# MSCI Inc.
# Investor Presentation

**May 11, 2020**

# Forward-Looking Statements

- This investor presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation, MSCI's full-year 2020 guidance and long-term targets. These forward-looking statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential" or "continue," or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond MSCI's control and that could materially affect actual results, levels of activity, performance or achievements.
- Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in MSCI's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the Securities and Exchange Commission ("SEC") on February 18, 2020 and in quarterly reports on Form 10-Q and current reports on Form 8-K filed or furnished with the SEC. If any of these risks or uncertainties materialize, or if MSCI's underlying assumptions prove to be incorrect, actual results may vary significantly from what MSCI projected. Any forward-looking statement in this investor 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 investor presentation may not sum due to rounding.
- Percentage changes refer to the comparable period in 2019, unless otherwise noted.
- 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 assets under management (“AUM”), which is the primary component of asset-based fees, is not adjusted for foreign currency fluctuations. Approximately two-thirds of the AUM are invested in securities denominated in currencies other than the U.S. dollar, and accordingly, any such impact is excluded from the disclosed foreign currency adjusted variances.

# COVID-19 Response – Supporting Our People, Clients and Business

**Our People & Business Resiliency**

- Almost 100% of our workforce is operating remotely across 35 locations in 22 countries. Health and safety is a top priority
- Key data production and technology services have an uptime of over 99.9%
- Multiple data centers globally
- Crisis Management Team across functional areas of MSCI meets frequently

**Our Clients**

- Thoughtful outreach with relevant research and content to help clients navigate the crisis, including a dedicated section on our website related to COVID-19 analyses, ranging from factors to ESG to MSCI Liquidity Risk Monitor reports
- Making available on a three-month free trial basis, daily index data for index product subscribers currently on a monthly delivery cycle to help them stay closer to market changes
- We are also offering trials on ESG Metrics data and certain Real Estate data sets
- Access to multi-asset class model portfolio stress testing to simulate outcomes across equity, credit, oil, FX and commodity shocks
- Upgraded our fixed income liquidity modeling tools to operate bi-weekly versus monthly

# Table of contents



MSCI

# Company overview

# MSCI at a glance

**WHO WE ARE**

### 7,700[1] blue-chip clients in 85+ countries as of 1Q20

- Across investment and trading spectrum
- World's most sophisticated investors use our products and services

### Must have products and services

- Across asset classes for performance and risk
- $1.6B+ run rate as of March 31, 2020
- 10% YoY organic subscription Run Rate growth in 1Q20

### Strong performance and inclusive culture

- Global, multi-cultural workforce
- Driving innovation for industry- leading solutions[2]

### 3,459 talented employees globally as of 1Q20

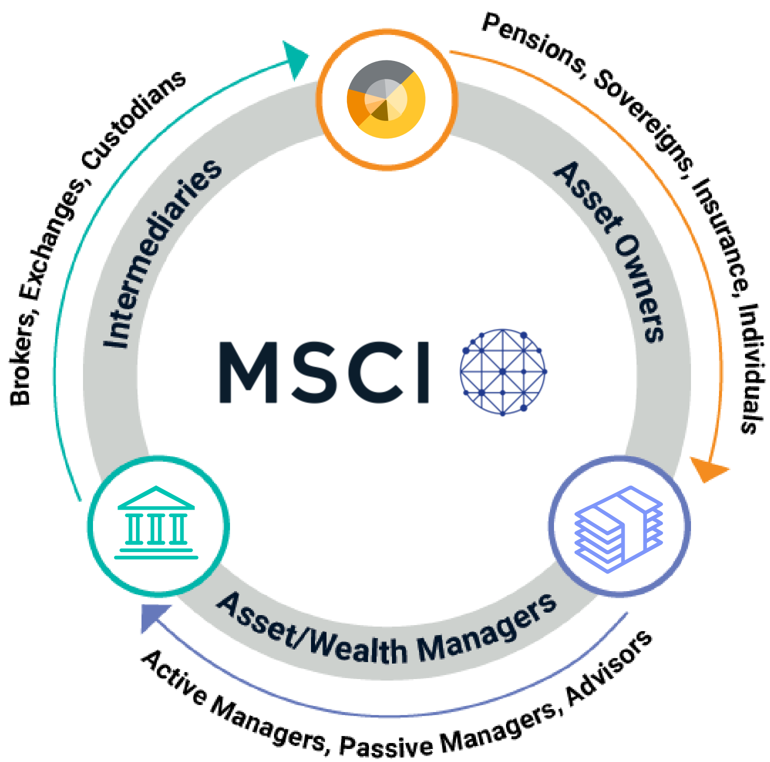
- 35 MSCI locations in 22 countries
- 63% and 37% of employees located in emerging market and developed market locations respectively
- Extensive knowledge of the investment process

**WHAT WE DO**

Provide products and services that global investors can use to build **better portfolios** for a better world

[1]Number of clients based on the shipping address of the ultimate customer utilizing the product which counts affiliates, user locations, or business units within a single organization as separate clients; [2]Unless otherwise noted, solutions throughout this presentation refers to the usage of our products and / or services by our clients to help them achieve their objectives.

# Clients across the investment process turn to MSCI's tools to support their investment needs




## Client investment process

Asset Allocation → Portfolio Construction → Performance and Risk Management

### MSCI tools to support:

- Defining investable universes
- Allocating assets sustainably
- Creating investment programs/products
- Benchmarking performance
- Understanding and managing risk and performance
- Reporting to constituents
- Complying with regulations
- Measuring climate related risks and opportunities

**Solutions for the most critical investment activities**

# Powering better investment decisions

## Client Portfolio Needs

| | |
|---|---|
| Clients use our **Indexes** to help them build portfolios | Clients use our **Performance and Risk models and Analytics to help them build portfolios** |

## MSCI Solutions

| | | | | | |
|---|---|---|---|---|---|
| **For Public Asset Classes** | Equity and Fixed Income Indexes | Factor Models and Analytics | ESG Ratings and Research | Performance and Risk Analytics | Content Enabling Platform |

| | | | |
|---|---|---|---|
| **For Private Asset Classes** | Real Estate Benchmarks | Real Estate Performance Attribution | Private Equity, Real Estate and Private Credit Models and Risk Analytics |

MSCI

# Ongoing tailwinds from secular market trends

Increasing mandate for sustainable returns and **ESG integration**

Long-term shift from **Home country Bias to Global**

Ongoing shift from active management to **index-enabled investing**

Increasing demands on institutional investors to be more **efficient and differentiated**

From manager selection to **internal management**

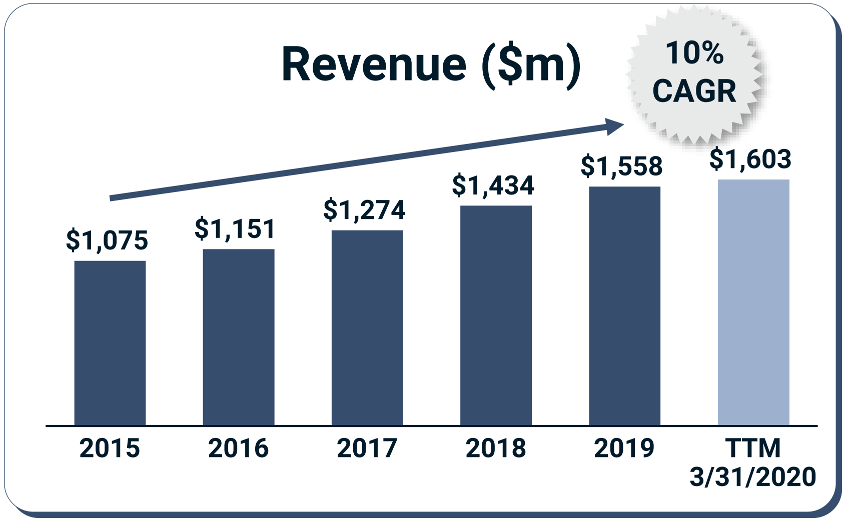
Continued allocation to **private asset** classes

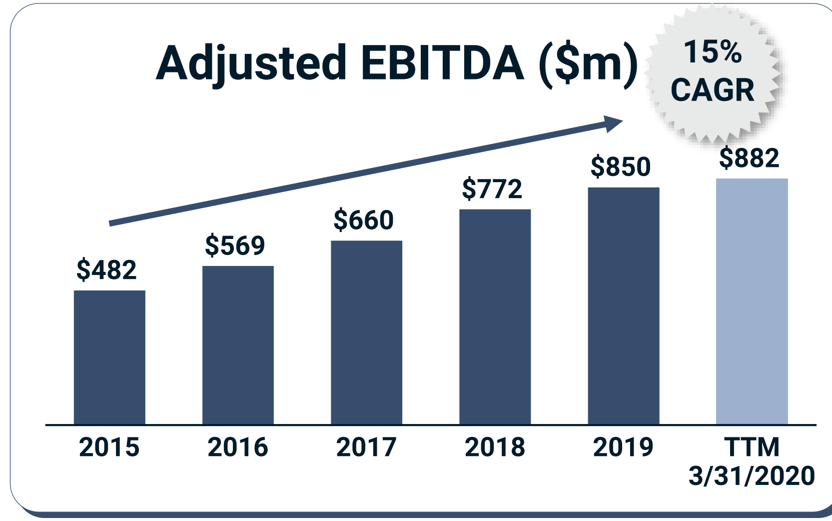
# Financial review

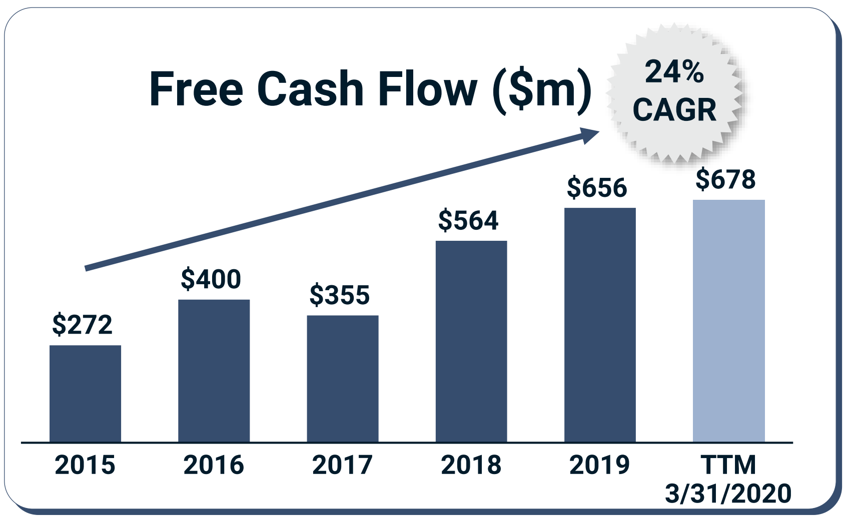
MSCI

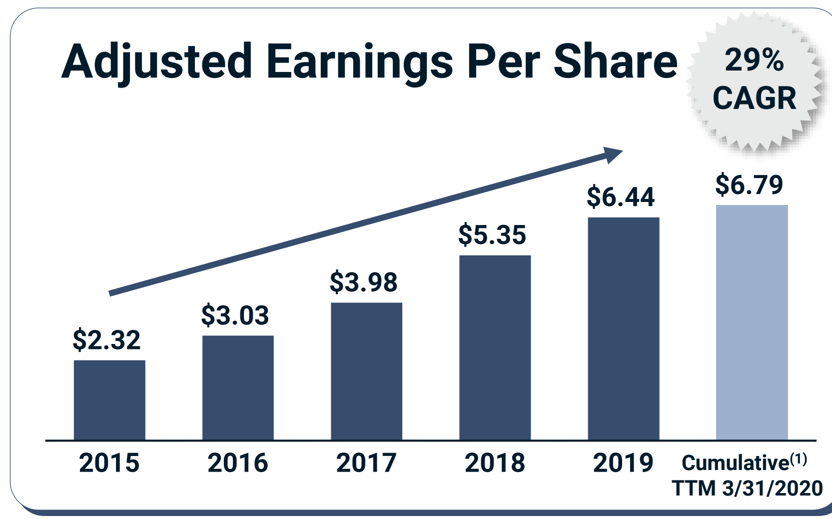
# Delivering growth across key metrics

Financial discipline and rigor underpinned by culture of performance and accountability



