your personal representatives, heirs, legatees, beneficiaries, successors and assigns, and those of MSCI, shall all be bound by, and shall benefit from, the terms and conditions of your award.

Section 7. 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 Agreement, 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 8. Ownership and Possession.

(a) *Prior to Conversion*. Prior to conversion of your RSUs, you will not have any rights as a stockholder in the Shares corresponding to your RSUs. However, you will receive dividend equivalent payments, as set forth in Section 3 of this Award Agreement.

(b) *Following Conversion*. Following conversion of your RSUs, you will be the beneficial owner of the Shares issued to you, and you will be entitled to all rights of ownership, including voting rights and the right to receive cash or stock dividends or other distributions paid on the Shares.

Section 9. 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 RSUs 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 10. Compliance with Laws and Regulations. Any sale, assignment, transfer, pledge, mortgage, encumbrance or other disposition of Shares issued upon conversion of your RSUs (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 11. 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 should 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 12. 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 be obtained under, applicable local law.

Section 13. Award Modification and Section 409A.

(a) Award Modification. MSCI reserves the right to modify or amend unilaterally the terms and conditions of your RSUs, without first asking your consent, or to waive any terms and conditions that operate in favor of MSCI. MSCI may not modify your RSUs in a manner that would materially impair your rights in your RSUs without your consent; *provided, however*, that MSCI may, without your consent, amend or modify your RSUs 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. MSCI will notify you of any amendment of your RSUs 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. 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. Notwithstanding the other provisions of this Award Agreement to the contrary, to the extent that MSCI determines it necessary to comply with Section 409A, if MSCI considers you to be one of its "specified employees" at the time of your "separation from service" (as such terms are defined in Section 409A) from the Company, and any amount hereunder constitutes "deferred compensation" subject to Section 409A, then any distribution of such amount (including the conversion of the RSUs in Shares) that otherwise would be made to you as a result of such "separation from service" shall not be made until the expiration of the six-month period measured from the date of your separation from service from the Company (such period, the "Delay Period"), except to the extent that earlier distribution would not result in you incurring interest or additional tax under Section 409A. Any conversion of such RSUs into Shares that would have occurred during the Delay Period but for the immediately preceding sentence shall be satisfied either by (i) conversion of such RSUs into Shares on the first business day following the Delay Period or (ii) a cash payment on the first business day following the Delay Period equal to the value of such RSUs on the scheduled conversion date (based on the value of the Shares on such date) plus accrued interest as determined by MSCI.

Section 14. 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 15. 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 16. Venue. For purposes of litigating any dispute that arises under this grant or this Award Agreement, 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 17. Rule of Construction for Timing of Conversion. With respect to each provision of this Award Agreement that provides for your RSUs to convert to Shares on the Vesting Date or upon a different specified event or date, such conversion 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 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 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 18. Non-U.S. Directors. The following provisions will apply to you if you are providing services as a director of MSCI and reside outside of the United States. For the avoidance of doubt, if you reside 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) *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 or liabilities, howsoever arising in any jurisdictions, related to your participation in the Plan and legally applicable or deemed 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 RSUs or the underlying shares, including, but not limited to, the grant, vesting or settlement of the RSUs, 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 RSUs to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Pursuant to rules and procedures that MSCI establishes, Tax-Related Items arising upon any relevant taxable or tax withholding event (as applicable) of your RSUs may be satisfied, in the Board's sole discretion, by having MSCI withhold Shares, or by having MSCI withhold cash or amounts from your director fees, compensation, or other amounts payable to you if MSCI provides for a cash withholding option, in each case in an amount sufficient to satisfy the Tax-Related Items withholding obligations. Shares withheld will be valued using the fair market value of the Shares on the date your RSUs convert, using a valuation methodology established by MSCI. In order to comply with applicable accounting standards or the Company's policies in effect from time to time, MSCI may limit the amount of Shares that you may have withheld. 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 RSUs, 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 Shares is problematic under applicable tax or securities law or has materially adverse accounting consequences, by your acceptance of the RSUs, 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 any director fees, compensation, or other amounts payable to you by MSCI, 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.

