

MSCI SECOND QUARTER 2015

Earnings Presentation

July 30, 2015

FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION

- **Forward-Looking Statements – Safe Harbor Statements**

- This earnings presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect our actual results, levels of activity, performance or achievements. Other factors that could materially affect our actual results, levels of activity, performance or achievements can be found in MSCI’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the Securities and Exchange Commission (“SEC”) on February 27, 2015, as amended, and in quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what MSCI projected. Any forward-looking statement in this earnings presentation reflects MSCI’s current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to MSCI’s operations, results of operations, growth strategy and liquidity. MSCI assumes no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise, except as required by law.

- **Other Information**

- Percentage changes and totals in this earnings presentation may not sum due to rounding.
- Percentage changes are referenced to the comparable period in 2014, unless otherwise noted.
- Total subscription revenues include non-recurring revenues.
- Total sales include recurring subscription sales and non-recurring sales.
- As a result of the sale of Institutional Shareholder Services Inc. (“ISS”) and the Center for Financial Research and Analysis, in Q1’14 MSCI began reporting its former Governance business as discontinued operations in its financial statements. Financial and operating metrics for prior periods have been updated to exclude the Governance business.
- Notes and definitions relating to non-GAAP financial measures and operating metrics used in this presentation, as well as definitions of Run Rate, Retention Rate and Organic Subscription Run Rate Growth ex FX, are provided on page 32.
- In this earnings presentation, MSCI refers to its two primary product areas as Performance and Analytics. Performance consists of the product line previously referred to as Index, Real Estate and ESG. Analytics consists of the product lines previously referred to as Risk Management Analytics and Portfolio Management Analytics.

Q2'15 UPDATE¹

STRONG FINANCIAL PERFORMANCE

- 6.4% increase in operating revenues
- 7.3% increase in recurring subscription revenues excluding FX impact
- Diluted EPS of \$0.50, Adjusted EPS of \$0.56
- 11.7% increase in Adjusted EBITDA²
- Adjusted EBITDA² margin of 43.7%, up ~200 bps from Q2'14
- Total Run Rate up 7.7%; subscription Run Rate up 9.1% excluding FX impact

SOLID EXECUTION OF OUR STRATEGY

- 10.3% growth in Index recurring subscription revenue
- 16.0% increase in asset-based fees
- Continued leadership as index provider to ETF market
- Strong aggregate retention at 94.2%

ANALYTICS REORGANIZATION

- Integral component to success of MSCI future operating model
- Reorganization of management / product groups complete
- Focus now on executing strategic plan centered on:
 - Stronger revenue growth, enhanced product development, improved efficiency and increased client focus

CAPITAL RETURN

- Total 2.2 million shares repurchased in Q2'15
 - Repurchased 1.0 million shares at average price of \$61.90 in open market transactions; 1.2 million shares received at completion of \$300 million ASR
- Following end of Q2'15, repurchased a total of 1.2 million shares at average price of \$63.24 (As of July 24, 2015)
- Board of Directors authorized 22% increase in regular quarterly cash dividend to \$0.22
- ~\$500 million of \$1 billion capital return commitment achieved (through 7/24/15)

¹ All comparisons versus Q2'14 unless otherwise stated.

² Adjusted EBITDA is defined as net income before income from discontinued operations, net of income taxes, provision for income taxes, other expense (income), net, and depreciation and amortization. Please see page 29 for reconciliation of Adjusted EBITDA as a non-GAAP measure.

LEADING INDICATORS OF GROWTH

KEY METRICS	Q2'15	Q2'14	Y-o-Y Growth %
<i>Drivers of Higher Performance Subscription Revenue</i>			
Policy Benchmark Mandates Won	44	49	(10%)
New Index Families Launched	8	7	14%
Total ESG Clients (incl. GMI)	807	602	34%
<i>Drivers of Higher Flows / Volumes Leading to Higher Revenue</i>			
Total MSCI-Linked Equity ETFs	752	656	15%
MSCI-Linked Equity ETFs Licensed	24	34	(29%)
Active & Passive Assets Tied To Factor Indexes ¹	\$132 bil	\$108 bil	22%
MSCI-Linked ETF Period-Ending AUM ¹	\$435 bil	\$379 bil	15%
Trading Volume of Futures & Options Contracts based on MSCI Indexes ¹	9.7 mil	8.7 mil	11%
<i>Driver of Higher Portfolio Management Analytics Revenue</i>			
Run Rate From New Risk Models	\$24 mil	\$17 mil	41%



¹ Note: AUM linked to MSCI indexes & trading volume is based on the data available as of June 30, 2015.

PERFORMANCE PRODUCTS HIGHLIGHTS

(US\$ in millions)

Key Trends / Highlights

Index

- Demand for MSCI index families, enhancements & data products continues driven by global investing trend and MSCI's seamless / global index framework
- Investments in ABF products driving record inflows into MSCI-linked equity ETFs
- Continuing to build momentum in Factors
- Thematic and custom indexes showing strong growth Y-o-Y
- Futures & options ADV growing double-digits; options on MSCI indexes now trading on CBOE

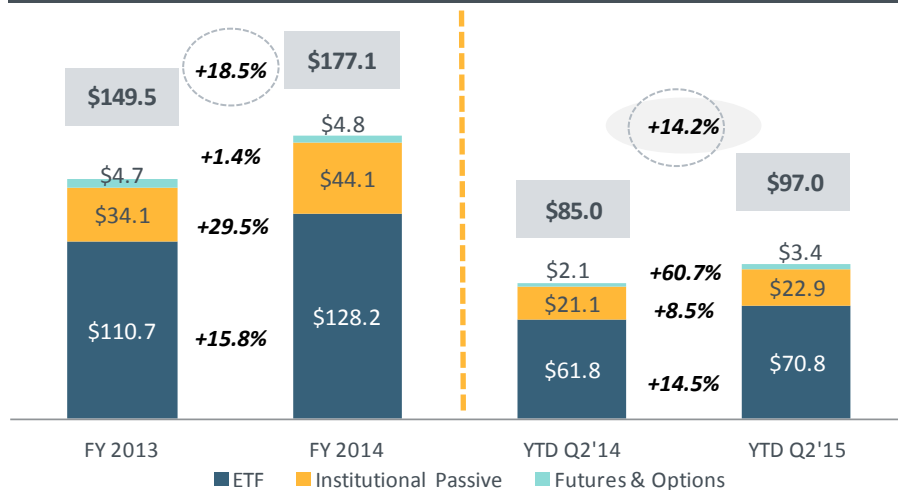
Real Estate

- Focus is shifting to new product launches in 2H15
- Better leverage of real estate data-launch of real estate module with full-suite of indexes

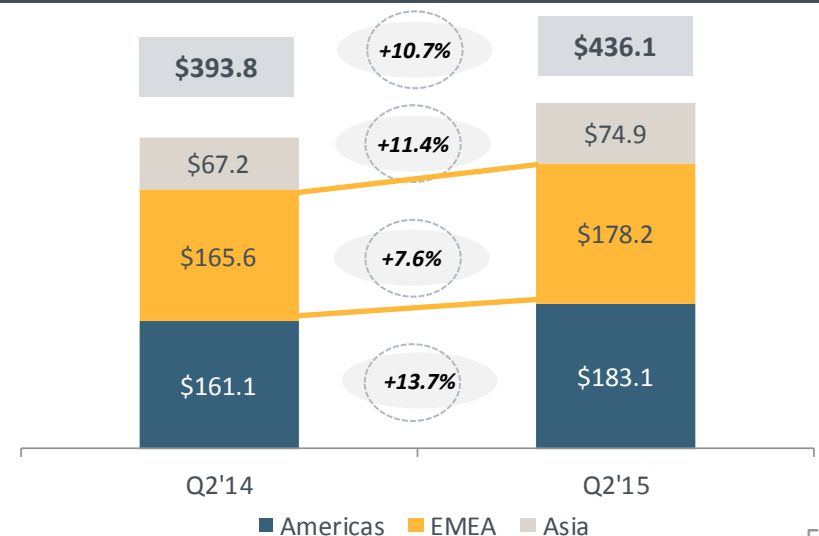
ESG (Research & Index)

- Launch of ESG ratings-expected to help drive share gains
- Increasing demand for ESG data for index creation-carbon, governance and impact investing
- Deeper integration of ESG in investment process-larger deals

ABF Revenue



Subscription Run Rate By Region



A LEADING INDEX PROVIDER TO ETF MARKET

ETFs linked to MSCI indexes ranked #1 globally YTD 2015:

MSCI



#1

in net new assets gathered

#1

in net new assets linked to factors

#1

in net new assets linked to currency-hedged indexes

#1

in total number of equity ETFs

Data from Bloomberg as of June 30, 2015

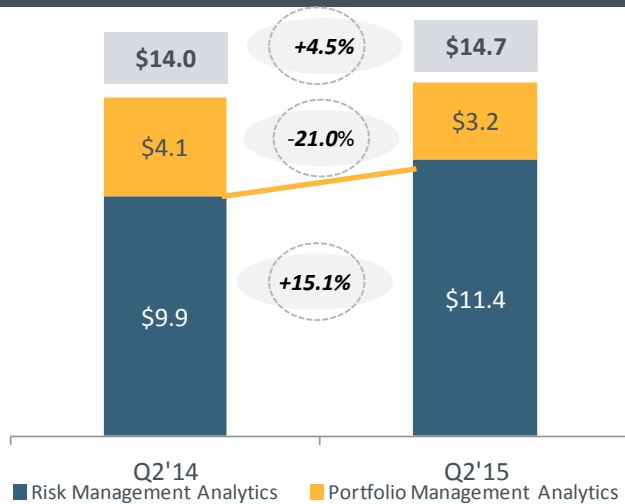
ANALYTICS PRODUCTS HIGHLIGHTS

(US\$ in millions)