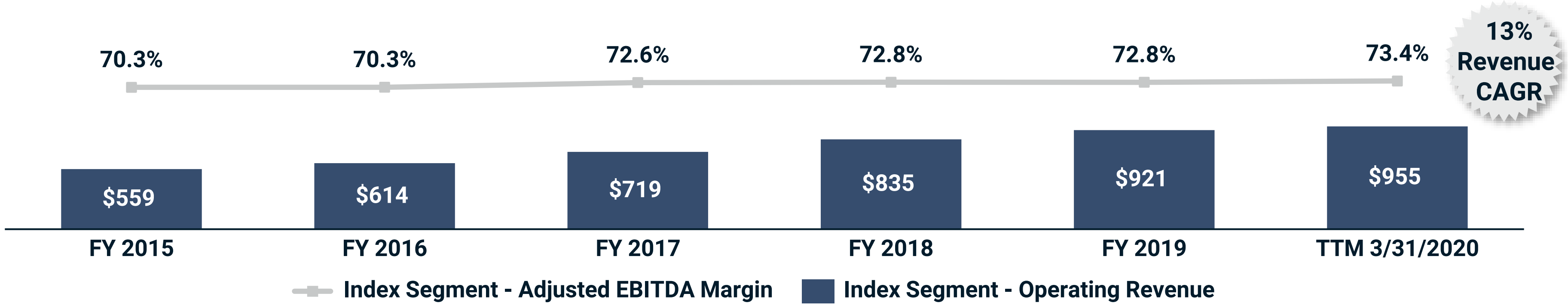



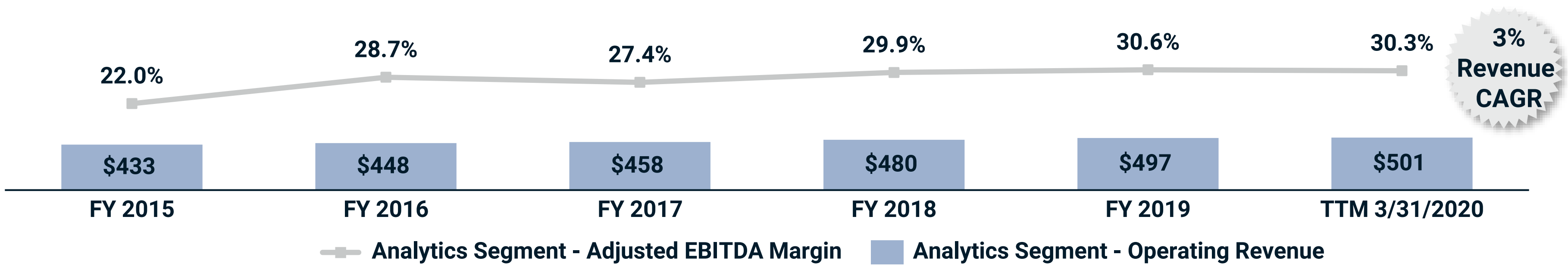



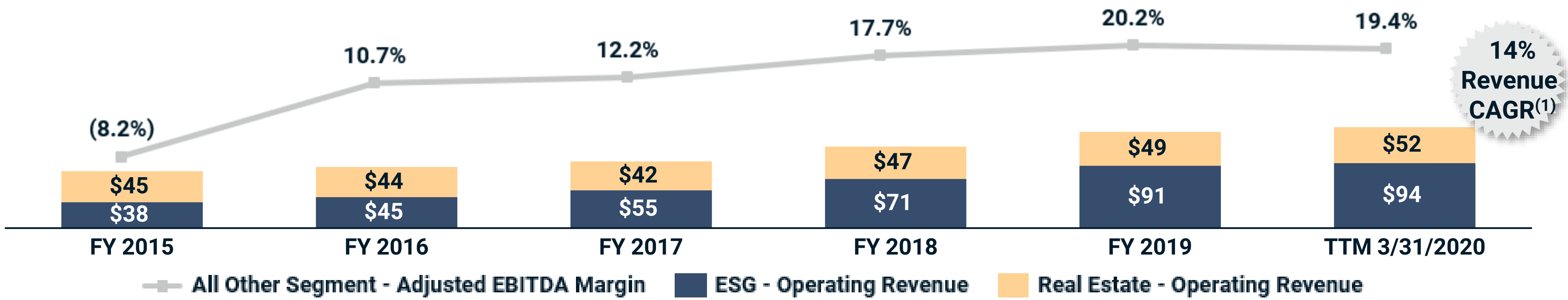

MSCI

Note: Compound annual growth rate calculations represent beginning figures in 2015 and ending figures in trailing twelve months ended March 31, 2020 ("TTM 3/31/2020").
[1]Represents sum of Adjusted Earnings per Share recorded in each quarterly period between April 1, 2019 through March 31, 2020.

# Underpinned by robust business growth



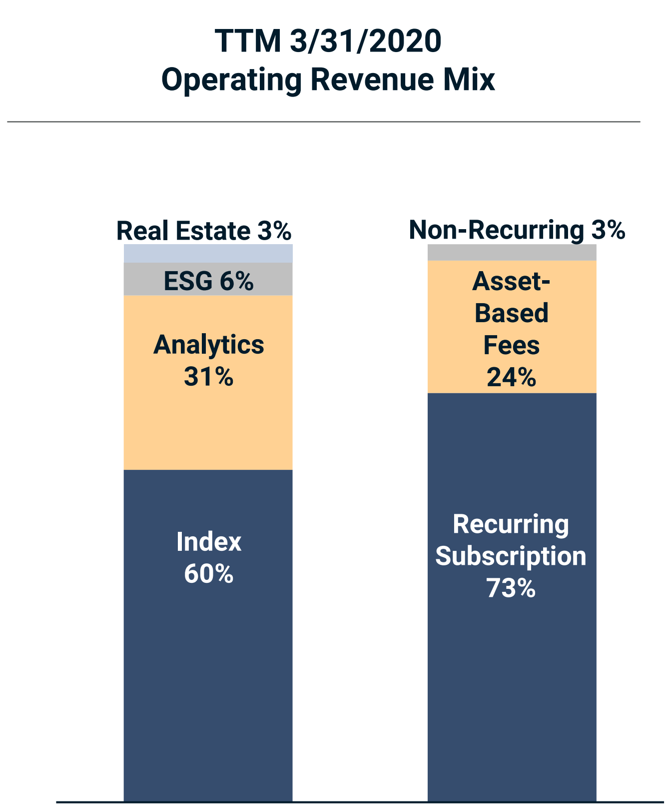



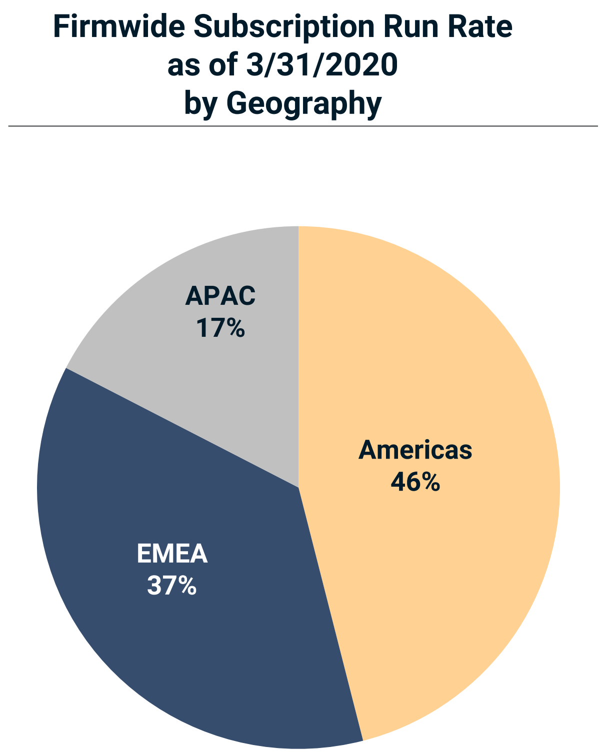




MSCI

Note: Compound annual growth rate calculations represent beginning figures in 2015 and ending figures in TTM 3/31/2020.
[1]Represents compound annual growth rate for total revenue for All Other segment.

# Attractive financial model with global client base across the investment industry



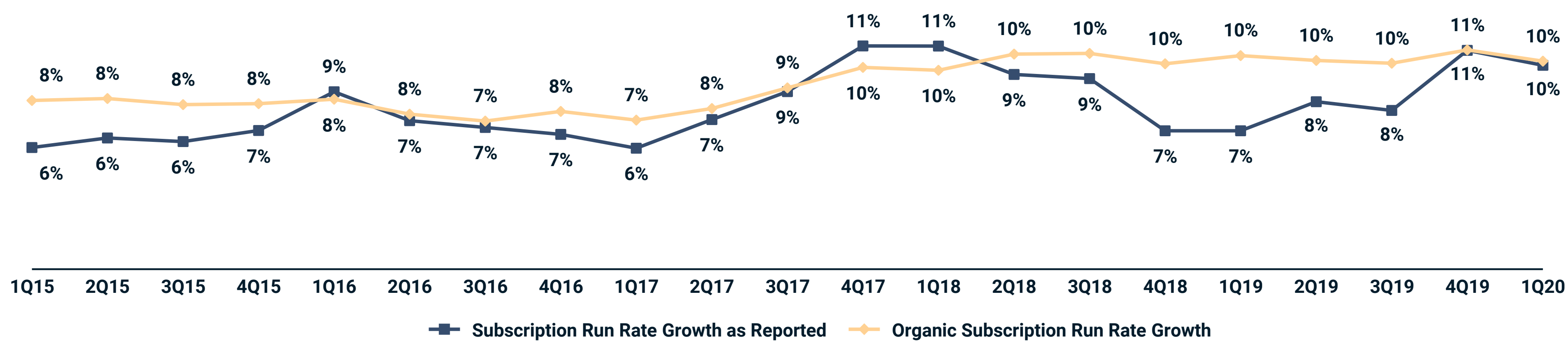




**As of 3/31/2020: $1.3B Total Subscription Run Rate**

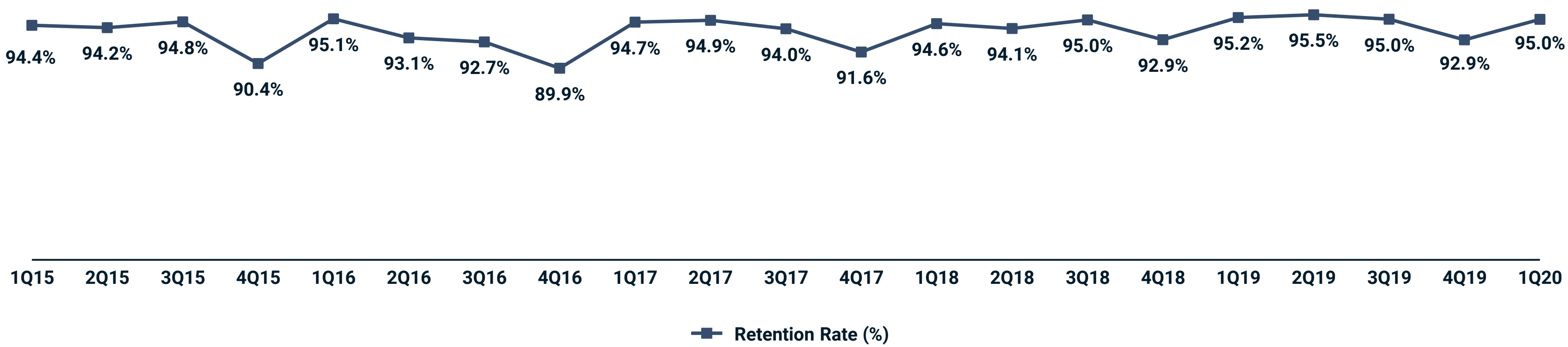
Note: Please refer to page 45 for notes regarding the use of operating metrics, including run rate.

