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with objective insight

First Quarter 2014 Earnings Presentation

April 30, 2014

msci.com

Forward-Looking Statements and Other Information

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

- This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance or achievements. For a discussion of risk and uncertainties that could materially affect actual results, levels of activity, performance or achievements, please see the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and its other reports filed with the SEC. Certain risks and uncertainties are also associated with a failure to consummate or a delay in the consummation of the proposed sale of Institutional Shareholder Services Inc. ("ISS") transaction. Any forward-looking statements included in this presentation reflect the Company's view as of the date of the presentation. The Company assumes no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise, except as required by law.

- **Other Information**

- Percentage changes and totals in this presentation may not sum due to rounding.
- Percentage changes are referenced to the comparable period in 2013, unless otherwise noted.
- Total sales include recurring subscription sales and non-recurring sales.
- Definitions of Run Rate and Retention Rate provided on page 15.
- Due to the announced sale of ISS, results of the former Governance business are now reflected as discontinued operations in the financial statements of MSCI in the current quarter and for prior periods. The operating metrics for prior periods have also been updated to exclude the Governance business.
- We have historically reported the financial results and operating metrics for Energy and Commodity products on a standalone basis. Beginning with Q1'14, these results and metrics will be included in the risk management and analytics products. Prior periods have been updated accordingly.

Summary of First Quarter 2014 Financial Results

- **Summary Financial Results from Continuing Operations**
 - Operating revenues increased 9% to \$240 million
 - Income from continuing operations fell 11% to \$47 million as a result of higher income taxes
 - Adjusted EBITDA¹ fell 2% to \$97 million, and Adjusted EPS² fell \$0.04 to \$0.46
 - Diluted EPS fell \$0.03 to \$0.40
- **Strong Operating Results**
 - Run Rate grew 10% to \$955 million – subscription Run Rate grew 8%
 - Retention rates rose to 93%
- **Investment Plan Well Underway**
 - Compensation expenses rose 14% to \$102 million
 - Non-compensation expenses rose 31% to \$41 million – but down 4% from Q4'13
- **Continued Focus on Capital Management**
 - Repurchased 1.7 million shares in Q1'14

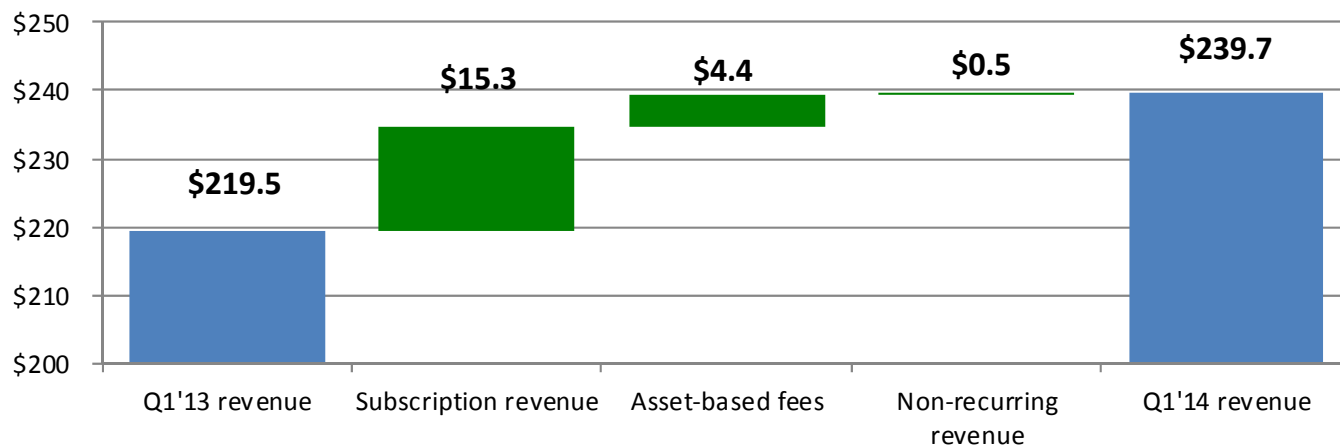
¹ Net income before income from discontinued operations, net of income taxes, provision for income taxes, other expense (income), net, depreciation and amortization. Please see page 21 for reconciliation.

² Adjusted EPS is calculated as diluted EPS before income from discontinued operations, net of income taxes, and the after-tax impact of the provision for amortization of intangible assets and debt repayment and refinancing costs. Please see page 20 for reconciliation.