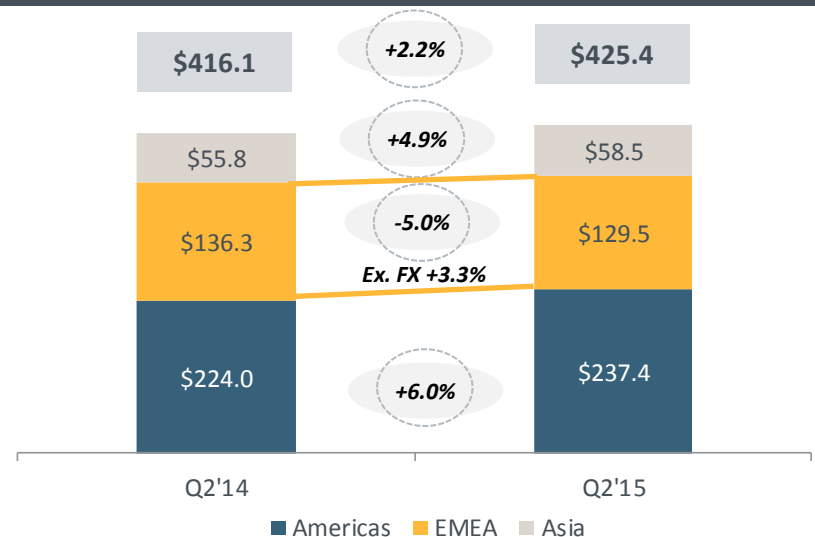
Key Trends / Highlights

- Favorable industry trends are solid foundation for driving improves financial performance
- Deeper relationships with managers of assets looking for MSCI to provide operational and risk solutions
- Strong product enhancements and development
 - Creation of Analytical Content Product Management to monetize analytical content delivered through MSCI applications, our distributors and direct to clients
- Creation of Factor Analytics-merger of BarraOne and Barra Portfolio Manager
 - Complementary capabilities that enhance value for each client
- Increasing focus on managed services to help our clients become more operationally efficient

Total Sales



Run Rate By Region



THE PATH TO GROWTH - ANALYTICS

What We Have Completed

February 2015

Reorganization Announced

- Merger of PMA & RMA resulting in creation of Analytics product line

March 2015

Reorganization of Analytics Product team

- Regional managers focused on client use cases
- Product managers focused on key platforms including BarraOne and RiskManager
- Product managers focused on the creation and monetization of analytical content

The Path Forward for Analytics

Revenue Growth

- ✓ Focus on key client “use cases”
- ✓ Monetization of research
- ✓ Managed services
- ✓ Improve platform / enhance product architecture & interface

Cost Efficiency

- ✓ Re-focus of resources to lower cost structure
- ✓ Eliminate duplication + lower support costs
- ✓ Explore new cost management initiatives

Product Development

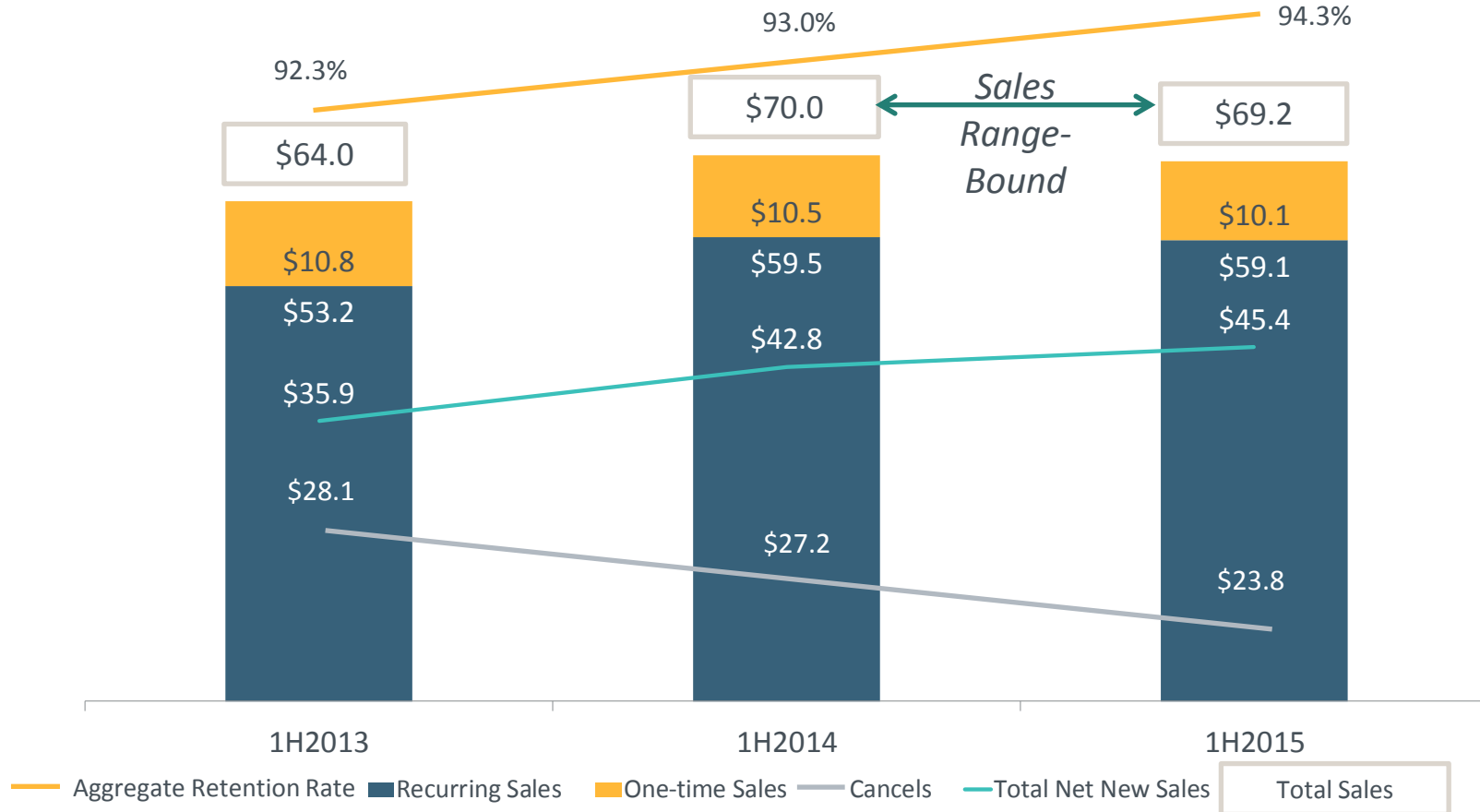
- ✓ Unified product development program
- ✓ Focus on delivery and accessibility of content
- ✓ Improve client experience through new architecture & interface

Clients

- ✓ Leverage SAM program to grow relationships
- ✓ Increase level of client feedback in product development to drive sales
- ✓ Focus on managed services to help clients

SALES PROGRESSION

(US\$ in millions)



	1H'13	1H'14	% Δ 1H'14 vs. 1H'13	1H'15	% Δ 1H'15 vs. 1H'14
Recurring Sales	\$25.3	\$31.9	25.9%	\$33.2	4.0%
Performance	\$27.9	\$27.6	(0.9%)	\$25.9	(6.1%)
Analytics	\$53.2	\$59.5	11.8%	\$59.1	(0.7%)
Total					

LEVERS OF FUTURE VALUE CREATION

- Upper single-digit revenue growth with path to double-digit growth (Excluding FX impact)
- Target annual Adjusted EBITDA Expense¹ growth range of 5% - 7% (Excluding FX impact)
- Cost efficiency
- Improved performance from acquisitions (IPD, GMI & InvestorForce)
- Some reduction in effective tax rate
- Return of capital to shareholders

Q2'15 AND YTD 2015 FINANCIAL RESULTS

(US\$ in millions, except for EPS (actual) & shares outstanding in thousands)

SUMMARY RESULTS	Q2'15	Q2'14	Q2'15 vs. Q2'14	YTD 2015	YTD 2014	YTD 2015 vs. YTD 2014
			% Δ			% Δ
Operating Revenues	\$270.6	\$254.2	6.4%	\$533.3	\$493.9	8.0%
Income from Cont. Ops. Before Taxes	\$87.4	\$84.1	4.0%	\$165.1	\$157.6	4.7%
Provision for Income Taxes	\$31.4	\$27.3	15.1%	\$59.4	\$53.7	10.8%
<i>Tax Rate</i>	35.9%	32.4%	348 bps	36.0%	34.0%	196 bps
Net Income from Cont. Ops.	\$56.0	\$56.8	(1.4%)	\$105.6	\$103.9	1.6%
Diluted EPS from Cont. Ops.	\$0.50	\$0.48	4.2%	\$0.93	\$0.88	5.7%
Adj. EBITDA ¹	\$118.3	\$105.9	11.7%	\$225.9	\$202.5	11.6%
<i>Adj. EBITDA Margin</i>	43.7%	41.7%	206 bps	42.4%	41.0%	136 bps
Adj. Net Income ²	\$63.5	\$64.5	(1.6%)	\$120.6	\$118.9	1.4%
Adj. EPS ³	\$0.56	\$0.55	1.8%	\$1.06	\$1.01	5.0%
Weighted Average Diluted Shares Outstanding	112,931	117,664	(4.0%)	113,225	118,128	(4.2%)

¹ Adjusted EBITDA is defined as net income before income from discontinued operations, net of income taxes, provision for income taxes, other expense (income), net, and depreciation and amortization.

Please see page 29 for reconciliation of Adjusted EBITDA as a non-GAAP measure.

² Adjusted Net Income is defined as net income before income from discontinued operations, net of income taxes, and the after-tax impact of the provision for amortization of intangible assets. Please see page 28 for reconciliation of Adjusted Net Income as a non-GAAP measure.

³ Adjusted EPS is defined as per share net income before income from discontinued operations, net of income taxes, and the after-tax impact of the provision for amortization of intangible assets.

Please see page 28 for reconciliation of Adjusted EPS as a non-GAAP measure.