# Robust subscription run rate growth and retention across MSCI

## YoY Subscription Run Rate Growth (as Reported and Organic)




## Retention Rate Trends




Note: Please refer to page 45 for notes regarding the use of operating metrics, including run rate.

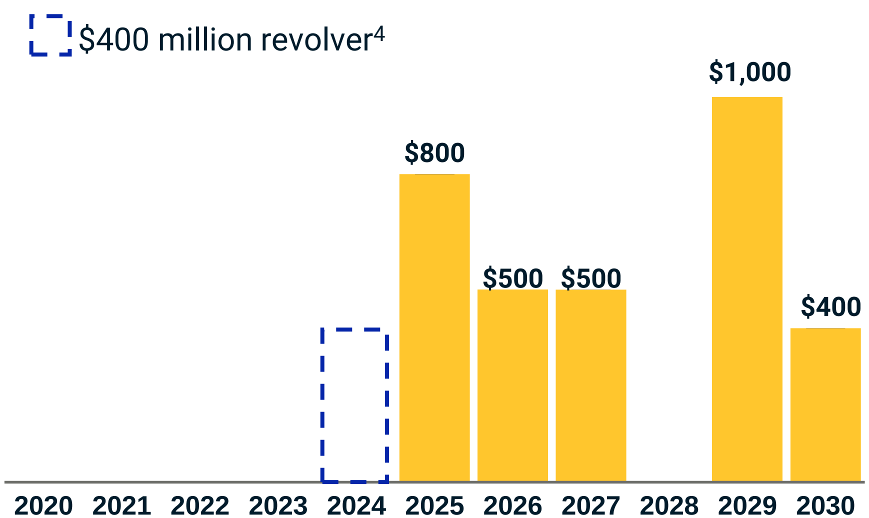
# Capital position and allocation considerations

(US$ in millions, unless otherwise noted)

## Cash[1] and Debt[2] as of March 31, 2020

- Total Cash of $1,067
- Total Debt of $3,170
- Net Debt of $2,103
- Total Debt / TTM[3] Adj. EBITDA of 3.6x
- Net Debt / TTM[3] Adj. EBITDA of 2.4x

## Unsecured Debt Maturity Profile




## Capital Allocation

- Strong balance sheet provides optionality
  - Issued $400 million of debt at 3.625% coupon in Feb. 2020; used $300 million of proceeds to redeem remaining principal on 2024 Notes
  - Next maturity not until 2025
- Disciplined and consistent approach to deployment
  - Triple-Crown framework to evaluate internal opportunities and MP&A (mergers, partnerships and acquisitions)
- Remaining capital returned to shareholders through dividends and opportunistic share repurchases
  - $57.8 million in dividends paid to shareholders in 1Q20
  - $325.7 million of share repurchases in 1Q20 (1.3 million shares at average price of $248.65)
  - $356.8 million of share repurchases YTD through April 24, 2020 (1.4 million shares at average price of $250.65)

[1]MSCI typically seeks to maintain minimum cash balances globally of approximately $200.0 million to $250.0 million for general operating purposes but may maintain higher minimum cash balances while the COVID-19 pandemic continues to impact global economic markets
[2]Reflects gross debt, inclusive of deferred financing fees
[3]Trailing twelve months
[4]Undrawn as of May 11, 2020

# Full-year 2020 guidance

(US$ in millions)

| Guidance Item | Guidance for Full-Year 2020 |
|---|---|
| Operating Expense | In the range of $790 to 840 million **(revised)** |
| Adjusted EBITDA Expense | In the range of $700 to 750 million **(revised)** |
| Interest Expense (including amortization of financing fees) | Approximately $158 million |
| Depreciation & Amortization Expense | Approximately $90 million |
| Effective Tax Rate | In the range of 18% to 21% **(revised)** |
| Capital Expenditures | In the range of $50 to $60 million **(revised)** |
| Net Cash Provided by Operating Activities | In the range of $600 to $650 million **(revised)** |
| Free Cash Flow | In the range of $540 to $600 million **(revised)** |



Note: MSCI's guidance for 2020 is based on assumptions about a number of macroeconomic and capital market factors, in particular related to equity markets. These assumptions are subject to uncertainty, and actual results for the year could differ materially from our current guidance.

# Our downturn playbook levers

**Illustrative Example of Expense Levers to Mitigate Decline in Revenues**

| | |
|---|---|
| **Self-Adjusting** | • Metrics-based incentive plan |
| **Timing & Discretionary** | • Other bonus incentives<br>• Delayed hiring<br>• T&E<br>• Training<br>• Professional fees<br>• Marketing |
| **Pacing of Investments** | • Reprioritization, pace of hiring<br>• Headcount optimization<br>• Client coverage spend (e.g. T&E) |



**Multiple Levers to Manage Market Downturns**

# Long-term targets

<table>
<tr><th></th><th>Revenue Growth Rate (ex. ABF)</th><th>Adj. EBITDA Expense Growth Rate</th><th>Adj. EBITDA Growth Rate</th><th>Adj. EBITDA Margin %</th></tr>
<tr><td>Index</td><td>Low Double Digit</td><td>High Single Digit</td><td></td><td></td></tr>
<tr><td>Analytics</td><td>High Single Digit to Low Double Digit</td><td>Mid to High Single Digit</td><td></td><td></td></tr>
<tr><td>ESG</td><td>Mid Twenties</td><td rowspan="2">Low to Mid Teens</td><td></td><td></td></tr>
<tr><td>Real Estate</td><td>Mid Teens</td><td></td><td></td></tr>
<tr><td>MSCI</td><td>Low Double Digit</td><td>High Single Digit</td><td>Mid Teens</td><td>Mid to High 50s</td></tr>
</table>

# Robust financial model

| | | FY 2015-2019 | 1Q20 |
|---|---|---|---|
| **RECURRING REVENUE & HIGH RETENTION** | Recurring, Visible Revenue Model | **Recurring revenues[1] ~97% annually** | **Recurring revenues[1] >96%** |
| | Strong Historical Retention Rates | **>92% annually** | **95.0%** |
| **OPERATIONAL EFFICIENCY** | Scalable Cost Structure | **Adjusted EBITDA margin / Operating margin**<br>**54.6% / 48.5% (2019)**<br>**44.8% / 37.6% (2015)** | **Adjusted EBITDA margin / Operating margin**<br>**55.0% / 49.9%** |
| | Tax Structure in line with Operating Footprint | **Adjusted tax rate**<br>**17.6% (2019)**<br>**34.2% (2015)** | **Adjusted tax rate**<br>**9.5%** |
| **ATTRACTIVE CASH DYNAMICS** | High Cash Generation | **Free Cash Flow ("FCF") / Operating cash flow**<br>**\$655.8m / \$709.5m (2019)**<br>**\$256.8m / \$306.0m (2015)** | **FCF / Operating cash flow**<br>**\$102.0m / \$112.8m** |

[1]Recurring Revenues include recurring subscription and asset-based fees revenues.

# Segment highlights

MSCI

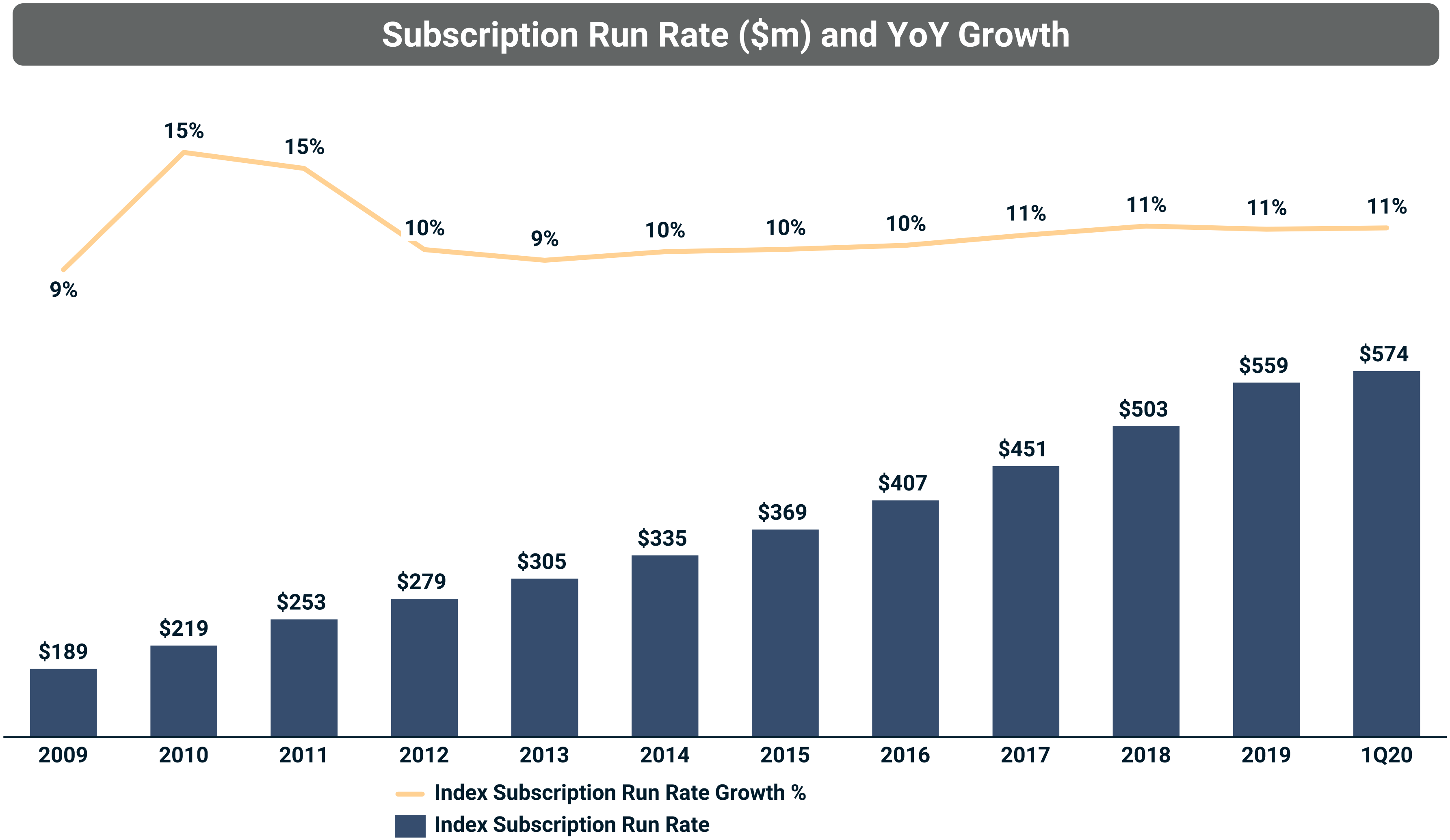
# Index segment run rate fundamentals

| | Subscription Run Rate ($574M as of 1Q20) | Asset-Based Fee Run Rate ($348M as of 1Q20) |
|---|---|---|
| **Products/ Content** | • Market Cap Weighted<br>• Factor & ESG<br>• Custom & Specialized | • ETFs<br>• Non-ETFs<br>• Futures & Options |
| **Pricing Model** | • License fees | • ETFs – basis point fees on AUM<br>• Non-ETFs – basis point fees on AUM<br>• Futures & Options – fees on contract volumes traded |
| **Volume Trend** | • ~2/3 of subscription run rate growth has come from new clients and upsells to existing clients | • Increased adoption over time given ongoing trend towards Index-enabled investing and product launches<br>• Subject to market fluctuations |
| **Retention** | • 96.3% in 1Q20 | • N/A |
| **Overall** | **Solid Base of Recurring Revenue** | |

MSCI

Note: Please refer to page 45 for notes regarding the use of operating metrics, including run rate.