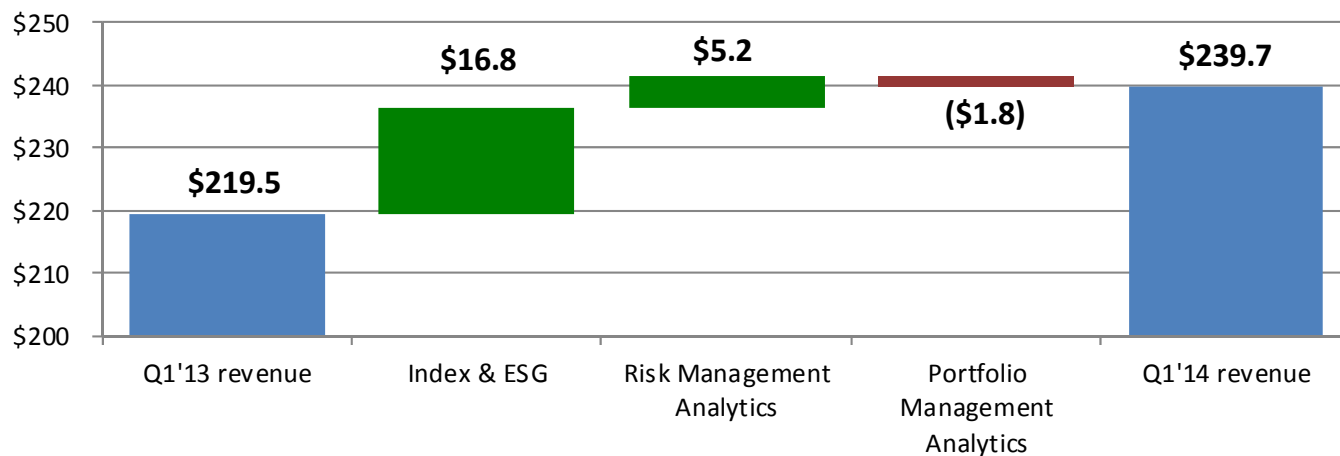
Breakdown of Q1'13 vs Q1'14 Revenue Growth

(Dollars in millions)

Year-over-Year Change in Revenues by Type



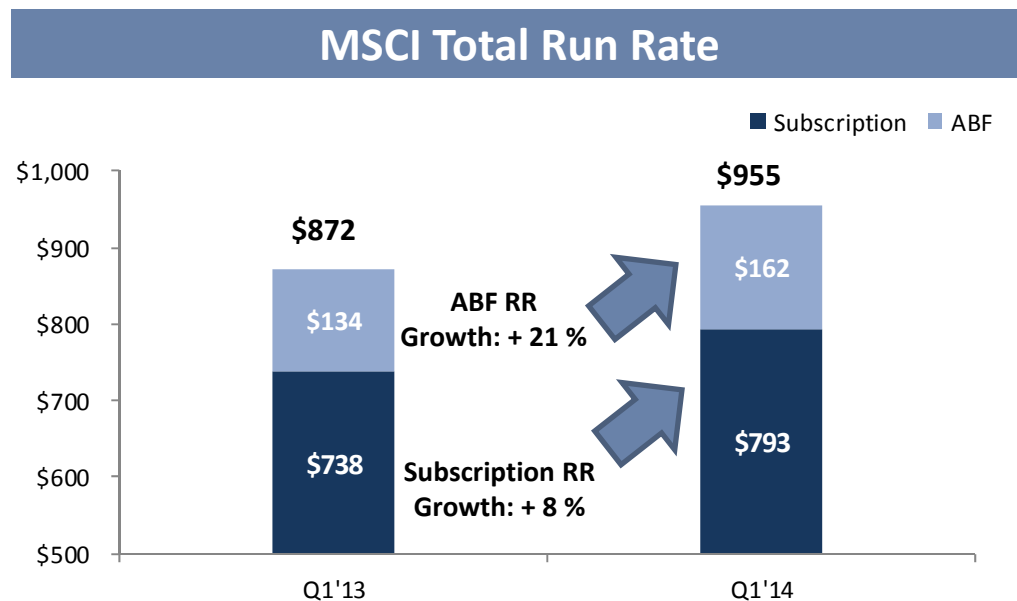
Year-over-Year Change in Revenues by Product



Summary of First Quarter 2014 Operating Metrics

(Dollars in millions)

- Run Rate grew YoY by **10%** to **\$955 million**
 - Subscription Run Rate grew by 8%
 - Asset-based fee Run Rate growth of 21%
 - \$5 million currency impact YoY but minimal sequential benefit
- Total sales of \$35 million, **up 14%**
 - Sales growth in Index and ESG and RMA offset decline in PMA
- Recurring subscription sales **up 18%** from Q1'13
- Aggregate retention rate **improved to 93%** in Q1'14
 - Big gains in PMA retention drove the increase



Total Sales and Retention

	Q1'13	Q1'14	Diff.
Recurring Subscription Sales	\$ 26	\$ 30	18%
Non-Recurring Sales	<u>5</u>	<u>5</u>	-6%
Total Sales	\$ 31	\$ 35	14%
Aggregate Retention	92%	93%	1%



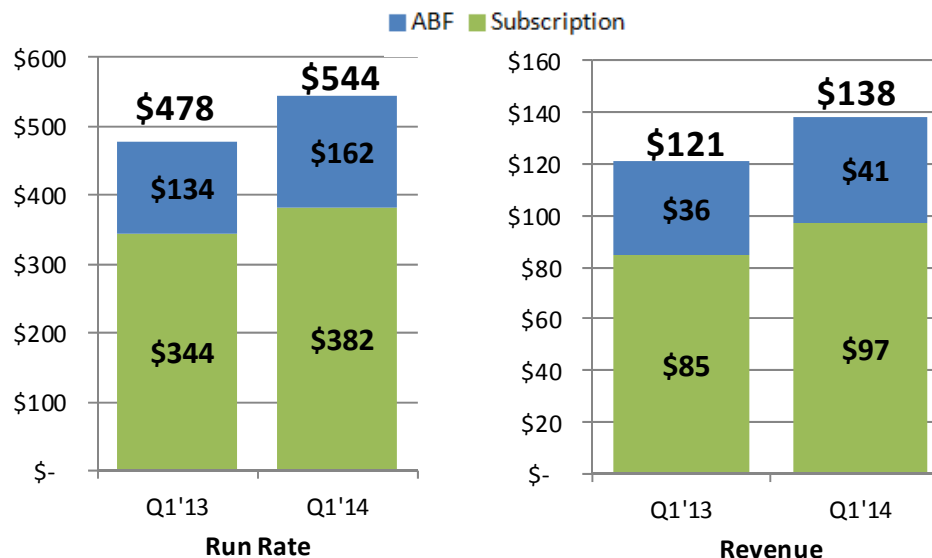
Index and ESG Products

(Dollars in millions)