Q2'15 VS. Q2'14 REVENUE GROWTH BRIDGE

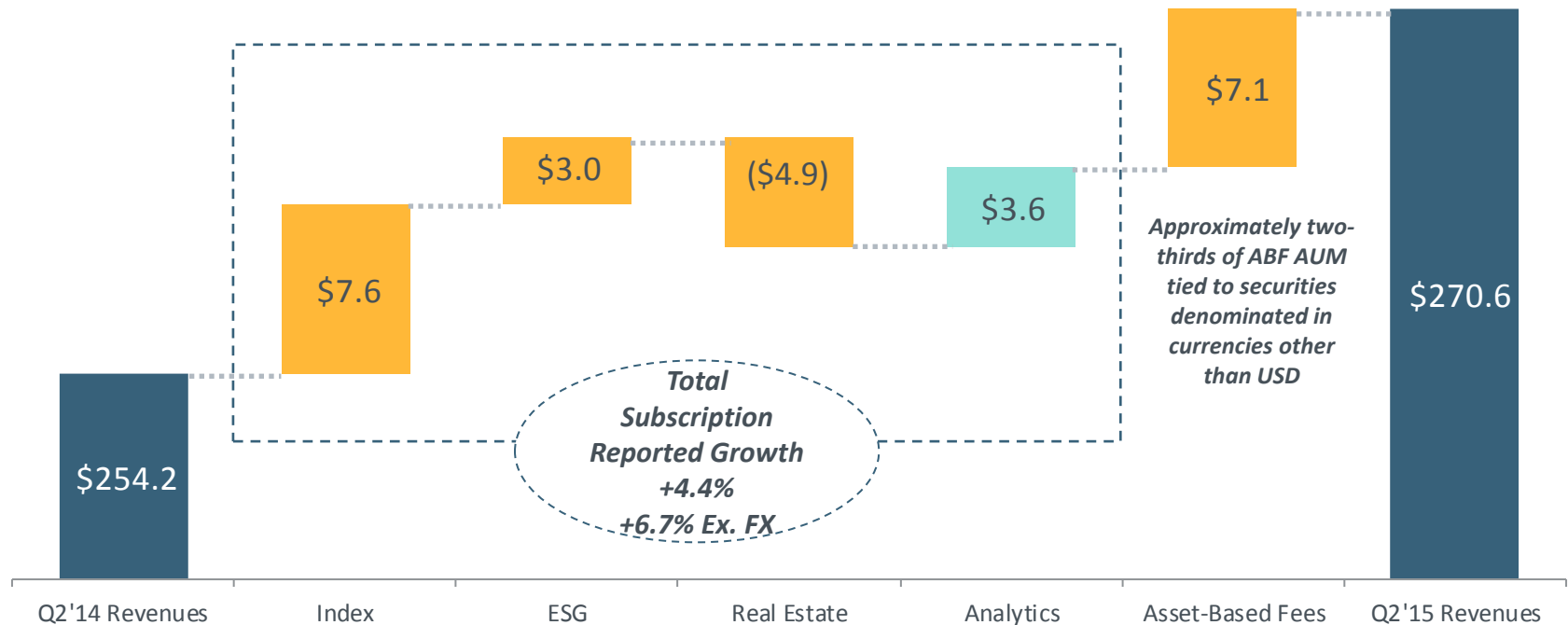
(US\$ in millions)

Y-o-Y Change in Operating Revenues by Product

Y-o-Y Reported	9.4%	48.0%	(26.4%)	3.5%	16.0%
Ex. FX Impact	10.3%	48.4%	(15.6%)	5.4%	

Y-o-Y Reported

+6.4%



■ Performance

■ Analytics

Q2'15 ADJUSTED EBITDA EXPENSES¹

(US\$ in millions)

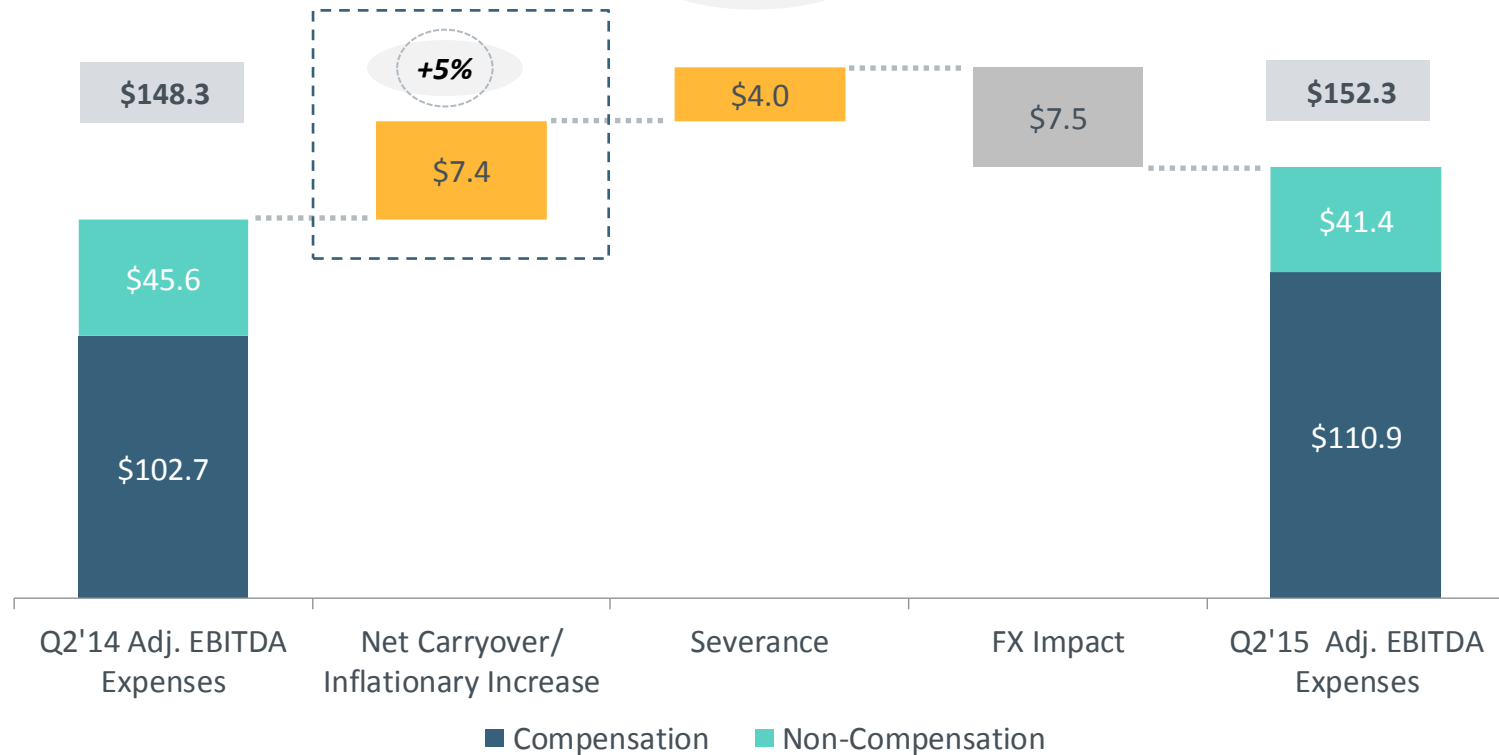
Y-o-Y Change in Adjusted EBITDA Expenses¹

Y-o-Y Reported

Ex. FX Impact

+2.7%

+7.7%

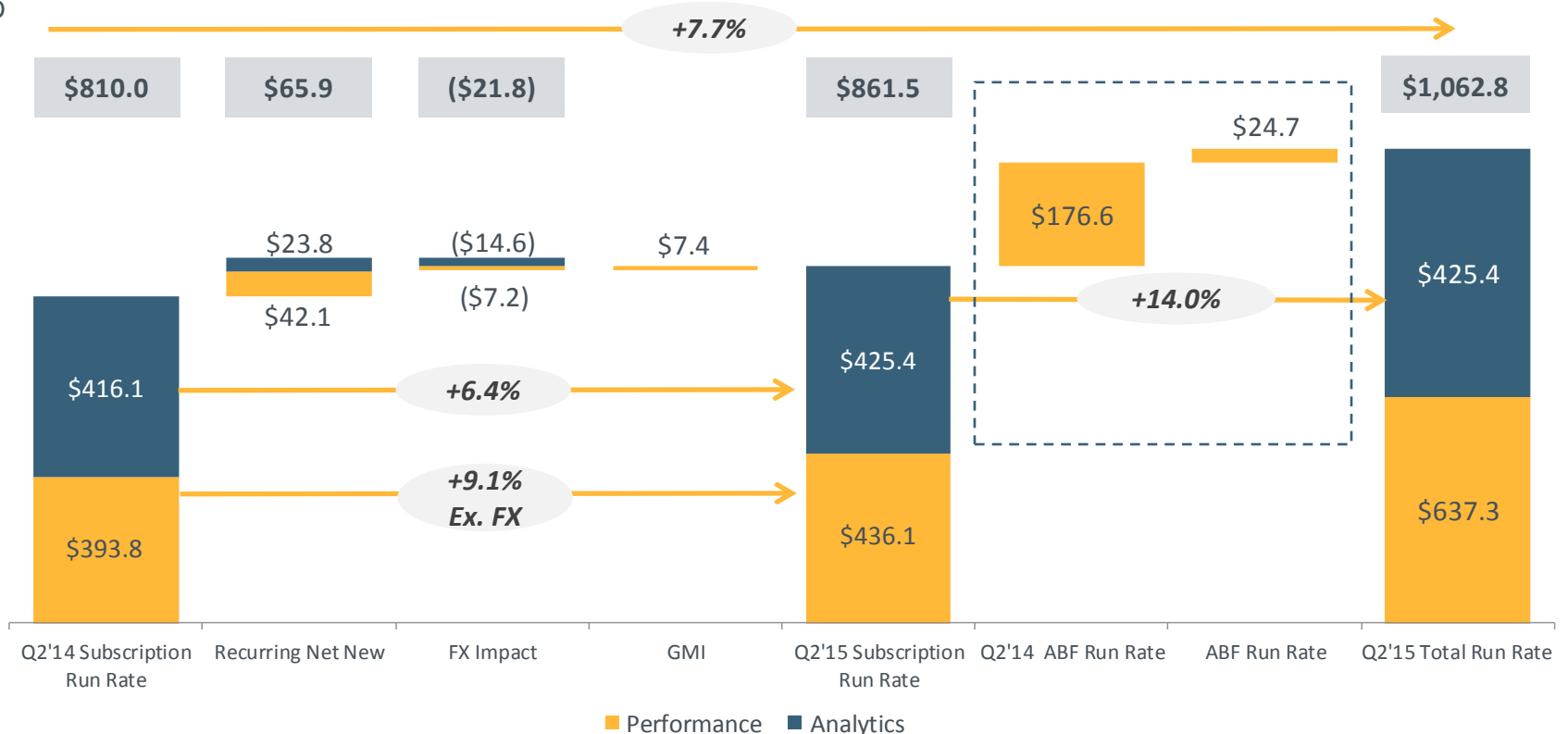


¹ Adjusted EBITDA Expenses is defined as operating expenses, less depreciation and amortization. Please see page 30 for a reconciliation of Adjusted EBITDA Expenses as a non-GAAP measure.