# Resilient Index subscription franchise

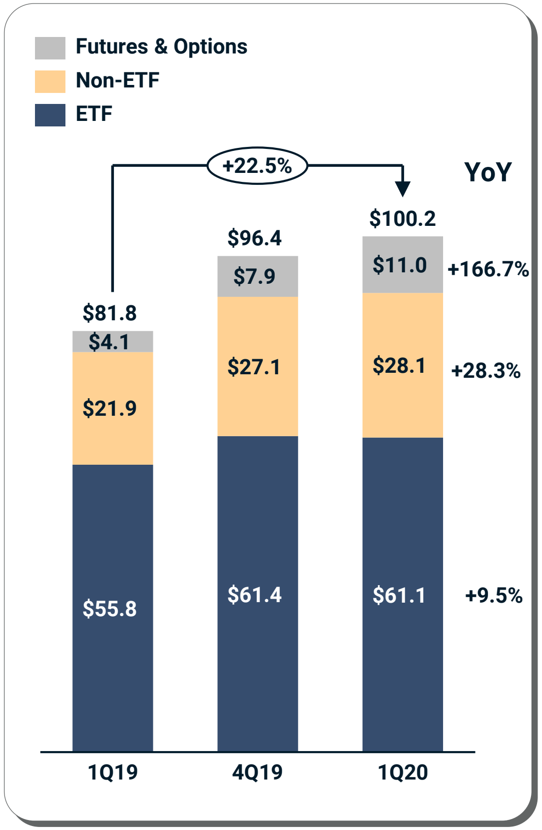



Note: Please refer to page 45 for notes regarding the use of operating metrics, including run rate.

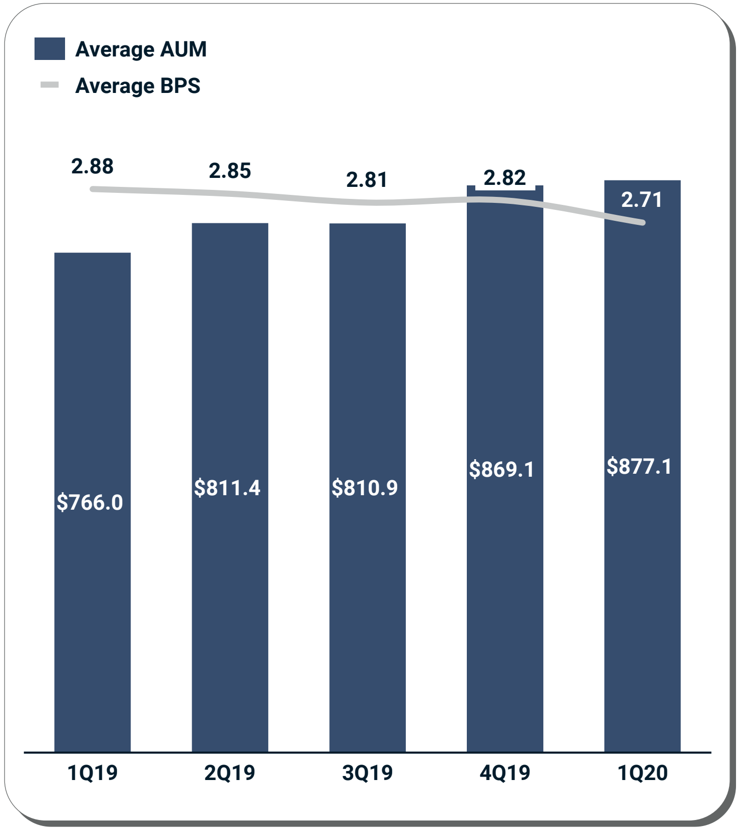
# Index segment: asset-based fees details

(US$ in millions, except AUM in billions and Average BPS)

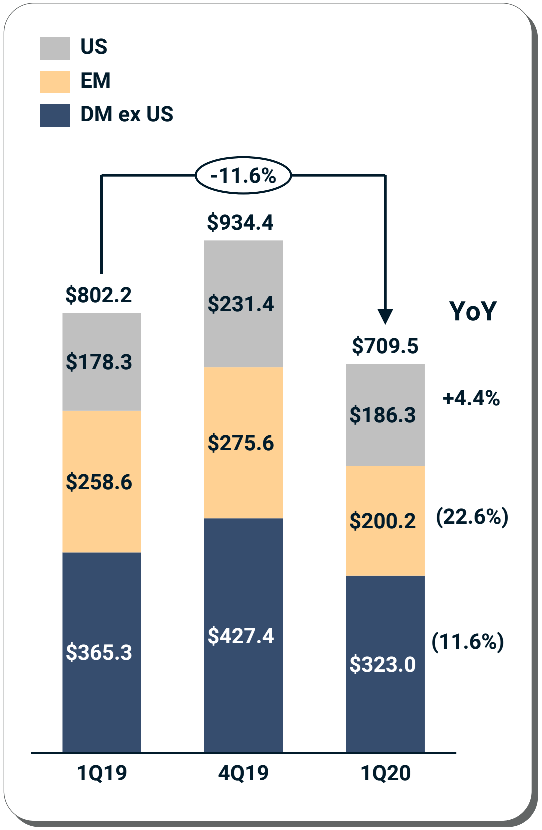
## Asset-based fees (ABF) Revenue




## Quarterly Average AUM and Average BPS[1] of Equity ETFs linked to MSCI Indexes




## Quarter-End AUM by Market Exposure[2] of Equity ETFs linked to MSCI Indexes




[1]Average BPS based on Run Rate and period–end AUM in ETFs linked to MSCI Indexes; Please refer to Table 7: AUM in equity ETFs Linked to MSCI Indexes (unaudited) of the press release reporting MSCI's financial results for 1Q20.

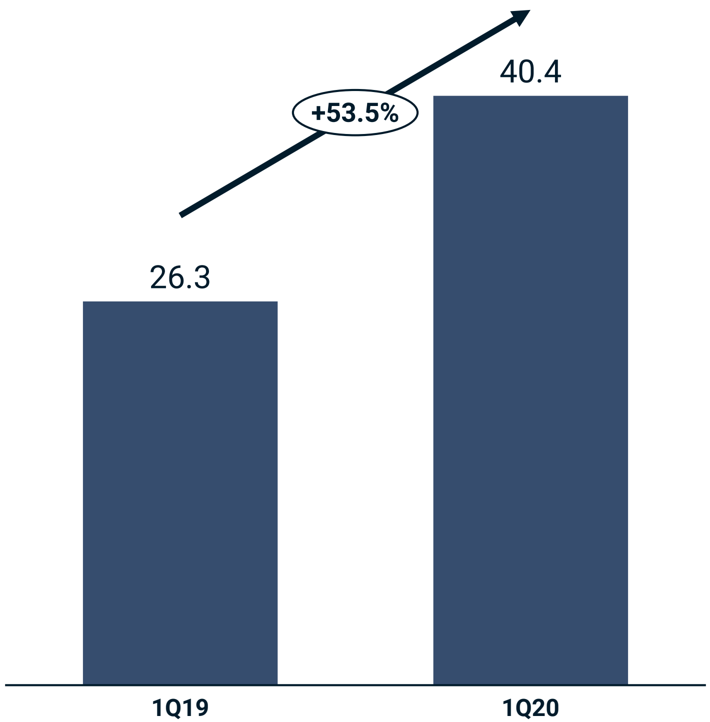
[2]US = Equity ETFs linked to MSCI indexes, the majority of whose weight is comprised of securities in MSCI Developed Market (DM) countries, primarily or exclusively in the US; DM ex US = Equity ETFs linked to MSCI indexes, the majority of whose weight is comprised of securities in MSCI DM countries other than the US; EM = Equity ETFs linked to MSCI indexes, the majority of whose weight is comprised of securities that are not in MSCI DM countries. Prior periods have been reclassified to conform to the current period classification. Note: The AUM in equity ETFs also include AUM in Exchange Traded Notes, the value of which is less than 1.0% of the AUM amounts presented.

MSCI

# 1Q20 momentum in Futures & Options

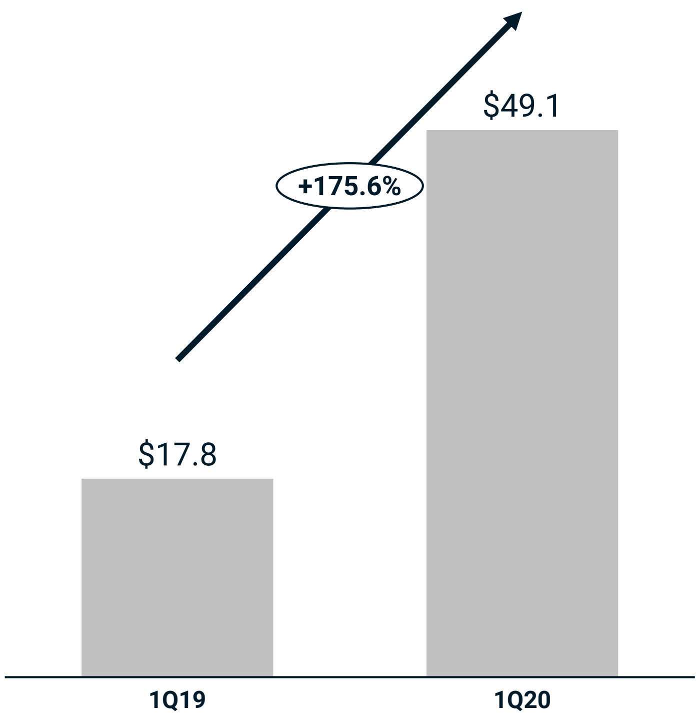
## Futures & Options Volume Linked to MSCI Indexes

(in millions of contracts traded)




## Run Rate from Futures & Options Linked to MSCI Indexes

(US$ in millions)




Note: Please refer to page 45 for notes regarding the use of operating metrics, including run rate.

# Analytics products overview

- We serve the portfolio construction, performance and risk management needs of investors across their entire organizations


### INVESTMENT TEAMS

**WHAT**
Asset allocation, portfolio construction, performance attribution and risk management

**WHO**
CIOs, PMs and quantitative research analysts

### PRODUCT AND OPERATIONS TEAMS

**WHAT**
Enterprise risk management, performance attribution, and regulatory reporting

**WHO**
CROs, CTOs, COOs, risk managers and compliance officers

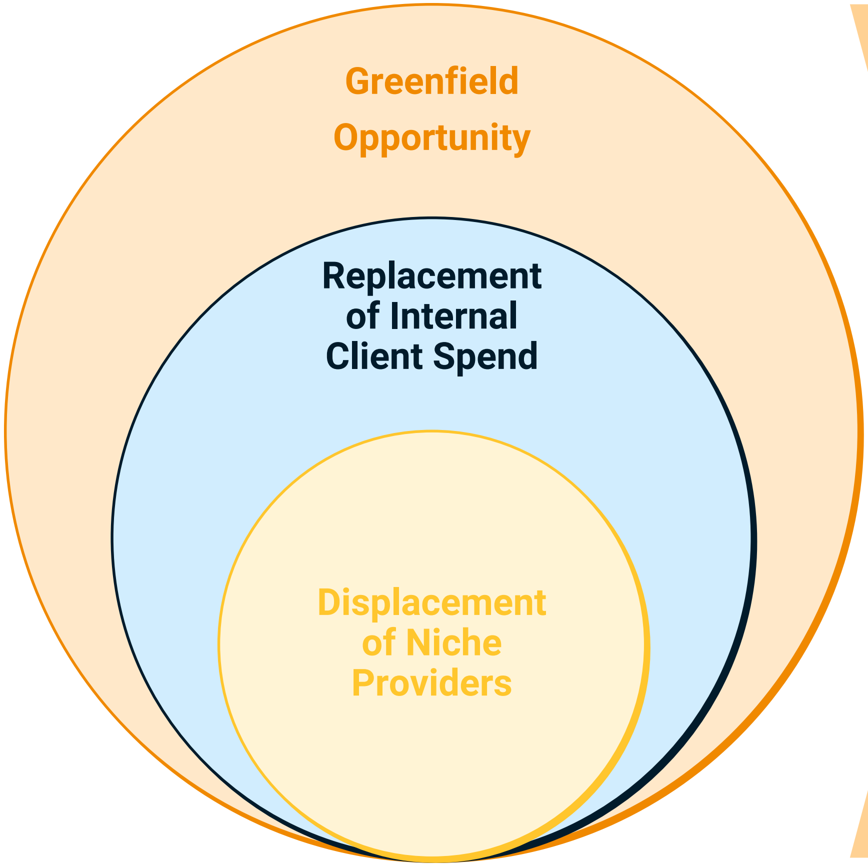
### MARKETING AND DISTRIBUTION TEAMS

**WHAT**
Investor reporting and digital delivery of content to articulate unique value propositions

**WHO**
IR teams and heads of sales and distribution

CIOs = Chief Investment Officers; PMs = Portfolio Managers; CROs = Chief Risk Officers; CTOs = Chief Technology Officers; COOs = Chief Operating Officers and IR = Investor Relations

# Analytics strongly positioned to capitalize on a large opportunity $20B+ in TAM[1] globally




- **Greenfield Opportunities**
  - Investment innovation (e.g., factor investing, ESG)
  - Regulation (e.g., liquidity)
  - Increasing adoption of best practices and technology (e.g., asset owners becoming more sophisticated)
- **Replacement of Internal Client Spend**
  - Internal software developments
  - Outsourcing through managed services
- **Displacement of Niche Providers**
  - Offerings across single asset classes (e.g., equity only)
  - Narrow products to specific problems (e.g., performance attribution only)

**Winners Will Provide Flexible and Integrated Solutions Across Asset Classes**

MSCI

[1]Total addressable market ("TAM") based on company estimates.