First Quarter Highlights:

- Revenues grew **14%** to **\$138 million**
 - Subscription revenues grew by 15%
 - \$5 million growth from IPD mostly timing-related
- Run Rate grew by **14%** YoY to **\$544 million**
 - Subscription Run Rate grew by **11%**
 - Asset-based fee Run Rate rose **21%**
 - ESG growth remained strong
 - Growth consistent across regions
- Total sales growth of **14%**
 - Driven by index benchmark products, aided by continued strength of ESG products
- Aggregate Retention Rate strong at **95%** in Q1'14

Index and ESG Run Rate and Revenues



Index and ESG Sales and Retention

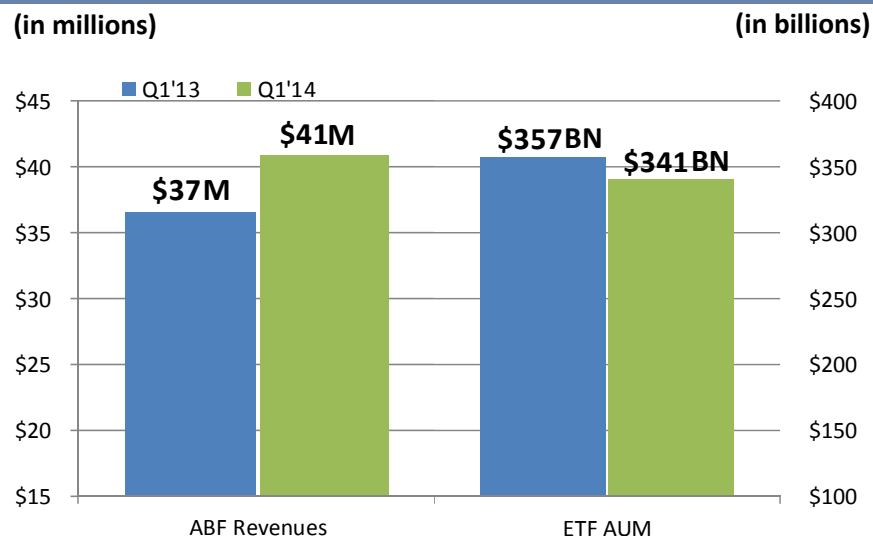
	Q1'13	Q1'14	Diff.
Total Sales	\$17	\$19	14%
Aggregate Retention	95%	95%	0%

Asset-Based Fees

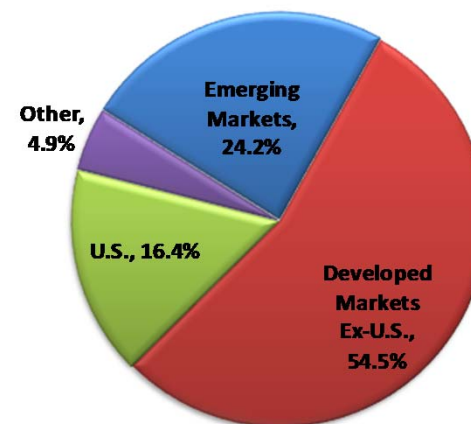
First Quarter Highlights:

- Revenues grew **12%** to **\$41 million**
 - Strong inflows into ETFs and increases in non-ETF passive funds more than offset the loss of Vanguard
- Asset-based fee Run Rate rose **21%** to **\$162 million**, and rose **2%** from Q4'13
 - 3.6 average basis point fee at quarter-end
- Total ETF AUM fell by 5% to \$341 billion at the end of Q1'14
 - Excluding Vanguard, ETF AUM grew **\$55 billion** versus Q1'13 – including inflows of **\$38 billion**
- \$7 billion of inflows accounted for 40% of total global ETF inflows in Q1'14