Q2'15 RUN RATE BRIDGE

(US\$ in millions)

- **8%** increase in Run Rate to over \$1 bil vs. Q2'14, **6%** increase in Subscription Run Rate (9% ex FX) and **14%** increase in ABF Run Rate
- **8%** decrease in cancels to \$12 mil vs. Q2'14 driving Aggregate Retention Rate higher to **94.2%** in Q2'15 from 93.2% in Q2'14
- **9%** increase in Net New Subscription Sales to \$17 mil vs. Q2'14
- **\$22 mil** FX negative impact on Subscription Run Rate
- **Approximately two-thirds of ABF AUM** tied to securities denominated in currencies other than USD which have weakened relative to the USD



STRONG BALANCE SHEET AND LIQUIDITY

(US\$ in millions)

Key Balance Sheet Indicators as of 6/30/2015		
Cash & Cash Equivalents		\$455.0
Cash & Cash Equivalents in US	\$357.9	
Cash & Cash Equivalents held outside of the US	\$97.1	
Total Debt		\$800.0
5.25% \$800 mil senior unsecured notes due 11/2024	\$800.0	
\$200 mil unsecured revolving credit facility terminating 11/2019	\$0.0	
Net Debt		\$345.0
Total Debt / Adj. EBITDA¹		1.9x
Net Debt / Adj. EBITDA¹		0.8x

- Total of 2.2 million shares repurchased in Q2'15
 - 1.0 million shares repurchased at an avg. price of \$61.90 per share in Q2'15 through open market repurchases beginning in late May
 - 1.2 million shares received with completion of \$300 mil ASR (September 2014) for a total of 5.7 million shares received
- Total of 1.2 million shares repurchased since end of Q2'15 through July 24 at avg. price of \$63.24 per share
- Free Cash Flow² of \$72.4 million YTD 2015, up slightly from YTD 2014
- Capex³ of \$12.0 mil vs. \$11.9 mil in Q2'14; reducing FY 2015 guidance range on lower technology infrastructure spend
- Board approved 22% increase in dividend to \$0.22 per share

¹Adjusted EBITDA is defined as net income before income from discontinued operations, net of income taxes, provision for income taxes, other expense (income), net, and depreciation amortization. Please see page 29 for reconciliation of Adjusted EBITDA as a non-GAAP measure. Total Debt & Net Debt to Adj. EBITDA is calculated based upon trailing twelve months Adj. EBITDA.

²Free Cash Flow is defined as cash flow from operations less Capex. Please see page 31 for reconciliation of Free Cash Flow as a non-GAAP measure.

³Capex is defined as Capital Expenditures plus capitalized software development costs.

UPDATED GUIDANCE

- Projected Adjusted EBITDA Expenses¹ are expected to come in at the low-end of the \$620 mil - \$640 mil range
- Interest expense projected to be approximately \$45 mil from Q4'14 issuance of new senior notes and entry into new revolver²
- Free Cash Flow³ now expected to be \$245 mil - \$275 mil
- Capex⁴ is now expected to be \$45 mil - \$55 mil, down from \$55 mil - \$65 mil
- Tax rate projected to be 35% - 36%

The guidance provided above assumes, among other things, that MSCI maintains its current debt levels. On July 28, 2015, the Board of Directors authorized the Company to explore financing options that would increase the Company's leverage and interest expense. Any potential financing is subject to market and other conditions, and there can be no assurance that MSCI will be able to obtain financing on the terms and conditions authorized by the Board of Directors, or assurance as to the timing of any financing.

¹ Adjusted EBITDA Expenses is defined as operating expenses, less depreciation and amortization. Please see page 30 for a reconciliation of Adjusted EBITDA Expenses as a non-GAAP measure.

² Assumes no draw on revolver and no adjustment to the applicable rate thereunder.

³ Free Cash Flow is defined as cash flow from operations less Capex. Please see page 31 for reconciliation of Free Cash Flow as a non-GAAP measure.

⁴ Capex is defined as Capital Expenditures plus capitalized software development costs.

Q2'15 KEY TAKEAWAYS

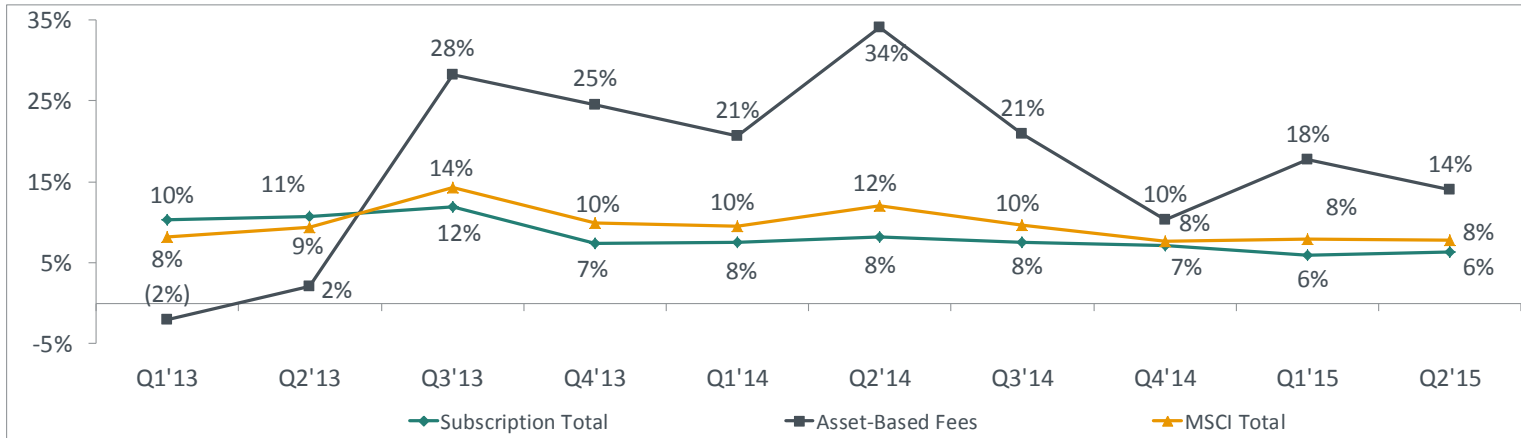
- **Execution of growth strategy yielding returns**
- **Solid financial performance**
- **Commitment to return capital to investors**
- **Multiple levers to drive future growth**

SUPPLEMENTAL DISCLOSURES

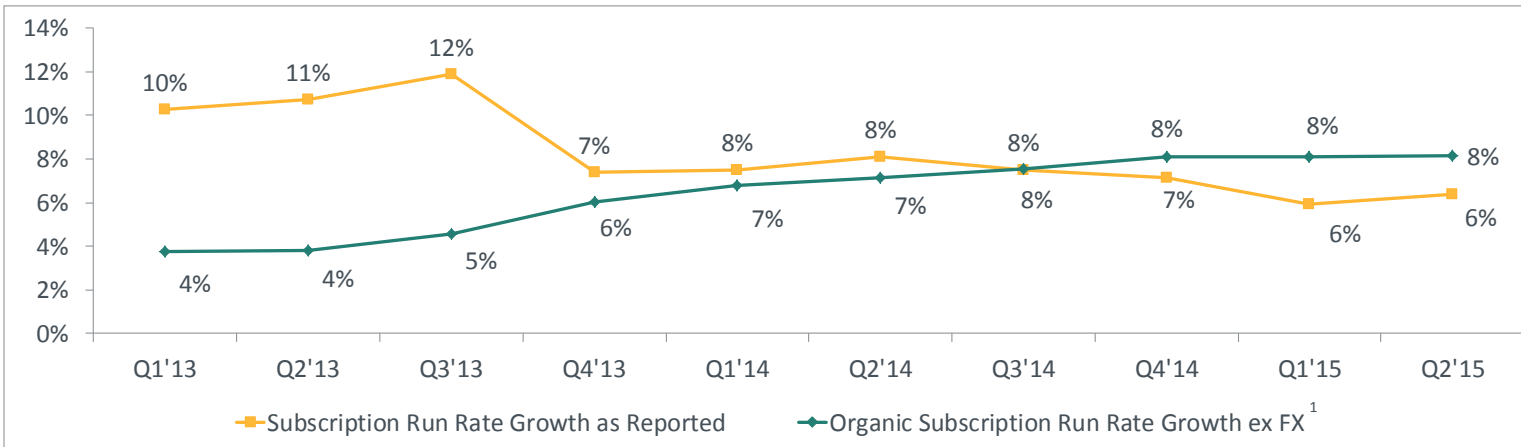
Appendix

Q1'13 – Q2'15 Y-O-Y RUN RATE GROWTH TREND

Y-o-Y Run Rate Growth as Reported (Including Impact of FX and Acquisitions)