# ESG products overview

- MSCI's Ratings, Indexes and Analytics solutions enable ESG integration throughout the investment process

**A LEADER IN ESG RATINGS & RESEARCH[1]**

**INNOVATIVE EQUITY & FIXED INCOME INDEXES FOR VARIOUS ESG APPROACHES**

**A MARKET-LEADING RISK ANALYTICS PLATFORM & A MARKET LEADER IN ESG REPORTING**

**CLIMATE VALUE-AT-RISK TO HELP INVESTORS MEASURE THE POTENTIAL IMPACT OF CLIMATE CHANGE**

**INTEGRATING ESG ACROSS ENTIRE INVESTMENT PROCESS**

REPORTING › OBJECTIVES & APPROACH › INVESTMENT POLICY & BENCHMARKS

STEWARDSHIP & ENGAGEMENT ‹ RISK MANAGEMENT ‹ PORTFOLIO CONSTRUCTION

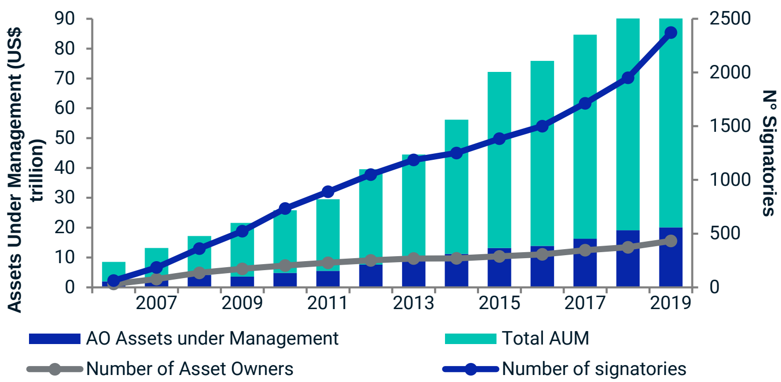
**Extensive insights on ESG** attributes of investments and tools to help build portfolios

**High quality and deep data, broad coverage of securities and wide client adoption** continues to differentiate MSCI

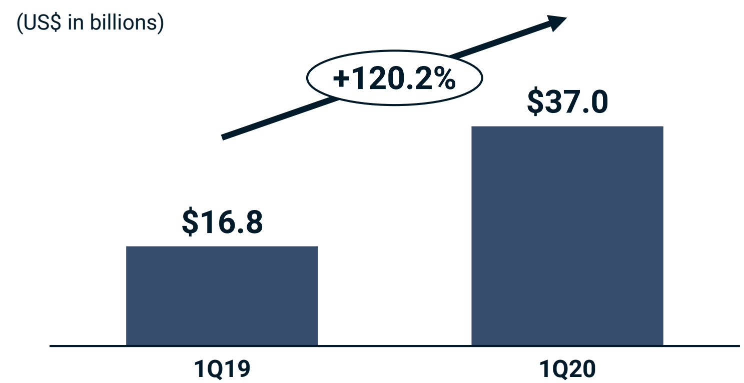
[1]ESG Ratings & Research are provided by MSCI ESG Research LLC. MSCI ESG Indexes and Analytics utilize information from, but are not provided by, MSCI ESG Research LLC.

# Ongoing demand for ESG investing

## UN PRI* Has Grown to Over 2,300 Signatories with $86.3 Trillion In AUM(1)




## 120% Growth in Equity ETF AUM Tracking MSCI ESG Indexes in 1Q20




## Key Catalysts and Tailwinds

**Investors have become less tolerant of corporate ESG incidents**
*(Vale 2019; Equifax 2017; Valeant 2015; Volkswagen 2015)*

**Asset owner and consumer-driven demand for sustainable investing**

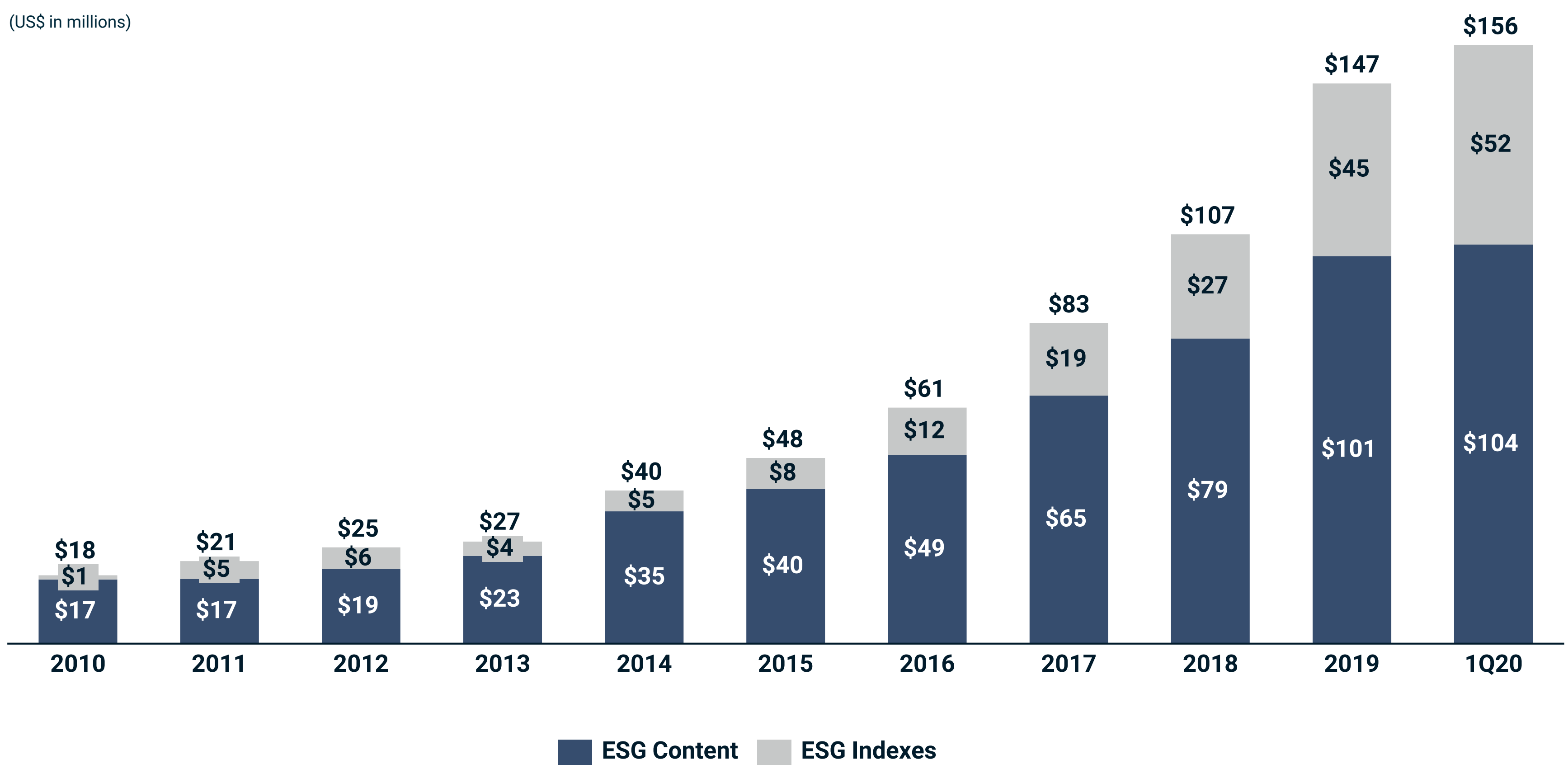
**Investor belief in potential financial benefit of integrating ESG strategies**

**Regulatory landscape and ongoing enhancement of reporting frameworks**

*United Nations Principles for Responsible Investing.
[1]Source: PRI Association.

# Continued growth across firmwide ESG franchise

## Firmwide ESG Run Rate (ESG Content and ESG Indexes)[1]




[1]ESG Content includes ESG segment run rate, and ESG Indexes includes ESG related index subscription and asset-based fees run rate. ESG Content is provided by MSCI ESG Research LLC.
Note: Please refer to page 45 for notes regarding the use of operating metrics, including run rate.

MSCI

# Real Estate product overview

- Provide insights by leveraging one of the most extensive private real estate databases in the world

**Collect Lease, Asset and Portfolio Data + Validate and Aggregate + Standardized Data Input to Products and Indexes**

### Enterprise Analytics
- Single integrated market information, analytics and risk platform

### Global Intel
- One of the most extensive private real estate databases in the world
- Data contributed by clients

### Indexes & Benchmarks
- Single, global framework
- Asset or fund level
- Customizable benchmarks

### Research
- Leverages our unique database and analytics capabilities
- Provides actionable insights

**Provide Insights by Leveraging Private Real Estate Databases**

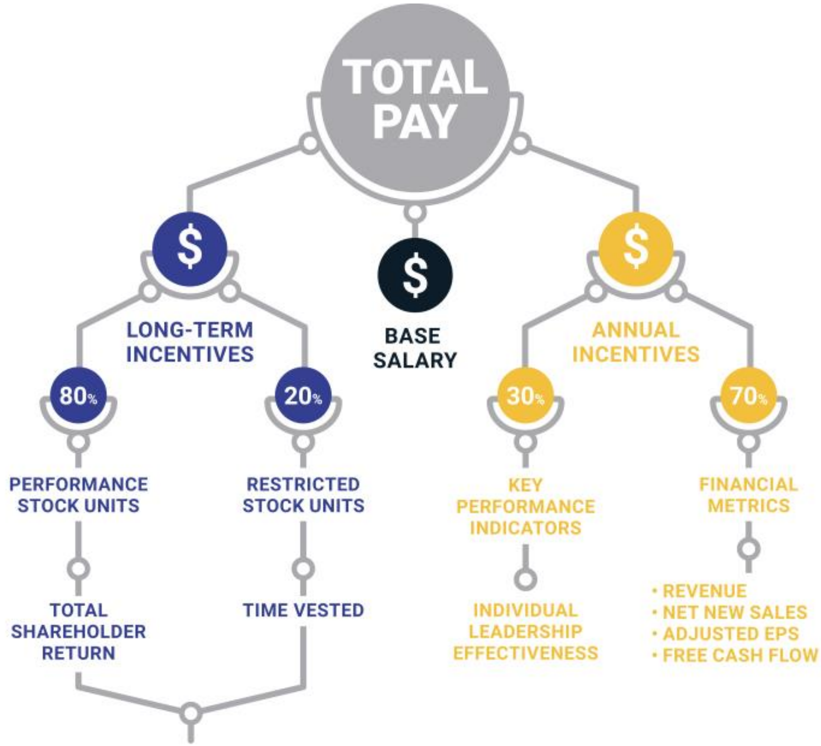
| STANDARD INDEXES | MEASURES | CUSTOMIZED INDEXES |
|---|---|---|
| **A leading provider of real estate investment support tools, delivering critical business intelligence** at both asset and fund levels to institutional investors and real estate owners, managers and brokers worldwide | **Global coverage of real estate with investment support tools and analytics** for private real estate assets worldwide | **Move from local franchises to global and expand model into other private asset classes** |

# Appendix

MSCI

# Pay for performance culture at MSCI

| | Component | Objective | Pay In |
|---|---|---|---|
| Fixed Compensation | Annual Base Pay | • The only fixed component of our executive compensation program<br>• Provides certainty and predictability to meet ongoing living and financial commitments | Cash |
| Variable Compensation | Annual Incentive Plan (AIP) | • Alignment of management's interests with shareholders' interests<br>• Introduced to drive one year performance results<br>• Specific financial criteria and key performance indicators | Cash |
| | Long-Term Incentive Plan (LTIP) | • Align interests of management with the execution of Company's long-term strategy and shareholder value<br>• Promotes retention | Performance Stock Units<br><br>Restricted Stock Units(1) |




Reflects weightings for the President, COO and the heads of each product segment in 2016. CEO was weighted 100% PSUs in 2016. Our CEO and NEOs were not eligible to receive PSUs in 2017 and 2018.