ABF Revenues versus ETF AUM



MSCI-Linked ETF AUM by Market Exposure



AUM of \$341 billion as of March 31, 2014
Source: Bloomberg

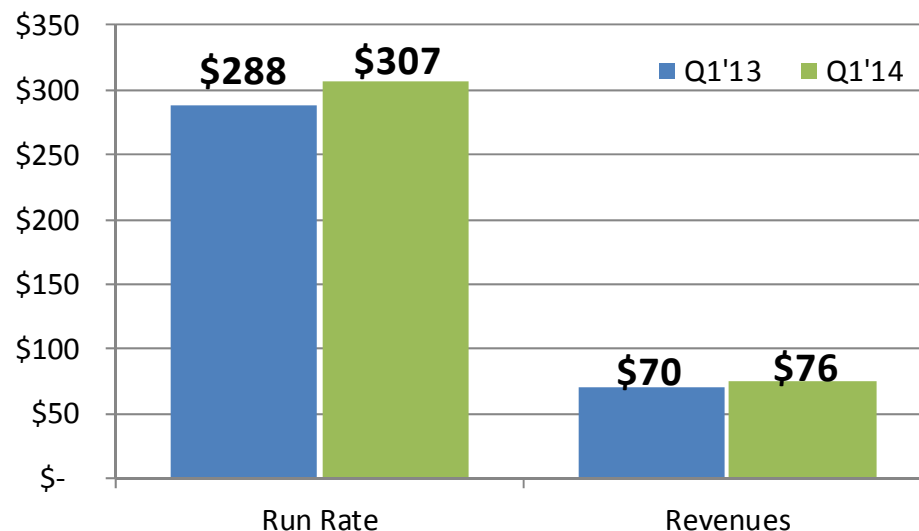
Risk Management Analytics

(Dollars in millions)

First Quarter Highlights:

- RMA results now include Energy & Commodity Analytics products revenues and Run Rate
- Revenues grew by **7%** to **\$76 million**
 - Additional month of revenues from the Q1'13 InvestorForce acquisition contributed \$0.9 million to growth
- Run Rate grew by **7% YoY** to **\$307 million**
 - Growth strongest at asset owners and asset managers
- Total sales of **\$14 million** in Q1'14
 - Strong sales growth in the Americas offset weakness in EMEA
- Aggregate Retention Rate decreased to **91%** for Q1'14

Risk Management Analytics Run Rate and Revenues



Risk Management Analytics Sales and Retention

	Q1'13	Q1'14	Diff.
Total Sales	\$11	\$14	22%
Aggregate Retention	93%	91%	-2%

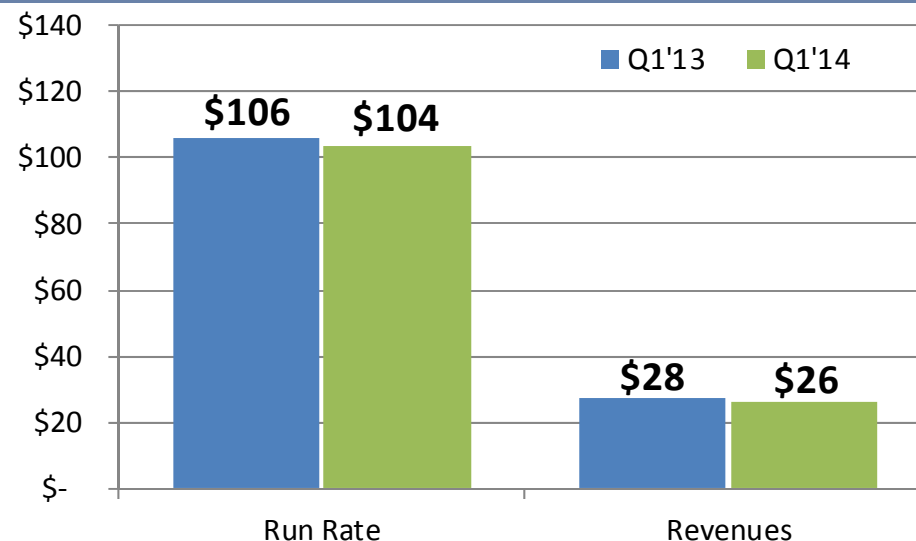
Portfolio Management Analytics

(Dollars in millions)

First Quarter Highlights:

- Revenues declined **6%** to **\$26 million**
- Run Rate declined by **2% YoY** to **\$104 million**
 - Run Rate remained stable versus Q4'13 as sales exceeded cancels in Q1'14
- Total sales of **\$3 million, down 12%** from prior year
 - New sales exceeded cancellations
 - New products driving majority of sales
- Aggregate Retention Rate improved to **91%** in Q1'14 from **82%**
 - Decline in cancels reflects product improvements and focus on client service

Portfolio Management Analytics Run Rate and Revenues



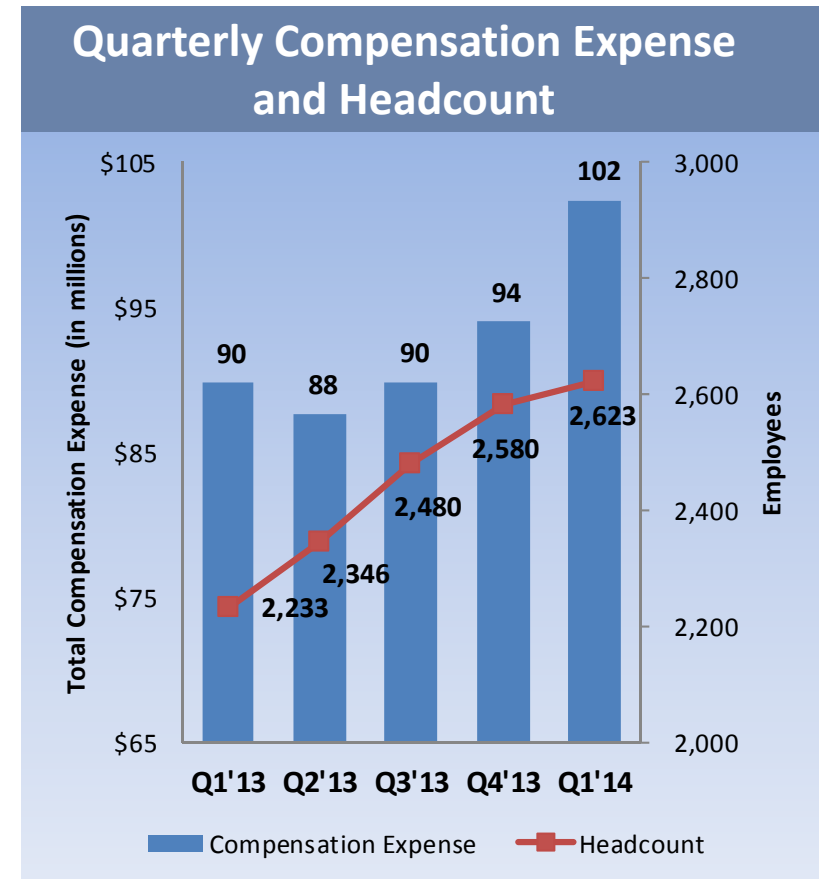
Portfolio Management Analytics Sales and Retention