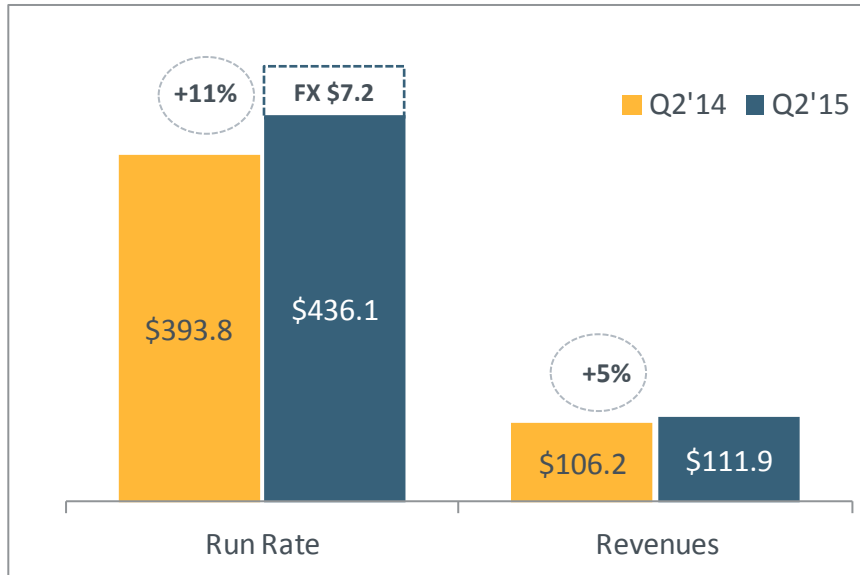
Y-o-Y Subscription Run Rate Growth as Reported vs. Growth Ex-FX Impact and Acquisitions



PERFORMANCE SUBSCRIPTION

(US\$ in millions)

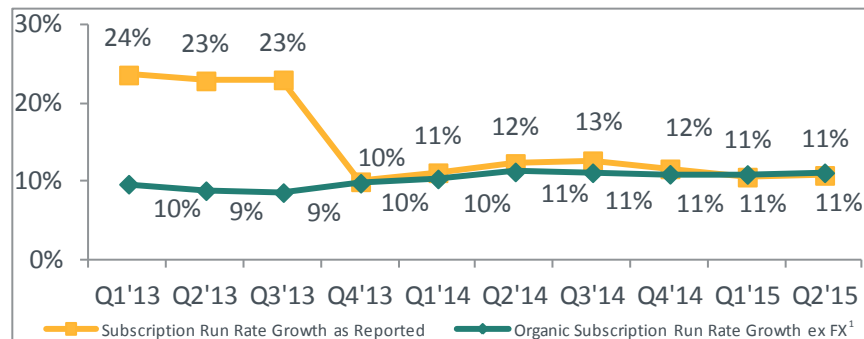
Subscription Run Rate and Revenues



Q2'15 Highlights:

- 5% increase in Subscription revenues to \$112 mil vs. Q2'14
- 4% organic Subscription revenue growth (ex GMI)
- 11% increase in Subscription Run Rate to \$436 mil vs. Q2'14
 - 13% growth (ex FX impact)
- Aggregate Retention Rate increased to 94.5% in Q2'15

Y-o-Y Quarterly Subscription Run Rate Trend



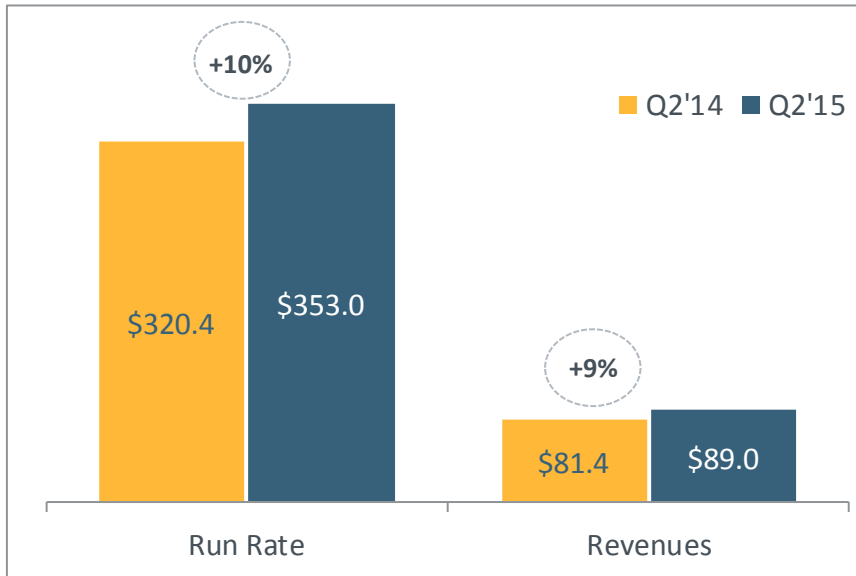
Sales, Cancels and Retention

	Q2'14	Q2'15	Growth
New Recurring Subscription Sales	16.4	17.1	5%
Subscription Cancellations	(5.5)	(5.7)	5%
Net New Recurring Subscription Sales	10.9	11.4	5%
Non-recurring Sales	4.0	3.0	(24%)
Aggregate Retention Rate	94.1%	94.5%	37 bps

INDEX SUBSCRIPTION

(US\$ in millions)

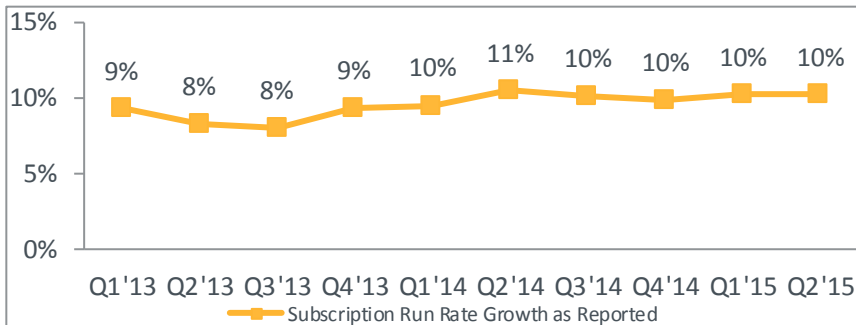
Subscription Run Rate and Revenues



Q2'15 Highlights:

- **9%** increase in Subscription revenues to \$89 mil vs. Q2'14
- **10%** increase in Subscription Run Rate to \$353 mil vs. Q2'14 (negligible FX impact)
- Aggregate Retention Rate increased to **95.4%** in Q2'15 vs. 95.3% in Q2'14

Y-o-Y Quarterly Subscription Run Rate Trend



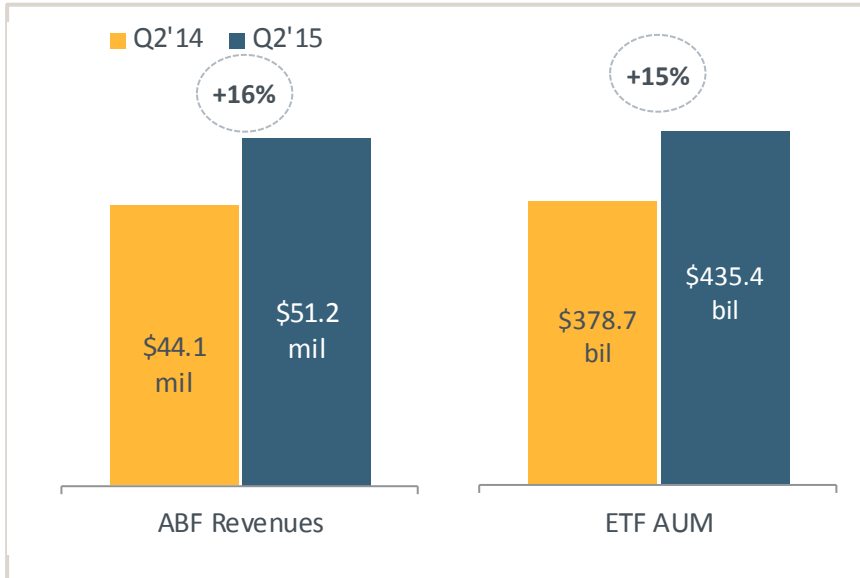
Sales, Cancels and Retention

	Q2'14	Q2'15	Growth
New Recurring Subscription Sales	11.5	12.5	8%
Subscription Cancellations	(3.6)	(3.9)	9%
Net New Recurring Subscription Sales	7.9	8.6	8%
Non-recurring Sales	1.9	1.7	(8%)
Aggregate Retention Rate	95.3%	95.4%	5 bps

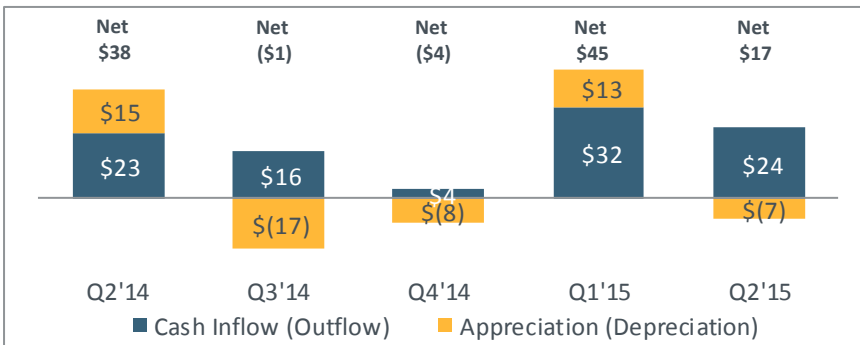
INDEX: ASSET-BASED FEES

(US\$ in millions, except bps)

ABF Revenue vs. Period-End ETF AUM Linked to MSCI Indexes



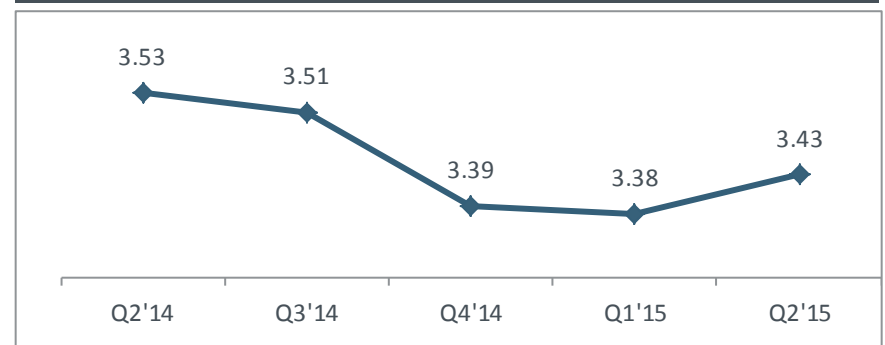
Quarterly Change in AUM of MSCI-Linked ETFs (US\$ bil)



Q2'15 Highlights:

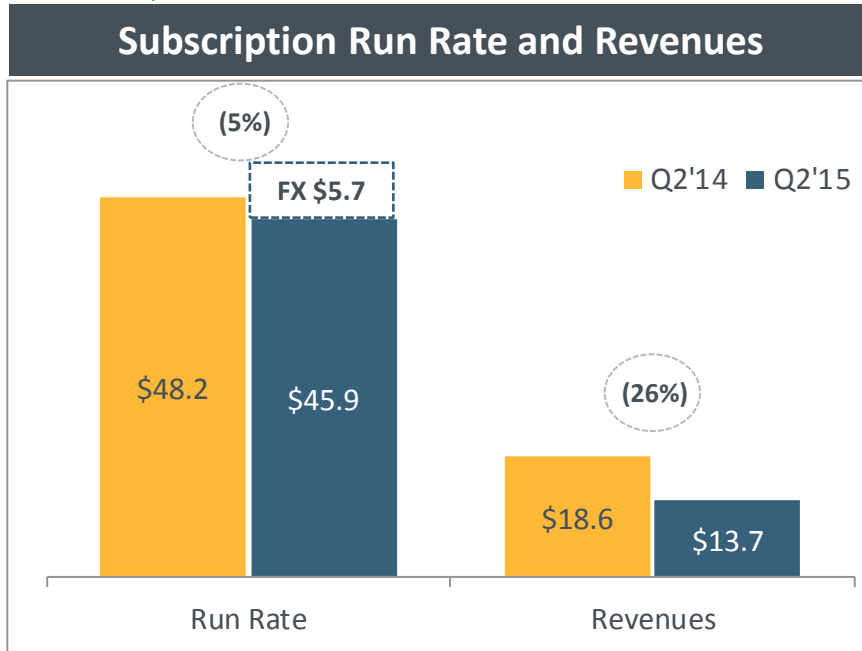
- **16%** growth in revenues to \$51 mil
- Strong TTM cash inflows of \$76.1 bil into ETFs linked to MSCI indexes and increases in futures and options trading volumes and non-ETF passive funds
- **14%** increase in Asset-Based Fee Run Rate to \$201 mil
- **3.43** average basis point fee at the quarter-end Q2'15 vs. 3.53 in Q2'14
- **15%** increase in period-end ETF AUM linked to MSCI indexes to \$435 bil at the end of Q2'15 vs. Q2'14 driven by strong cash inflows

ETF Average Basis Point Fee Trend



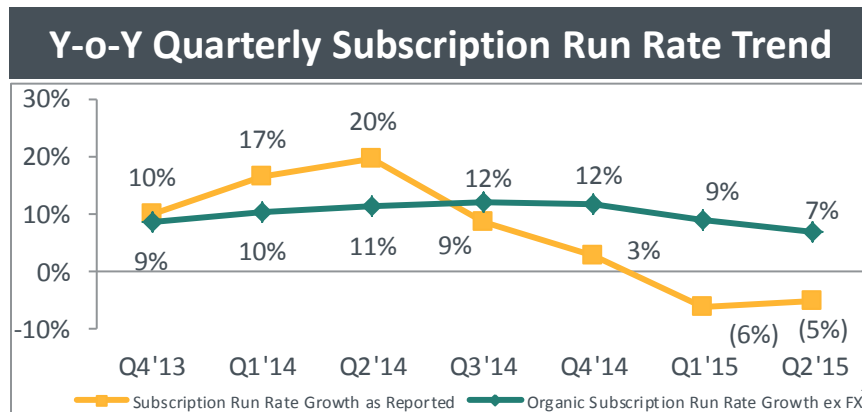
REAL ESTATE SUBSCRIPTION

(US\$ in millions)



Q2'15 Highlights:

- **5% decline** in Subscription Run Rate to \$46 mil vs. Q2'14
- **7% increase** excluding impact of FX changes
- **32% decline** in Subscription sales Y-o-Y
- Q2'15 revenues down 26% to \$14 mil vs. Q2'14
 - **15.6% decrease**, excluding impact of FX changes
 - Early delivery of reports designed to reduce Q'2 seasonality

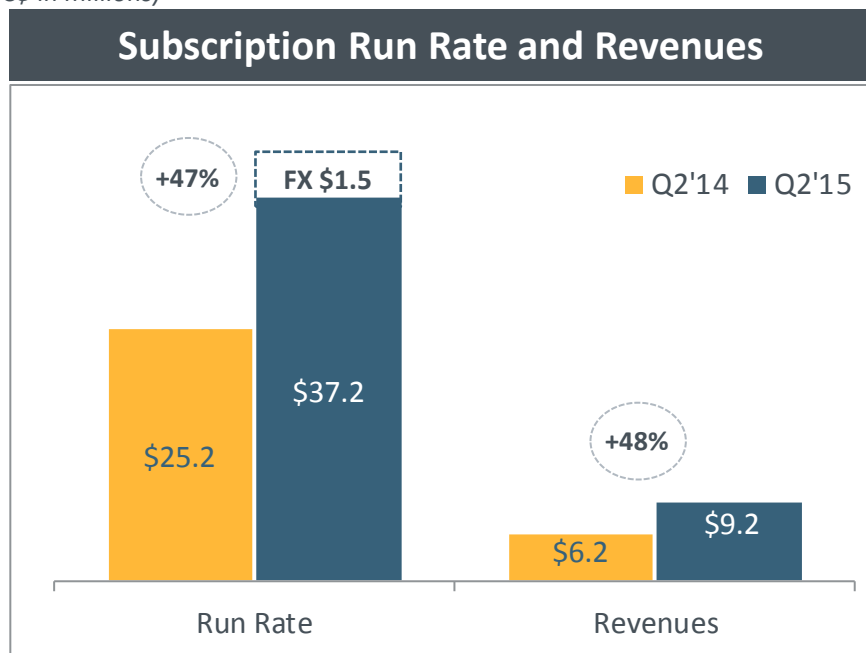


Sales, Cancels and Retention

	Q2'14	Q2'15	Growth
New Recurring Subscription Sales	3.7	2.6	(29%)
Subscription Cancellations	(1.7)	(1.3)	(21%)
Net New Recurring Subscription Sales	2.0	1.3	(36%)
Non-recurring Sales	2.0	1.3	(37%)
Aggregate Retention Rate	84.7%	88.2%	353 bps

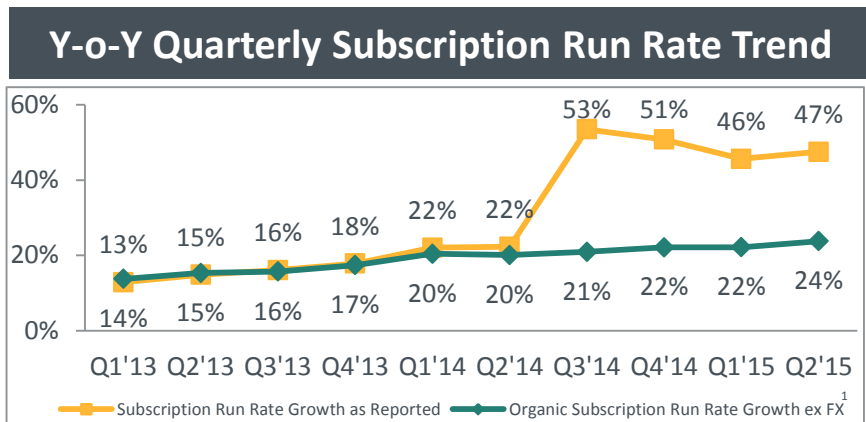
ESG SUBSCRIPTION

(US\$ in millions)



Q2'15 Highlights:

- **48%** growth in Subscription revenues to \$9 mil vs. Q2'14
- **19%** organic Subscription revenue growth (ex GMI revenues of \$1.8 mil)
- **47%** increase in Subscription Run Rate to \$37 mil vs. Q2'14
- Subscription Run Rate growth of **24%** excluding impact of FX changes and GMI acquisition



Sales, Cancels and Retention

	Q2'14	Q2'15	Growth
New Recurring Subscription Sales	1.2	2.0	75%
Subscription Cancellations	(0.2)	(0.5)	120%
Net New Recurring Subscription Sales	0.9	1.5	63%
Non-recurring Sales	0.1	0.1	(58%)
Aggregate Retention Rate	95.8%	93.8%	(194 bps)

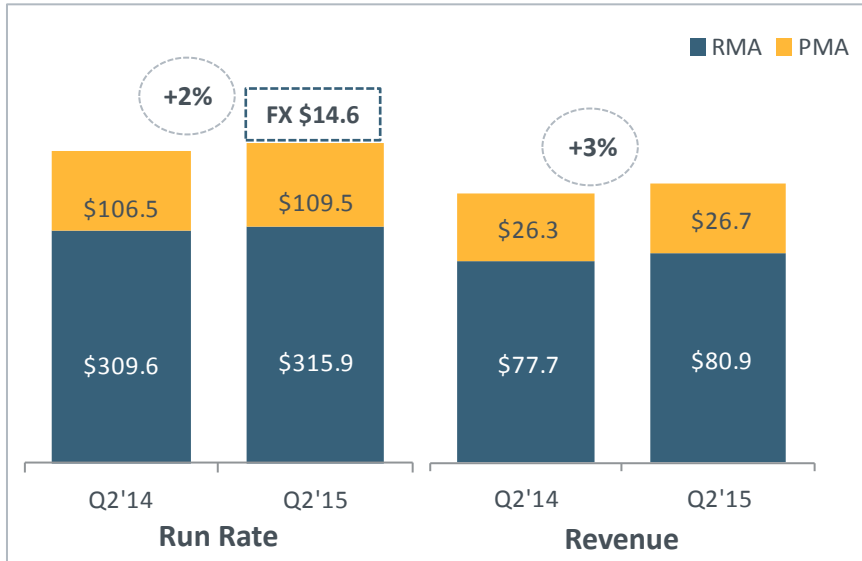


¹ Organic Subscription Run Rate Growth ex FX reflects the Run Rate growth excluding changes in foreign currency exchange rates and the first year impact of any acquisitions. Please see page 32 for additional information.