Other Executive Committee members were weighted 40% RSUs and 60% PSUs in 2017 and 2018.

***Executive compensation program aligned with shareholder interests***

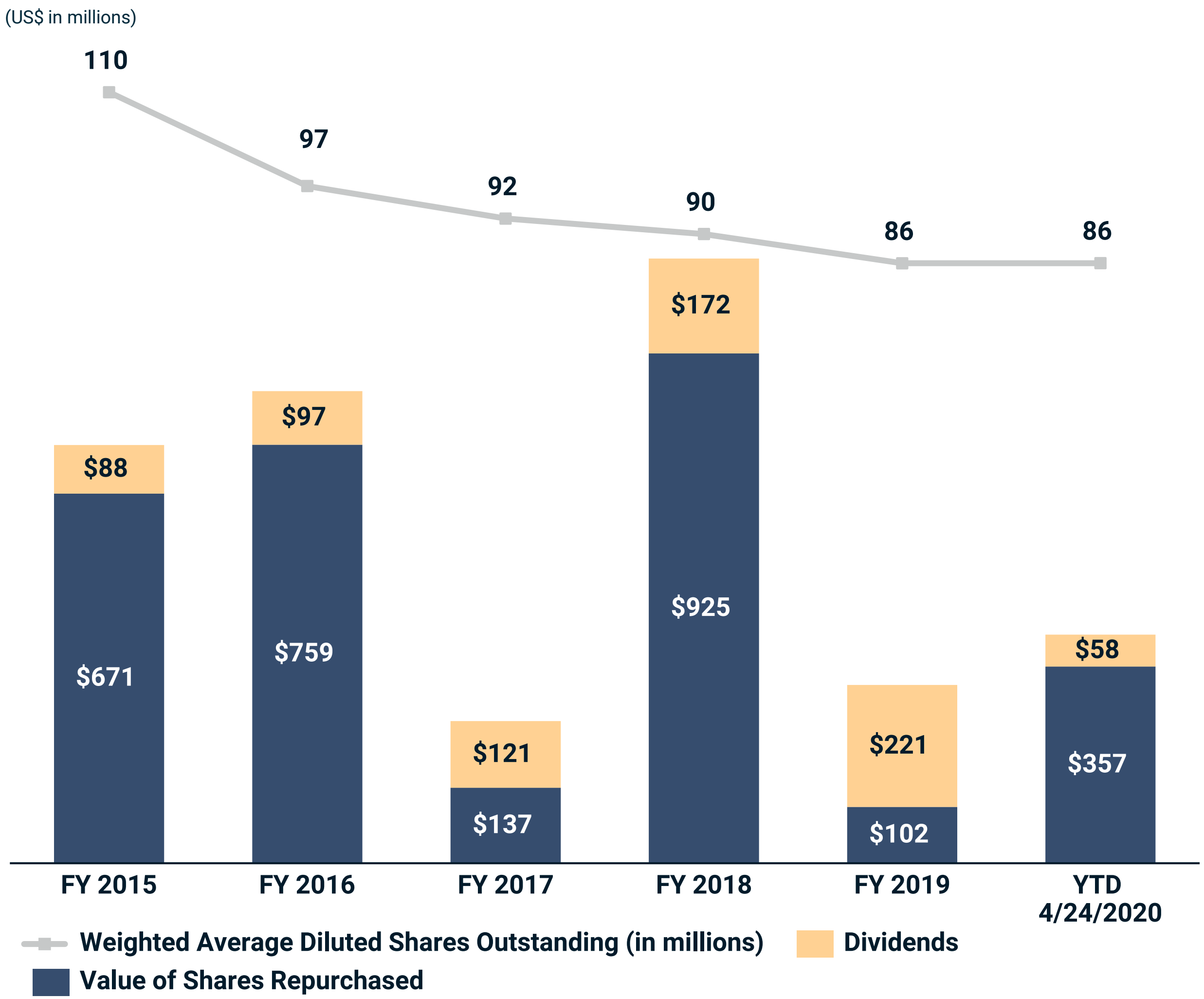
(1) CEO receives 100% of LTIP in performance shares

# Shareholder alignment and engagement

- 2019 enhancements to MSCI compensation program meant to further align interests of management with that of shareholders
  - Increased stock ownership requirements (CEO: 6x; CFO/President/COO: 4x; all other EC members: 3x)
  - Implemented more rigorous clawback policy (covers broader range of detrimental conduct and financial restatements)
  - Introduced a 5-Year Cliff vesting PSU award to enhance “owner/operator” mindset
  - Enhanced LTIP program in response to shareholder feedback

| What we heard | What we did | Why |
|---|---|---|
| Eliminate relative TSR CAGR | 2019 PSU awards will vest and be performance adjusted based solely on rigorous absolute TSR CAGR thresholds | Absolute TSR CAGR is an all-encompassing measure of Company performance that does not divert focus from any individual strategic priority<br><br>Metric complements the performance measures under our AIP which directly tie to the Company’s strategy |
| Performance period should not be extended another six months for performance shares | Eliminated “retesting” feature in new PSUs for 2019 and going forward | Increases management’s accountability |
| Shareholders indicated they prefer that a majority of our CEO’s long-term incentive awards be performance-based | 100% PSUs in 2016 and in 2019 (no equity grants in 2017 or 2018) | CEO should be primarily rewarded for increasing absolute shareholder value which reinforces our “owner-operator” philosophy and is aligned with executing our strategic plan |

# Growing dividend and opportunistic share repurchase




**Return of Capital Approach**

**Opportunistic Repurchases Driven by: Availability of Cash, Market Volatility**

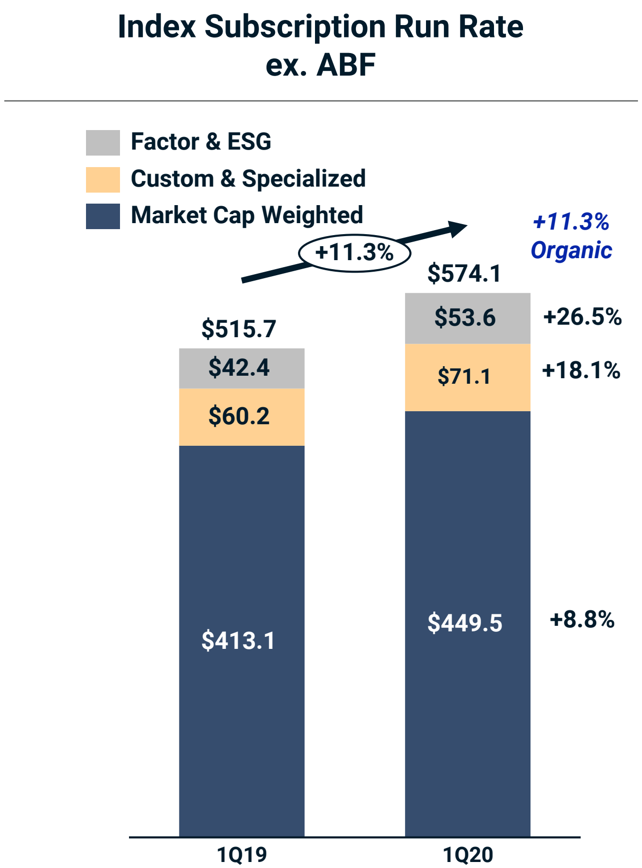
**Meaningful & Sustainable Dividend Per Share: Target of 40%-50% of Adjusted EPS**

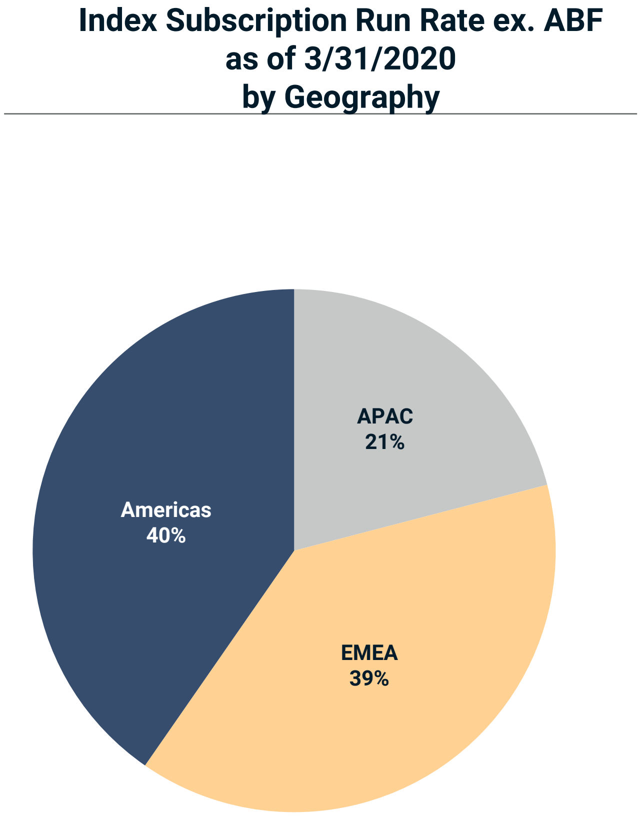
MSCI

**$3.7B of Capital Returned Since 2015**

# Index subscription at a glance

Asset managers, asset owners, broker-dealers and wealth managers globally use our solutions for portfolio construction, performance and risk management

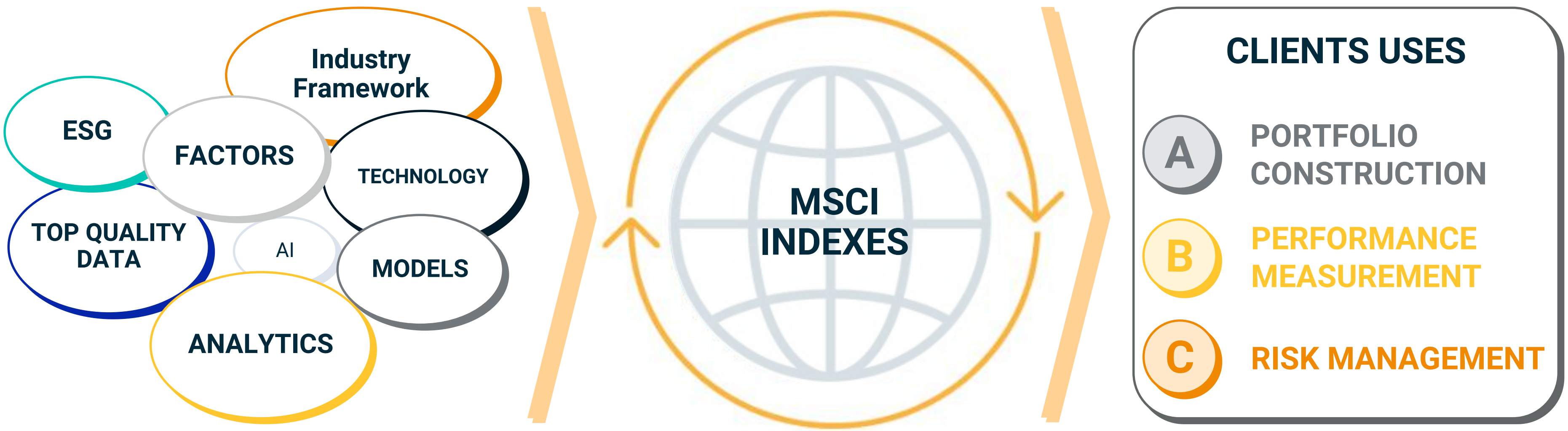



Note: Please refer to page 45 for notes regarding the use of operating metrics, including run rate.