	Q1'13	Q1'14	Diff.
Total Sales	\$3	\$3	-12%
Aggregate Retention	82%	91%	9%
Core Retention	83%	93%	10%

Compensation Expense

(Dollars in millions)

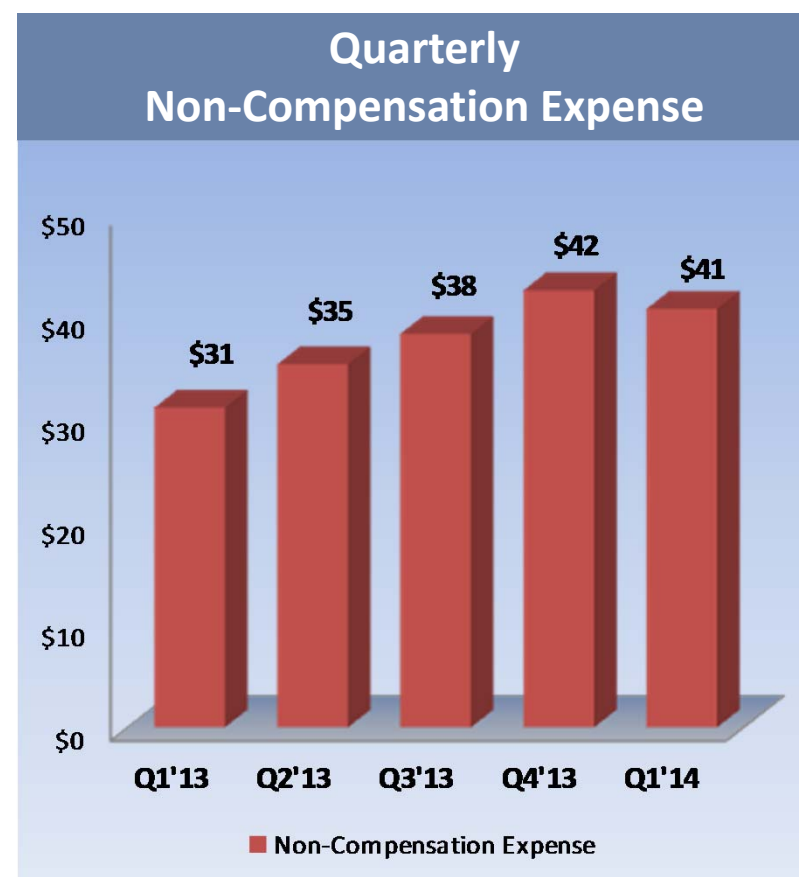
- Higher compensation expense driven by higher headcount
 - Headcount (ex-ISS) rose 17% versus Q1'13
 - Up 2% versus Q4'13
- First quarter expense also reflects higher retirement expense
- Continued growth in number of employees in emerging markets
 - EMC % rose to 47% from 40% in Q1'13
 - Benefits of EMC additions partially offset by more senior hires



Non-Compensation¹ Expense

(Dollars in millions)