(b) *Nature of Grant.* In accepting the RSUs, 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 RSU award is not a director, employment and/or service agreement, and nothing in this Award Agreement or your participation in the Plan shall create a right to continued service as a director of MSCI or interfere with the ability of MSCI to terminate your service relationship (if any);

(iii) this award, and all other awards of RSUs 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 RSUs, any other equity-based award or benefits in lieu of RSUs at any time in the future or in respect of any future period;

(iv) MSCI has made this award to you in its sole discretion. All decisions with respect to future RSU 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 RSUs and the Shares subject to the RSUs, and the income from and value of the same, are not intended to replace any pension rights, director fees or other compensation;

(vii) this award does not confer on you any right or entitlement to receive director fees or other compensation in any specific amount;

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

(ix) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from the termination of your service as a director of MSCI; and

(x) 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 RSUs or of any amounts due to you pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

(c) Data Privacy. You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Award Agreement and any other RSU grant materials by and among, as applicable, MSCI and any subsidiary of MSCI for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in MSCI, details of all RSUs or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for the exclusive purpose of implementing, administering and managing the Plan.

You understand that Data will be transferred to E*Trade Financial Corporate Services, Inc. and/or its affiliates (“E*Trade”), or such other stock plan service provider as may be selected by MSCI in the future, which is assisting MSCI with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the U.S. or elsewhere, and that the recipients’ country of operation (e.g., the U.S.) may have different data privacy laws and protections than your country. You understand that if you reside outside the United States, you may request a list with the names and addresses of any potential recipients of the Data by contacting your local Human Resources representative. You authorize MSCI, E*Trade, and any other possible recipients which may assist MSCI (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand if you reside outside the U.S., you may, at any time, view Data, request additional

information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, or exercise any additional right available under applicable law, by contacting in writing the Corporate Secretary and Global Head of Executive Compensation and Benefits. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your service with the Company will not be affected; the only consequence of refusing or withdrawing your consent is that MSCI would not be able to grant you RSUs or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local Human Resources representative.

Finally, upon request by MSCI and/or any Subsidiary, you agree to provide an executed data privacy consent form (or any other agreements or consents) that MSCI and/or any Subsidiary may deem necessary to obtain from you for the purpose of administering your participation in the Plan in compliance with the data privacy laws in your country, either now or in the future. You understand and agree that you will not be able to participate in the Plan if you fail to provide any such consent or agreement requested by MSCI and/or any Subsidiary.

(d) *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.

(e) *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.

(f) *Exhibit B.* Notwithstanding any provisions in this Award Agreement, the RSUs shall be subject to any additional terms and conditions set forth in Exhibit B to this Award Agreement for your country. Moreover, if you relocate to one of the countries included in Exhibit B, the additional terms and conditions for such country will apply to you, to the extent MSCI determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Exhibit B constitutes part of this Award Agreement.

(g) *Insider Trading Restrictions/Market Abuse Laws.* By accepting the RSUs, 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 or may become 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., RSUs) 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 other service providers of MSCI and any of its subsidiaries. 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.

(h) *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.

COUNTRY-SPECIFIC TERMS AND CONDITIONS

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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: July 25, 2023

/s/ Henry A. Fernandez

Henry A. Fernandez

Chairman and Chief Executive Officer

(Principal Executive Officer)

SECTION 302 CERTIFICATION

I, Andrew C. Wiechmann, 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: July 25, 2023

/s/ Andrew C. Wiechmann

Andrew C. Wiechmann

Chief Financial Officer

(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 Andrew C. Wiechmann, Chief Financial Officer 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, 2023 (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: July 25, 2023

/s/ Henry A. Fernandez

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

/s/ Andrew C. Wiechmann

Andrew C. Wiechmann
Chief Financial Officer
(Principal Financial Officer)