ANALYTICS SUBSCRIPTION

(US\$ in millions)

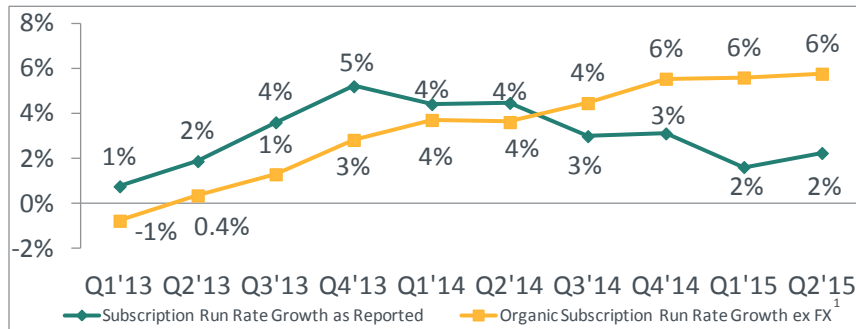
Subscription Run Rate and Revenues



Q2'15 Highlights:

- **3%** increase in Subscription revenues to \$108 mil vs. \$104 mil in Q2'14
- **2%** increase in Subscription Run Rate to \$425 mil vs. \$416 mil in Q2'14
 - **6%** growth (ex FX impact)
- **5%** increase in Total Sales Y-o-Y to \$15 mil vs. Q2'14
- Aggregate Retention Rate increased to **93.8%** in Q2'15

Y-o-Y Quarterly Subscription Run Rate Trend



Sales, Cancels and Retention

	Q2'14	Q2'15	Growth
New Recurring Subscription Sales	12.7	12.4	(2%)
Subscription Cancellations	(7.7)	(6.4)	(16%)
Net New Recurring Subscription Sales	5.0	6.0	20%
Non-recurring Sales	1.3	2.2	68%
Aggregate Retention Rate	92.4%	93.8%	143 bps

OPERATING REVENUES AND RUN RATE DETAIL

(US\$ in millions)

	Q1'13	Q2'13	Q3'13	Q4'13	FY'13	Q1'14	Q2'14	Q3'14	Q4'14	FY'14	Q1'15	Q2'15
Operating Revenues												
Index	\$71.9	\$73.0	\$76.0	\$78.0	\$298.9	\$78.2	\$81.4	\$83.2	\$84.0	\$326.8	\$87.7	\$89.0
Real Estate	\$8.0	\$17.0	\$11.5	\$10.0	\$46.4	\$13.2	\$18.6	\$11.0	\$7.6	\$50.4	\$13.5	\$13.7
ESG	\$5.1	\$5.2	\$5.3	\$5.7	\$21.3	\$5.9	\$6.2	\$7.5	\$8.6	\$28.3	\$8.8	\$9.2
Performance Subscription	\$84.9	\$95.2	\$92.8	\$93.8	\$366.7	\$97.3	\$106.2	\$101.8	\$100.2	\$405.5	\$110.0	\$111.9
Risk Management Analytics	\$70.4	\$70.2	\$72.8	\$78.4	\$291.7	\$75.6	\$77.7	\$77.0	\$79.5	\$309.7	\$80.5	\$80.9
Portfolio Management Analytics	\$27.6	\$26.1	\$26.2	\$25.5	\$105.5	\$25.9	\$26.3	\$26.3	\$26.0	\$104.4	\$26.4	\$26.7
Analytics Subscription	\$98.1	\$96.3	\$99.0	\$103.9	\$397.2	\$101.4	\$104.0	\$103.2	\$105.4	\$414.1	\$106.8	\$107.6
Total Subscription Revenue	\$183.0	\$191.4	\$191.8	\$197.7	\$763.9	\$198.8	\$210.1	\$205.0	\$205.7	\$819.6	\$216.9	\$219.4
Asset-Based Fees	\$36.5	\$37.0	\$36.8	\$39.2	\$149.5	\$40.9	\$44.1	\$46.7	\$45.5	\$177.1	\$45.9	\$51.2
Total	\$219.5	\$228.4	\$228.6	\$236.9	\$913.4	\$239.7	\$254.2	\$251.7	\$251.1	\$996.7	\$262.8	\$270.6
Run Rate												
Index	\$285.2	\$289.9	\$296.0	\$305.1	\$305.1	\$312.5	\$320.4	\$326.0	\$335.3	\$335.3	\$344.5	\$353.0
Real Estate	\$39.1	\$40.3	\$42.2	\$43.5	\$43.5	\$45.6	\$48.2	\$45.9	\$44.7	\$44.7	\$42.8	\$45.9
ESG	\$19.9	\$20.6	\$21.8	\$22.9	\$22.9	\$24.3	\$25.2	\$33.5	\$34.5	\$34.5	\$35.3	\$37.2
Performance Subscription	\$344.3	\$350.8	\$360.0	\$371.5	\$371.5	\$382.4	\$393.8	\$405.4	\$414.5	\$414.5	\$422.6	\$436.1
Risk Management Analytics	\$287.6	\$293.8	\$300.9	\$302.0	\$302.0	\$307.5	\$309.6	\$311.0	\$310.3	\$310.3	\$309.3	\$315.9
Portfolio Management Analytics	\$106.1	\$104.5	\$104.9	\$103.1	\$103.1	\$103.5	\$106.5	\$107.0	\$107.3	\$107.3	\$108.4	\$109.5
Analytics Subscription	\$393.6	\$398.3	\$405.9	\$405.1	\$405.1	\$411.0	\$416.1	\$418.0	\$417.7	\$417.7	\$417.6	\$425.4
Total Subscription Run Rate	\$737.9	\$749.2	\$765.9	\$776.6	\$776.6	\$793.4	\$810.0	\$823.4	\$832.2	\$832.2	\$840.2	\$861.5
Asset-Based Fees	\$134.2	\$131.7	\$147.0	\$158.3	\$158.3	\$161.9	\$176.6	\$177.8	\$174.6	\$174.6	\$190.6	\$201.2
Total	\$872.1	\$880.9	\$912.9	\$934.9	\$934.9	\$955.3	\$986.5	\$1,001.2	\$1,006.7	\$1,006.7	\$1,030.8	\$1,062.8

Total subscription revenue includes recurring and non-recurring revenues

SALES & CANCELS DETAIL

(US\$ in millions)

	Q1'13	Q2'13	Q3'13	Q4'13	FY'13	Q1'14	Q2'14	Q3'14	Q4'14	FY'14	Q1'15	Q2'15
New Recurring Subscription Sales												
Index	\$9.4	\$8.4	\$10.0	\$14.7	\$42.4	\$10.9	\$11.5	\$9.2	\$12.9	\$44.5	\$11.5	\$12.5
Real Estate	\$1.7	\$3.4	\$1.9	\$2.3	\$9.3	\$3.0	\$3.7	\$1.2	\$2.7	\$10.6	\$2.3	\$2.6
ESG	\$1.0	\$1.4	\$1.4	\$1.6	\$5.4	\$1.7	\$1.2	\$1.8	\$2.3	\$6.9	\$2.2	\$2.0
Performance Subscription	\$12.1	\$13.2	\$13.2	\$18.5	\$57.0	\$15.5	\$16.4	\$12.3	\$17.9	\$62.1	\$16.0	\$17.1
Risk Management Analytics	\$10.7	\$11.6	\$10.5	\$10.5	\$43.2	\$12.3	\$8.6	\$10.5	\$10.7	\$42.2	\$10.0	\$9.2
Portfolio Management Analytics	\$2.9	\$2.7	\$3.0	\$2.1	\$10.7	\$2.6	\$4.1	\$3.4	\$3.3	\$13.4	\$3.5	\$3.2
Analytics Subscription	\$13.5	\$14.3	\$13.5	\$12.5	\$53.9	\$14.9	\$12.7	\$13.9	\$14.0	\$55.6	\$13.5	\$12.4
Total	\$25.7	\$27.5	\$26.7	\$31.1	\$111.0	\$30.4	\$29.1	\$26.2	\$31.9	\$117.6	\$29.5	\$29.6
Cancels												
Index	\$3.1	\$3.6	\$3.9	\$5.5	\$16.1	\$3.5	\$3.6	\$3.6	\$3.7	\$14.3	\$2.4	\$3.9
Real Estate	\$0.8	\$0.9	\$0.1	\$1.8	\$3.6	\$0.9	\$1.7	\$0.7	\$2.1	\$5.4	\$1.3	\$1.3
ESG	\$0.4	\$0.6	\$0.4	\$0.6	\$2.0	\$0.3	\$0.2	\$0.3	\$0.9	\$1.8	\$0.5	\$0.5
Performance	\$4.3	\$5.0	\$4.5	\$7.9	\$21.7	\$4.8	\$5.5	\$4.6	\$6.6	\$21.5	\$4.2	\$5.7
Risk Management Analytics	\$4.7	\$5.5	\$5.9	\$10.1	\$26.3	\$6.8	\$6.4	\$4.2	\$8.6	\$26.0	\$5.3	\$4.5
Portfolio Management Analytics	\$5.0	\$3.6	\$3.0	\$3.1	\$14.6	\$2.4	\$1.3	\$1.6	\$1.8	\$7.2	\$2.1	\$1.9
Analytics	\$9.7	\$9.1	\$8.9	\$13.2	\$40.9	\$9.2	\$7.7	\$5.9	\$10.4	\$33.2	\$7.4	\$6.4
Total	\$14.0	\$14.2	\$13.3	\$21.1	\$62.6	\$14.0	\$13.2	\$10.5	\$17.0	\$54.7	\$11.7	\$12.2
Non-recurring Sales												
Index	\$2.3	\$1.7	\$0.9	\$2.0	\$6.9	\$2.1	\$1.9	\$2.0	\$1.7	\$7.6	\$2.3	\$1.7
Real Estate	\$2.0	\$3.2	\$1.2	\$1.5	\$7.9	\$1.3	\$2.0	\$1.2	\$1.4	\$5.9	\$0.8	\$1.3
ESG	\$0.2	\$0.1	\$0.0	\$0.0	\$0.3	\$0.1	\$0.1	\$0.2	\$0.1	\$0.5	\$0.1	\$0.1
Performance	\$4.4	\$5.0	\$2.2	\$3.5	\$15.1	\$3.6	\$4.0	\$3.3	\$3.1	\$14.0	\$3.2	\$3.0
Risk Management Analytics	\$0.4	\$0.5	\$0.4	\$0.6	\$1.9	\$1.2	\$1.3	\$0.8	\$1.3	\$4.6	\$1.2	\$2.2
Portfolio Management Analytics	\$0.1	\$0.1	\$0.0	\$0.0	\$0.3	\$0.1	\$0.0	\$0.0	\$0.1	\$0.2	\$0.0	\$0.0
Analytics	\$0.5	\$0.7	\$0.4	\$0.6	\$2.2	\$1.2	\$1.3	\$0.9	\$1.4	\$4.8	\$1.2	\$2.2
Subtotal	\$4.9	\$5.7	\$2.6	\$4.1	\$17.3	\$4.8	\$5.4	\$4.1	\$4.6	\$18.8	\$4.4	\$5.3
Asset-Based Fees	\$0.2	\$0.0	\$0.3	\$0.0	\$0.6	\$0.0	\$0.3	\$0.5	\$0.5	\$1.3	\$0.0	\$0.4
Total	\$5.1	\$5.7	\$3.0	\$4.1	\$17.9	\$4.8	\$5.7	\$4.6	\$5.1	\$20.2	\$4.4	\$5.7