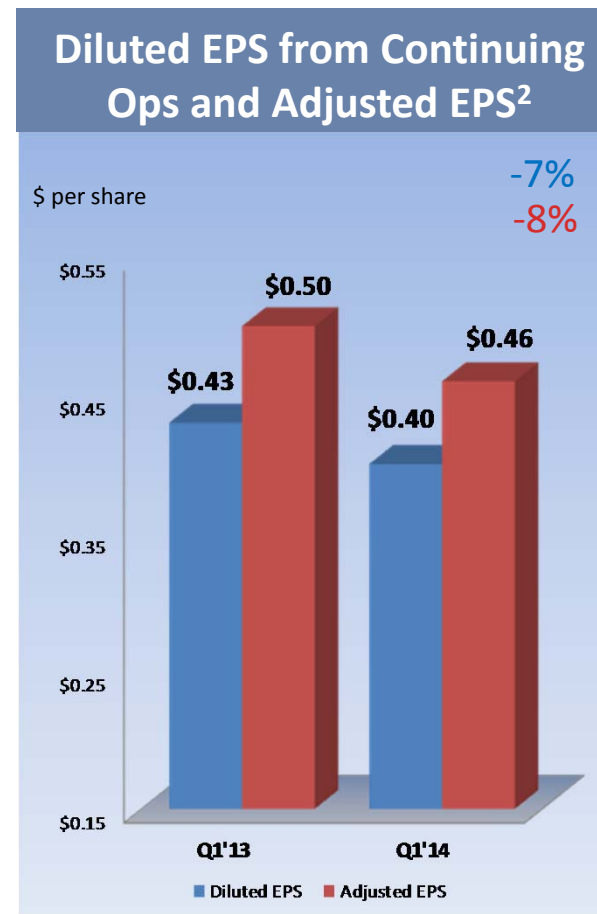
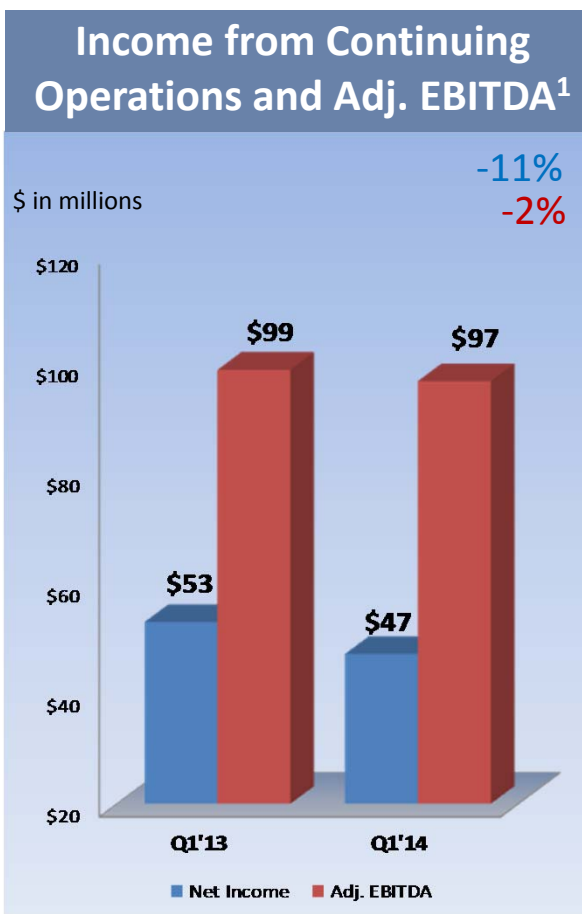
- Non-Compensation expense rose to accommodate future growth
- Increase in IT expenses linked to investment program
 - IT costs increased to support additional functionality and storage capacity
- Higher occupancy costs driven by additional headcount
- Professional service fees, market data and marketing expenses also contributed to the increase



⁽¹⁾ Non-compensation excludes amortization and depreciation. Please see page 22 for reconciliation to operating expenses.

Summary of Profitability Metrics from Continuing Operations

- Income from continuing operations declined 11%
- Diluted EPS from continuing operations fell 7% to \$0.40
- Adjusted EBITDA¹ was \$97 million, down 2%
- Adjusted EPS² fell 8% to \$0.46
- Q1'14 tax rate from continuing operations of 36%
- 3% decrease in diluted weighted average shares outstanding



⁽¹⁾ Net income before income from discontinued operations, net of income taxes, provision for income taxes, other expense (income), net, depreciation and amortization. Please see page 21 for reconciliation.

⁽²⁾ Adjusted EPS is calculated as diluted EPS before income from discontinued operations, net of income taxes, and the after-tax impact of the provision for amortization of intangible assets and debt repayment and refinancing costs. Please see page 20 for reconciliation.

Select Balance Sheet, Cash Flow and Other Items

(Dollars in millions)

	As of	
	March 31, 2014	December 31, 2013
Total cash and cash equivalents	\$260	\$358
Current maturities of long-term debt	\$20	\$20
Long-term debt, net of current maturities	783	788
Total	\$803	\$808

Net Cash from Operations	Q1'14
	\$25
Select Non-Operating Cash Out-Flows	
Capital expenditures	\$10
Debt repayment	\$5
February 2014 ASR	\$100

Other Items	Q1'14
Shares repurchased under ASR program	1.7 million

Key Guidance Unchanged

- 2014 Adjusted EBITDA¹ projected to include expenses in the range of \$569-\$582 million
- Cash Flow from Operations projected to be \$275-\$325 million in 2014
- 2014 Capital expenditures projected to be \$45-\$55 million
- Full Year 2014 tax rate expected to be in the range of 36%, which excludes the impact of the research & development tax credit that has not been renewed

⁽¹⁾ Net income before income from discontinued operations, net of income taxes, provision for income taxes, other expense (income), net, depreciation and amortization. Please see page 21 for reconciliation.

Use of Non-GAAP Financial Measures and Operating Metrics

- MSCI has presented supplemental non-GAAP financial measures as part of this presentation. A reconciliation is provided that reconciles each non-GAAP financial measure with the most comparable GAAP measure. The presentation of non-GAAP financial measures should not be considered as alternative measures for the most directly comparable GAAP financial measures. These measures are used by management to monitor the financial performance of the business, inform business decision making and forecast future results.
- Adjusted EBITDA is defined as net income before income from discontinued operations, net of income taxes, provision for income taxes, other expense (income), net, 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 provision for amortization of intangible assets and debt repayment and refinancing costs.
- We believe that adjusting for debt repayment and refinancing expenses is useful to management and investors because it allows for an evaluation of MSCI's underlying operating performance. Additionally, we believe that adjusting for debt repayment and refinancing expenses and 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 of a portion of their operating expenses represented by these items. Finally, we believe that adjusting for discontinued operations, net of income tax provides investors with a meaningful trend of results for our continuing operations. 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, Adjusted Net Income and Adjusted EPS are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies.
- The Run Rate at a particular point in time represents the forward-looking revenues for the next 12 months from all subscriptions and investment product licenses we currently 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 an annualization of 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.
- The Aggregate Retention Rates are calculated by annualizing the cancellations for which we have received a notice of termination or non-renewal during the applicable period and have 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. 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 applicable 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 amount of cancellations in the applicable period are reduced by the amount of product swaps.