# Index products overview

- We harness first class content from across our firm to develop MSCI Indexes
- Clients use our solutions across three core investment functions




**Tools** to empower portfolio construction, performance and risk management

**Our strengths**

- Market leading quality
- Track record of innovation
- Global framework
- Strong brand
- Proven execution

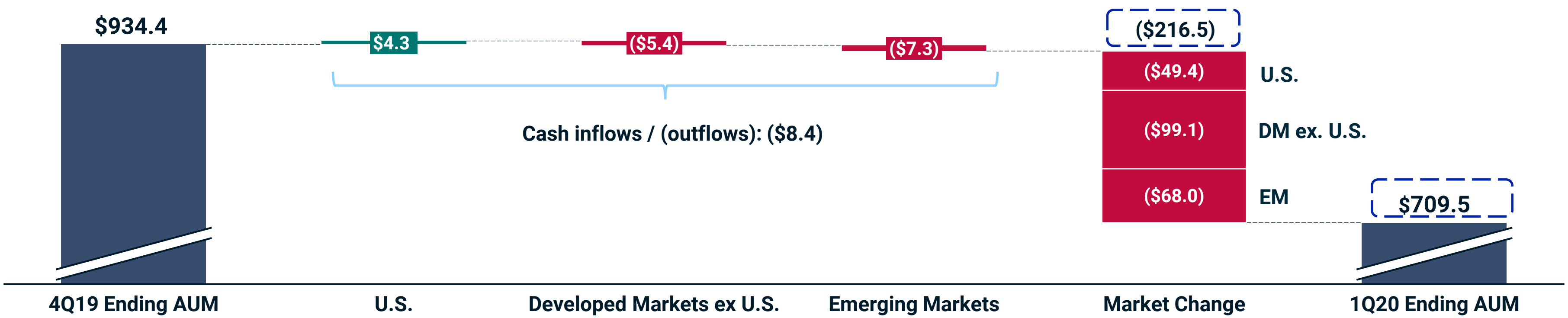
**Well positioned for growth**

- Global investing
- Multi-currency index derivatives
- ESG and Factor adoption
- New client segments

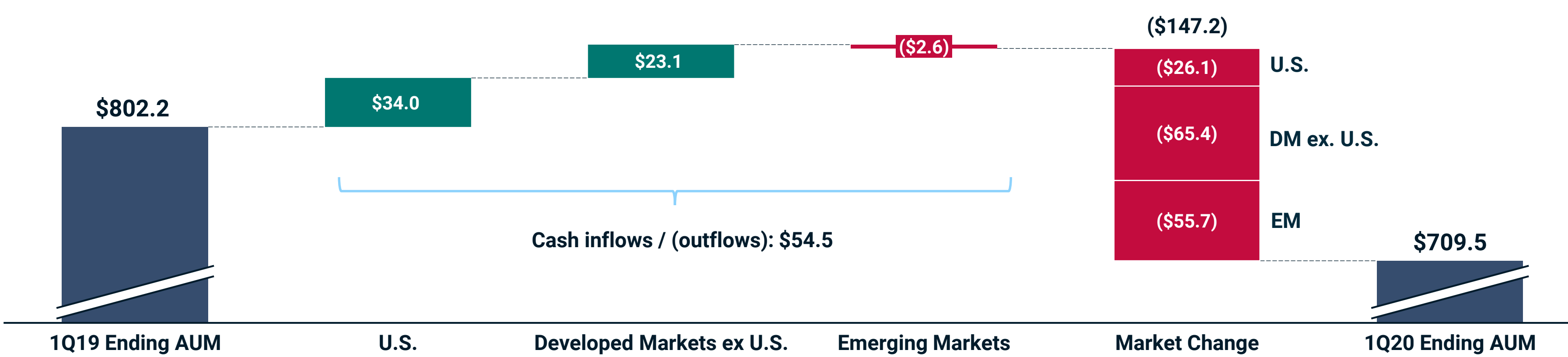
# 1Q20 AUM drivers: MSCI-linked equity ETFs

(US$ in billions)

## 1Q20 Sequential Change in AUM

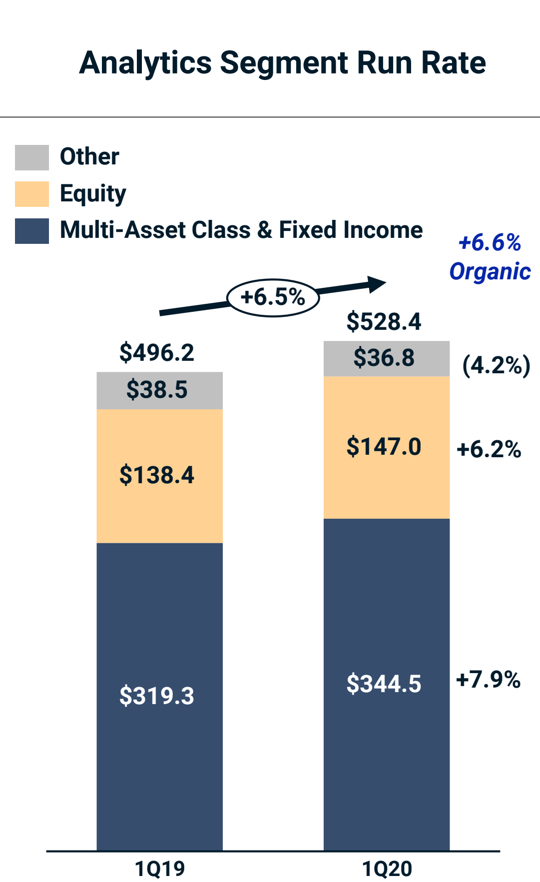


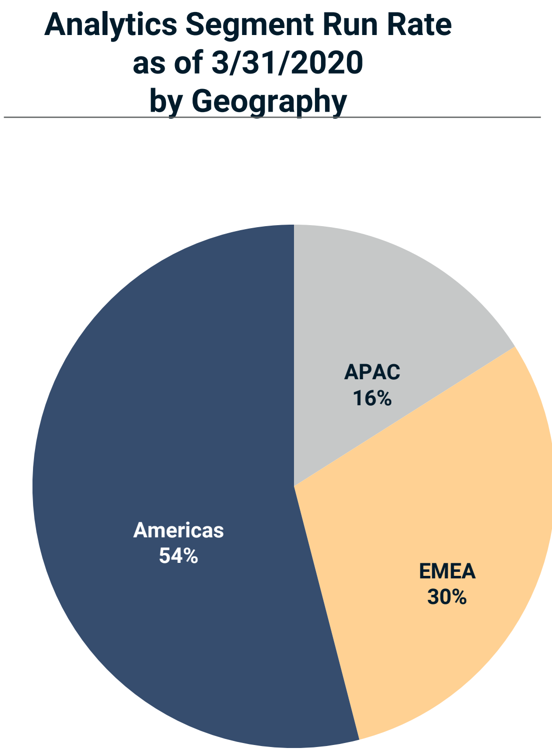

## 1Q20 YoY Change in AUM



# Analytics segment at a glance

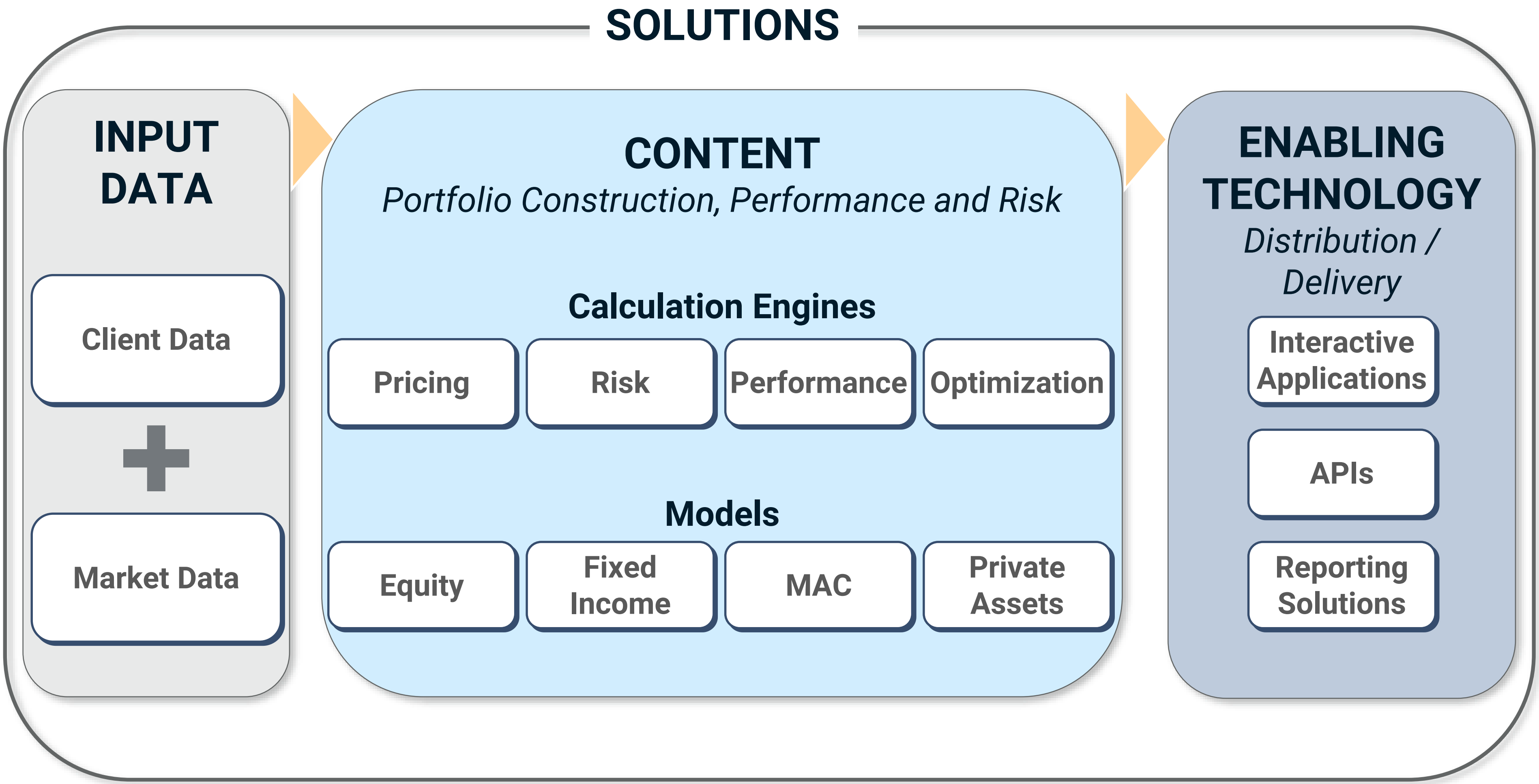
Extensively used by asset owners, asset managers and intermediaries globally to solve a broad range of investment problems




Note: Please refer to page 45 for notes regarding the use of operating metrics, including run rate.