RECONCILIATIONS TO ADJUSTED NET INCOME AND ADJUSTED EPS

	Three Months Ended			Six Months Ended	
	Jun. 30, 2015	Jun. 30, 2014	Mar. 31, 2015	Jun. 30, 2015	Jun. 30, 2014
<u>In thousands, except per share data</u>					
Net Income	\$ 56,017	\$ 107,660	\$ 43,827	\$ 99,844	\$ 188,059
Less: Income (loss) from discontinued operations, net of income taxes	\$ -	\$ (50,857)	\$ 5,797	\$ 5,797	\$ (84,110)
Income from continuing operations	\$ 56,017	\$ 56,803	\$ 49,624	\$ 105,641	\$ 103,949
Plus: Amortization of intangible assets	11,695	11,442	11,702	23,397	22,712
Less: Income tax effect	(4,201)	(3,689)	(4,224)	(8,423)	(7,733)
Adjusted Net Income	\$ 63,511	\$ 64,556	\$ 57,102	\$ 120,615	\$ 118,928
Diluted EPS	\$ 0.50	\$ 0.91	\$ 0.39	\$ 0.88	\$ 1.59
Less: Earnings per diluted common share from discontinued operations	-	(0.43)	0.05	0.05	(0.71)
Earnings per diluted common share from continuing operations	0.50	0.48	0.44	0.93	0.88
Plus: Amortization of intangible assets	0.10	0.10	0.10	0.21	0.19
Less: Income tax effect	(0.04)	(0.03)	(0.04)	(0.08)	(0.06)
Adjusted EPS	\$ 0.56	\$ 0.55	\$ 0.50	\$ 1.06	\$ 1.01

RECONCILIATIONS TO ADJUSTED EBITDA

In thousands	Three Months Ended			Six Months Ended	
	Jun. 30, 2015	Jun. 30, 2014	Mar. 31, 2015	Jun. 30, 2015	Jun. 30, 2014
Net Income	\$ 56,017	\$ 107,660	\$ 43,827	\$ 99,844	\$ 188,059
Less: Income (loss) from discontinued operations, net of income taxes	\$ -	\$ (50,857)	\$ 5,797	\$ 5,797	\$ (84,110)
Income from continuing operations	\$ 56,017	\$ 56,803	\$ 49,624	\$ 105,641	\$ 103,949
Plus: Provision for income taxes	31,399	27,280	28,036	59,435	53,665
Plus: Other expense (income), net	11,095	4,448	11,082	22,177	10,422
Operating income	\$ 98,511	\$ 88,531	\$ 88,742	\$ 187,253	\$ 168,036
Plus: Depreciation and amortization of property, equipment and leasehold improvements	8,065	5,921	7,207	15,272	11,749
Plus: Amortization of intangible assets	11,695	11,442	11,702	23,397	22,712
Adjusted EBITDA	\$ 118,271	\$ 105,894	\$ 107,651	\$ 225,922	\$ 202,497

RECONCILIATIONS TO ADJUSTED EBITDA EXPENSES

In thousands	Three Months Ended			Six Months Ended		Full Year
	Jun. 30, 2015	Jun. 30, 2014	Mar. 31, 2015	Jun. 30, 2015	Jun. 30, 2014	2015 Outlook
Total operating expenses	\$ 172,069	\$ 165,695	\$ 174,027	\$ 346,096	\$ 325,878	\$702,000 - \$724,000
Less: Depreciation and amortization of property, equipment and leasehold improvements, and amortization of intangible assets	(19,760)	(17,363)	(18,909)	(38,669)	(34,461)	(82,000 - 84,000)
Adjusted EBITDA Expenses	\$ 152,309	\$ 148,332	\$ 155,118	\$ 307,427	\$ 291,417	\$620,000 - \$640,000

RECONCILIATIONS TO FREE CASH FLOW

(in thousands)	Three Months Ended				Year Ended	Three Months Ended		Six Months Ended		Full Year
	Mar. 2014	Jun. 2014	Sep. 2014	Dec. 2014	Dec. 2014	Mar. 2015	Jun. 2015	Jun. 2015	Jun. 2014	2015 Outlook
Net cash provided by operating activities	\$25,249	\$68,803	\$107,567	\$104,054	\$ 305,673	\$66,683	\$24,026	\$90,709	\$94,052	\$ 300,000 - \$ 320,000
Less: Capital expenditures	(8,501)	(9,985)	(17,688)	(6,485)	(42,659)	(4,934)	(10,616)	(15,550)	(18,486)	--
Less: Capitalized software development	(1,559)	(1,919)	(2,585)	(2,153)	(8,216)	(1,386)	(1,401)	(2,787)	(3,478)	--
Capex totals	(10,060)	(11,904)	(20,273)	(8,638)	(50,875)	(6,320)	(12,017)	(18,337)	(21,964)	(55,000 - 45,000)
Free Cash Flow	\$15,189	\$56,899	\$ 87,294	\$ 95,416	\$ 254,798	\$60,363	\$12,009	\$72,372	\$72,088	\$ 245,000 - \$ 275,000

USE OF NON-GAAP FINANCIAL MEASURES AND OPERATING METRICS

- MSCI Inc. has presented supplemental non-GAAP financial measures as part of this earnings presentation. A reconciliation is provided that reconciles each non-GAAP financial measure with the most comparable GAAP measure. The non-GAAP financial measures presented in this earnings release should not be considered as alternative measures for the most directly comparable GAAP financial measures. The non-GAAP financial measures presented in this earnings release are used by management to monitor the financial performance of the business, inform business decision making and forecast future results.
- Adjusted EBITDA Expenses is defined as operating expenses, less depreciation and amortization.
- Adjusted EBITDA is defined as net income before income from discontinued operations, net of income taxes, provision for income taxes, other expense (income), net and depreciation and amortization.
- Adjusted Net Income and Adjusted EPS are defined as net income and EPS, respectively, before income from discontinued operations, net of income taxes and the after-tax impact of the amortization of intangible assets.
- Free Cash Flow is defined as net cash provided by operating activities, less Capex. Capex is defined as capital expenditures plus capitalized software development costs.
- We believe that adjusting for depreciation and amortization may help investors compare our performance to that of other companies in our industry as we do not believe that other companies in our industry have as significant a portion of their operating expenses represented by these items. Additionally, we believe that adjusting for income from discontinued operations, net of income tax, provides investors with a meaningful trend of results for our continuing operations. We believe that Free Cash Flow is useful to investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations, such as investment in the Company's existing businesses. Further, Free Cash Flow indicates our ability to strengthen the Company's balance sheet, repay our debt obligations, pay cash dividends and repurchase our common shares. Finally, we believe that adjusting for one-time, unusual or non-recurring expenses is useful to management and investors because it allows for an evaluation of MSCI's underlying operating performance. We believe that the non-GAAP financial measures presented in this earnings release facilitate meaningful period-to-period comparisons and provide a baseline for the evaluation of future results.
- Adjusted EBITDA Expenses, Adjusted EBITDA, Adjusted Net Income, Adjusted EPS and Free Cash Flow are not defined in the same manner by all companies and may not be comparable to other similarly-titled non-GAAP financial measures of other companies.
- The Run Rate at a particular point in time represents the forward-looking revenues for the next 12 months from then-current subscriptions and investment product licenses we provide to our clients under renewable contracts or agreements assuming all contracts or agreements that come up for renewal are renewed and assuming then-current currency exchange rates. For any license where fees are linked to an investment product's assets or trading volume, the Run Rate calculation reflects for ETF fees, the market value on the last trading day of the period, and for fees related to non-ETF funds and futures and options, the most recent periodic fee earned under such license or subscription. The Run Rate does not include fees associated with "one-time" and other non-recurring transactions. In addition, we remove from the Run Rate the fees associated with any subscription or investment product license agreement with respect to which we have received a notice of termination or non-renewal during the period and determined that such notice evidences the client's final decision to terminate or not renew the applicable subscription or agreement, even though such notice is not effective until a later date.
- Organic Subscription Run Rate Growth ex FX is defined as the period over period Run Rate growth, excluding the impact of changes in foreign currency and the first year impact of any acquisitions. Changes in foreign currency are calculated by applying the end of period currency exchange rate from the comparable prior period to current period foreign currency denominated Run Rate. This metric also excludes the impact on the growth in subscription Run Rate of the acquisitions of IPD, InvestorForce and GMI for their respective first year of operations as part of MSCI.
- The Aggregate Retention Rates for a period are calculated by annualizing the cancellations for which we have received a notice of termination or for which we believe there is an intention to not renew during the 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 year to calculate a cancellation rate. This cancellation rate is then subtracted from 100% to derive the annualized Aggregate Retention Rate for the period. The Aggregate Retention Rate is computed on a product-by-product basis. Therefore, if a client reduces the number of products to which it subscribes or switches between our products, we treat it as a cancellation. In addition, we treat any reduction in fees resulting from renegotiated contracts as a cancellation in the calculation to the extent of the reduction. For the calculation of the Core Retention Rate, the same methodology is used except the cancellations in the period are reduced by the amount of product swaps.

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