Income from Continuing Operations: Q1'13 – Q1'14

In thousands, except per share data	Three Months Ended	Three Months Ended				Year Ended
	March 31, 2014	March 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	December 31, 2013
Operating revenues	\$ 239,688	\$ 219,469	\$ 228,423	\$ 228,608	\$ 236,864	\$ 913,364
Operating expenses						
Cost of services	75,427	65,300	69,696	68,151	72,254	275,401
Selling, general and administrative	67,658	55,515	52,842	59,917	64,175	232,449
Amortization of intangible assets	11,270	11,166	11,222	11,193	11,218	44,799
Depreciation and amortization of property, equipment and leasehold improvements	5,828	4,597	4,774	5,443	5,569	-
Total operating expenses	\$ 160,183	\$ 136,578	\$ 138,534	\$ 144,704	\$ 153,216	\$ 573,032
Operating income	\$ 79,505	\$ 82,891	\$ 89,889	\$ 83,904	\$ 83,648	\$ 340,332
<i>Operating margin</i>	33.2%	37.8%	39.4%	36.7%	35.3%	37.3%
Interest income	(156)	(237)	(186)	(227)	(239)	(889)
Interest expense	5,059	7,016	6,499	5,828	6,914	26,257
Other expense (income)	1,071	1,922	(328)	563	(20)	2,137
Other expenses (income), net	\$ 5,974	\$ 8,701	\$ 5,985	\$ 6,164	\$ 6,655	\$ 27,505
Income from continuing operations before provision for income taxes	73,531	74,190	83,904	77,740	76,993	312,827
Provision for income taxes	26,385	21,232	27,763	27,804	36,120	112,919
Income from continuing operations	47,146	52,958	56,141	49,936	40,873	199,908

Operating Revenues by Product Category: Q1'13 – Q1'14

	Three Mths Ended	Three Months Ended				Year Ended
	March 31, 2014	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
In thousands						
Index and ESG products						
Subscriptions	\$ 97,343	\$ 84,888	\$ 95,200	\$ 92,815	\$ 93,771	\$ 366,674
Asset-based fees	40,900	36,515	36,970	36,801	39,200	149,486
Index and ESG products total	138,243	121,403	132,170	129,616	132,971	516,160
Risk management analytics	75,580	70,420	70,164	72,779	78,380	291,743
Portfolio management analytics	25,865	27,646	26,089	26,213	25,513	105,461
Total operating revenues	\$ 239,688	\$ 219,469	\$ 228,423	\$ 228,608	\$ 236,864	\$ 913,364
Recurring subscriptions	\$ 194,972	\$ 179,663	\$ 186,333	\$ 189,175	\$ 193,430	\$ 748,601
Asset-based fees	40,900	36,515	36,970	36,801	39,200	149,486
Non-recurring revenue	3,816	3,291	5,120	2,632	4,234	15,277
Total operating revenues	\$ 239,688	\$ 219,469	\$ 228,423	\$ 228,608	\$ 236,864	\$ 913,364

Operating Expenses Detail: Q1'13 – Q1'14

In thousands	Three Mths Ended	Three Months Ended				Year Ended
	March 31, 2014	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Cost of services						
Compensation	\$ 56,282	\$ 49,404	\$ 51,669	\$ 49,300	\$ 52,146	\$ 202,519
Non-compensation	19,145	15,896	18,027	18,851	20,108	72,882
Total cost of services	\$ 75,427	\$ 65,300	\$ 69,696	\$ 68,151	\$ 72,254	\$ 275,401
Selling, general and administrative						
Compensation	\$ 46,133	\$ 40,350	\$ 35,951	\$ 40,534	\$ 41,824	\$ 158,659
Non-compensation	21,525	15,165	16,891	19,383	22,351	73,790
Total selling, general and administrative	\$ 67,658	\$ 55,515	\$ 52,842	\$ 59,917	\$ 64,175	\$ 232,449
Amortization of intangible assets	11,270	11,166	11,222	11,193	11,218	44,799
Depreciation and amortization of property, equipment and leasehold improvements	5,828	4,597	4,774	5,443	5,569	20,383
Total operating expenses	\$ 160,183	\$ 136,578	\$ 138,534	\$ 144,704	\$ 153,216	\$ 573,032
Compensation	\$ 102,415	\$ 89,754	\$ 87,620	\$ 89,834	\$ 93,970	\$ 361,178
Non-compensation expenses	40,670	31,061	34,918	38,234	42,459	146,672
Amortization of intangible assets	11,270	11,166	11,222	11,193	11,218	44,799
Depreciation and amortization of property, equipment and leasehold improvements	5,828	4,597	4,774	5,443	5,569	20,383
Total operating expenses	\$ 160,183	\$ 136,578	\$ 138,534	\$ 144,704	\$ 153,216	\$ 573,032

Key Operating Metrics: Q1'13 – Q1'14

Dollars in thousands	Three Months Ended				
	March 31, 2014	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Run Rates					
Index and ESG products					
Subscription	\$ 382,383	\$ 344,267	\$ 350,833	\$ 360,042	\$ 371,511
Asset-based fees	161,882	134,186	131,716	146,979	158,305
Index and ESG products total	544,265	478,453	482,549	507,021	529,816
Risk management analytics	307,460	287,554	293,816	300,945	301,957
Portfolio management analytics	103,531	106,091	104,524	104,938	103,125
Total Run Rate	955,256	872,098	880,889	912,904	934,898
Subscription total	\$ 793,374	\$ 737,912	\$ 749,173	\$ 765,925	\$ 776,593
Asset-based fees total	161,882	134,186	131,716	146,979	158,305
Total Run Rate	\$ 955,256	\$ 872,098	\$ 880,889	\$ 912,904	\$ 934,898
New Recurring Subscription Sales	\$ 30,422	\$ 25,676	\$ 27,526	\$ 26,697	\$ 31,082
Subscription Cancellations	(13,978)	(13,995)	(14,154)	(13,345)	(21,077)
Net New Recurring Subscription Sales	\$ 16,444	\$ 11,681	\$ 13,372	\$ 13,352	\$ 10,005
Non-recurring sales	\$ 4,798	\$ 5,117	\$ 5,714	\$ 2,970	\$ 4,107
Employees	2,623	2,233	2,346	2,480	2,580
% Employees by location					
Developed Market Centers	53%	60%	57%	55%	54%
Emerging Market Centers	47%	40%	43%	45%	46%

Reconciliation to Adjusted Net Income and Adjusted EPS

In thousands, except per share data	Three Months Ended		
	March 31, 2014	March 31, 2013	December 31, 2013
Net Income	\$ 80,399	\$ 58,937	\$ 47,257
Less: Income from discontinued operations, net of income taxes	\$ (33,253)	\$ (5,979)	\$ (6,384)
Income from continuing operations	\$ 47,146	\$ 52,958	\$ 40,873
Plus: Amortization of intangible assets	11,270	11,166	11,218
Plus: Debt repayment and refinancing expenses	-	-	1,405
Less: Income tax effect	(4,044)	(3,196)	(5,732)
Adjusted net income	\$ 54,372	\$ 60,928	\$ 47,764
Diluted EPS	\$ 0.68	\$ 0.48	\$ 0.39
Less: Earnings per diluted common share from discontinued operations	(0.28)	(0.05)	(0.05)
Earnings per diluted common share from continuing operations	0.40	0.43	0.34
Plus: Amortization of intangible assets	0.09	0.09	0.09
Plus: Debt repayment and refinancing expenses	-	-	0.01
Less: Income tax effect	(0.03)	(0.02)	(0.04)
Adjusted EPS	\$ 0.46	\$ 0.50	\$ 0.40

Reconciliation of Net Income to Adjusted EBITDA

In thousands	Three Months Ended		
	March 31, 2014	March 31, 2013	December 31, 2013
Net Income	\$ 80,399	\$ 58,937	\$ 47,257
Less: Income from discontinued operations, net of income taxes	\$ (33,253)	\$ (5,979)	\$ (6,384)
Income from continuing operations	\$ 47,146	\$ 52,958	\$ 40,873
Plus: Provision for income taxes	26,385	21,232	36,120
Plus: Other expense (income), net	5,974	8,701	6,655
Operating income	\$ 79,505	\$ 82,891	\$ 83,648
Plus: Depreciation and amortization of property, equipment and leasehold improvements	5,828	4,597	5,569
Plus: Amortization of intangible assets	11,270	11,166	11,218
Adjusted EBITDA	\$ 96,603	\$ 98,654	\$ 100,435

Reconciliation of Operating Expenses

In thousands	Three Months Ended			% Change from	
	March 31, 2014	March 31, 2013	December 31, 2013	March 31, 2013	December 31, 2013
Cost of services					
Compensation	\$ 56,282	\$ 49,404	\$ 52,146	13.9%	7.9%
Non-compensation	19,145	15,896	20,108	20.4%	(4.8%)
Total cost of services	\$ 75,427	\$ 65,300	\$ 72,254	15.5%	4.4%
Selling, general and administrative					
Compensation	\$ 46,133	\$ 40,350	\$ 41,824	14.3%	10.3%
Non-compensation	21,525	15,165	22,351	41.9%	(3.7%)
Total selling, general and administrative	\$ 67,658	\$ 55,515	\$ 64,175	21.9%	5.4%
Amortization of intangible assets	11,270	11,166	11,218	0.9%	0.5%
Depreciation and amortization of property, equipment and leasehold improvements	5,828	4,597	5,569	26.8%	4.7%
Total operating expenses	\$ 160,183	\$ 136,578	\$ 153,216	17.3%	4.5%
Compensation	\$ 102,415	\$ 89,754	\$ 93,970	14.1%	9.0%
Non-compensation expenses	40,670	31,061	42,459	30.9%	(4.2%)
Amortization of intangible assets	11,270	11,166	11,218	0.9%	0.5%
Depreciation and amortization of property, equipment and leasehold improvements	5,828	4,597	5,569	26.8%	4.7%
Total operating expenses	\$ 160,183	\$ 136,578	\$ 153,216	17.3%	4.5%