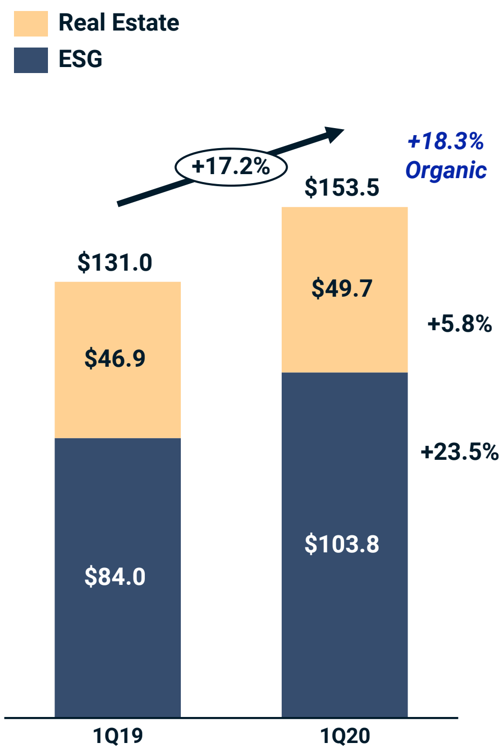
# Clients use MSCI's Analytics content and technology to help them build portfolios



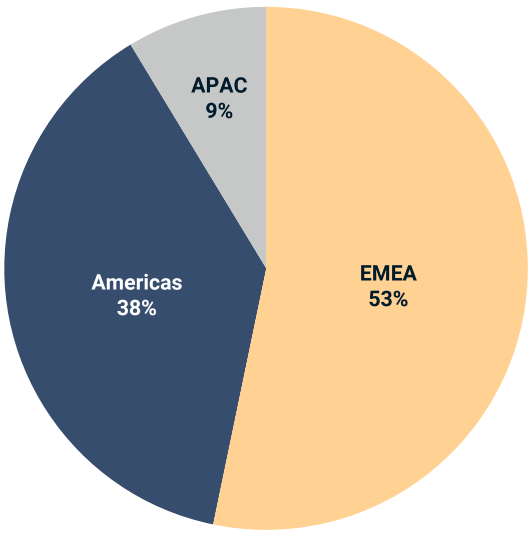

**Extensive Capabilities Allow Us to Offer Broad and Flexible Solutions**

# All Other Segment (ESG & Real Estate) at a glance

### All Other Segment Run Rate (ESG and Real Estate)



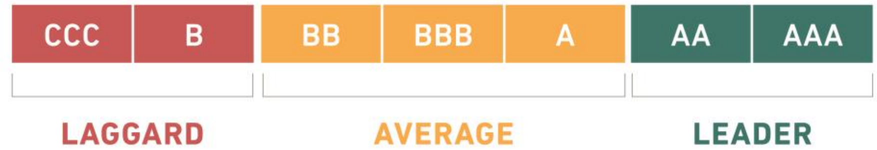

### All Other Segment Run Rate as of 3/31/2020 by Geography




Note: Please refer to page 45 for notes regarding the use of operating metrics, including run rate.

# MSCI's approach to ESG Ratings

**MSCI ESG Ratings assess the extent to which companies are positioned to manage the risks and take advantage of the opportunities emerging from a rapidly changing world**




**Forward-looking financial materiality:** We monitor emerging risks & opportunities and focus on the issues that are most relevant to a company's core business model.

**Alternative data & models:** Alternative data helps minimize reliance on voluntary disclosure to deliver key insights.

Robust models transform unstructured data into meaningful signals.

**Tech-enabled human insights:** We use technology and artificial intelligence (AI) to increase the timeliness and precision of data collection and analysis, and to check and validate data.

Our 200+ strong team of analysts vet, validate and transform the data into meaningful insights

# ESG considerations increasingly integrated throughout the entire investment process

- **Investment Strategy:** Asset owners integrating ESG considerations into their processes for establishing, monitoring and revising their overall investment strategy and asset allocation.

- **Portfolio Management:** Portfolio managers incorporating ESG considerations throughout the entire portfolio management process, including security selection, portfolio construction, risk management, performance attribution and client reporting.

- **Investment Research:** Research analysts assessing companies and issuing investment recommendations to portfolio managers integrating ESG considerations (including ESG company ratings) into their fundamental company analysis.

# Use of Non-GAAP Financial Measures

- MSCI has presented supplemental non-GAAP financial measures as part of this investor presentation. Reconciliations are provided in slides 46-51 that reconcile each non-GAAP financial measure with the most comparable GAAP measure. The non-GAAP financial measures presented in this investor presentation should not be considered as alternative measures for the most directly comparable GAAP financial measures. The non-GAAP financial measures presented in this investor presentation 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 (1) provision for income taxes, (2) other expense (income), net, (3) depreciation and amortization of property, equipment and leasehold improvements, (4) amortization of intangible assets and, at times, (5) certain other transactions or adjustments, including the impact related to the vesting of the multi-year restricted stock units subject to performance payout adjustments granted in 2016 (the "Multi-Year PSUs").
- "Adjusted EBITDA expenses" is defined as operating expenses less depreciation and amortization of property, equipment and leasehold improvements and amortization of intangible assets and, at times, certain other transactions or adjustments, including the impact related to the vesting of the Multi-Year PSUs.
- "Adjusted net income" and "adjusted EPS" are defined as net income and diluted EPS, respectively, before the after-tax impact of the amortization of acquired intangible assets, the impact of debt extinguishment costs, the impact of divestitures, the impact of adjustments for the Tax Cuts and Jobs Act that was enacted on December 22, 2017 ("Tax Reform"), except for amounts associated with active tax planning implemented as a result of Tax Reform, and, at times, certain other transactions or adjustments, including the impact related to the vesting of the Multi-Year PSUs.
- "Adjusted tax rate" is defined as the effective tax rate excluding the impact of Tax Reform adjustments (except for amounts associated with active tax planning implemented as a result of Tax Reform) and the impact related to the vesting of the Multi-Year PSUs.
- "Capex" is defined as capital expenditures plus capitalized software development costs.
- "Free cash flow" is defined as net cash provided by operating activities, less Capex.
- "Organic operating revenue growth" is defined as operating revenue growth compared to the prior year period excluding the impact of acquired businesses, divested businesses and foreign currency exchange rate fluctuations.
- Asset-based fees ex-FX does not adjust for the impact from foreign currency exchange rate fluctuations on the underlying AUM.
- We believe adjusted EBITDA and adjusted EBITDA expenses are meaningful measures of the operating performance of MSCI 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 our core operating performance in the period.
- We believe adjusted net income and adjusted EPS are meaningful measures of the performance of MSCI because they adjust for the after-tax impact of significant one-time, unusual or non-recurring items as well as eliminate the impact of any transactions that do not directly affect what management considers to be our core performance in the period.
- We believe that adjusted tax rate is useful to investors because it increases the comparability of period-to-period results by adjusting for the estimated net impact of Tax Reform and the impact related to the vesting of the Multi-Year PSUs.
- We believe that free cash flow is useful to investors because it relates the operating cash flow of MSCI to the capital that is spent to continue and improve business operations, such as investment in MSCI's existing products. Further, free cash flow indicates our ability to strengthen MSCI's balance sheet, repay our debt obligations, pay cash dividends and repurchase shares of our common stock.
- We believe organic operating revenue growth is a meaningful measure of the operating performance of MSCI because it adjusts for the impact of foreign currency exchange rate fluctuations and excludes the impact of operating revenues attributable to acquired and divested businesses for the comparable prior year period, providing insight into our core operating performance for the period(s) presented.
- We believe that the non-GAAP financial measures presented in this investor presentation 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, adjusted tax rate, Capex, free cash flow and organic operating revenue growth are not defined in the same manner by all companies and may not be comparable to similarly-titled non-GAAP financial measures of other companies. 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 these measures may not be comparable to similarly titled measures computed by other companies.

# Use of Operating Metrics

- MSCI has presented supplemental key operating metrics as part of this investor presentation, including Retention Rate, Run Rate, subscription sales, subscription cancellations and non-recurring sales.
- Retention Rate is an important metric because subscription cancellations decrease our Run Rate and ultimately our operating revenues over time. The annual Retention Rate represents the retained subscription Run Rate (subscription Run Rate at the beginning of the fiscal year less actual cancels during the year) as a percentage of the subscription Run Rate at the beginning of the fiscal year. The Retention Rate for a non-annual period is calculated by annualizing the cancellations for which we have received a notice of termination or for which we believe there is an intention not to renew during the non-annual period, and we believe that such notice or intention evidences the client's final decision to terminate or not renew the applicable agreement, even though such notice is not effective until a later date. This annualized cancellation figure is then divided by the subscription Run Rate at the beginning of the fiscal year to calculate a cancellation rate. This cancellation rate is then subtracted from 100% to derive the annualized Retention Rate for the period. Retention Rate is computed by operating segment on a product/service-by-product/service basis. In general, if a client reduces the number of products or services to which it subscribes within a segment, or switches between products or services within a segment, we treat it as a cancellation for purposes of calculating our Retention Rate except in the case of a product or service switch that management considers to be a replacement product or service. In those replacement cases, only the net change to the client subscription, if a decrease, is reported as a cancel. In the Analytics and the ESG segments, substantially all product or service switches are treated as replacement products or services and netted in this manner, while in our Index and Real Estate segments, product or service switches that are treated as replacement products or services and receive netting treatment occur only in certain limited instances. In addition, we treat any reduction in fees resulting from a down-sale of the same product or service as a cancellation to the extent of the reduction. We do not calculate Retention Rate for that portion of our Run Rate attributable to assets in index-linked investment products or futures and options contracts, in each case, linked to our indexes.
- Run Rate estimates at a particular point in time the annualized value of the recurring revenues under our client license agreements ("Client Contracts") for the next 12 months, assuming all Client Contracts that come up for renewal are renewed and assuming then-current currency exchange rates, subject to the adjustments and exclusions described below. For any Client Contract where fees are linked to an investment product's assets or trading volume/fees, the Run Rate calculation reflects, for ETFs, the market value on the last trading day of the period, for futures and options, the most recent quarterly volumes and/or reported exchange fees, and for other non-ETF products, the most recent client-reported assets. Run Rate does not include fees associated with "one-time" and other non-recurring transactions. In addition, we add to Run Rate the annualized fee value of recurring new sales, whether to existing or new clients, when we execute Client Contracts, even though the license start date, and associated revenue recognition, may not be effective until a later date. We remove from Run Rate the annualized fee value associated with products or services under any Client Contract with respect to which we have received a notice of termination or non-renewal during the period and have determined that such notice evidences the client's final decision to terminate or not renew the applicable products or services, even though such notice is not effective until a later date.
- "Organic subscription Run Rate growth" 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. It is also adjusted for divestitures. Changes in foreign currency are calculated by applying the currency exchange rate from the comparable prior period to current period foreign currency denominated Run Rate.
- 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.

# Reconciliation of Adjusted EBITDA to Net Income

*(UNAUDITED)*

| | Year Ended | | | | |
|---|---|---|---|---|---|
| In thousands | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
| Index adjusted EBITDA | $ 670,188 | $ 607,853 | $ 522,241 | $ 431,478 | $ 392,987 |
| Analytics adjusted EBITDA | 152,113 | 143,645 | 125,624 | 128,507 | 95,468 |
| All Other adjusted EBITDA | 28,198 | 20,935 | 11,892 | 9,472 | (6,758) |
| **Consolidated adjusted EBITDA** | **850,499** | **772,433** | **659,757** | **569,457** | **481,697** |
| Multi-Year PSU payroll tax expense | 15,389 | — | — | — | — |
| Amortization of intangible assets | 49,410 | 54,189 | 44,547 | 47,033 | 46,910 |
| Depreciation and amortization of property, equipment and leasehold improvements | 29,999 | 31,346 | 35,440 | 34,320 | 30,889 |
| **Operating income** | **755,701** | **686,898** | **579,770** | **488,104** | **403,898** |
| Other expense (income), net | 152,383 | 57,002 | 112,871 | 102,166 | 54,344 |
| Provision for income taxes | 39,670 | 122,011 | 162,927 | 125,083 | 119,516 |
| **Net income** | **$ 563,648** | **$ 507,885** | **$ 303,972** | **$ 260,855** | **$ 223,648** |

| | Three Months Ended | |
|---|---|---|
| **In thousands** | **Mar. 31, 2020** | **Mar. 31, 2019** |
| Index adjusted EBITDA | $ 183,587 | $ 152,211 |
| Analytics adjusted EBITDA | 36,317 | 36,398 |
| All Other adjusted EBITDA | 9,323 | 9,098 |
| **Consolidated adjusted EBITDA** | **229,227** | **197,707** |
| Multi-Year PSU payroll tax expense | — | 15,389 |
| Amortization of intangible assets | 13,776 | 11,793 |
| Depreciation and amortization of property, equipment and leasehold improvements | 7,567 | 7,850 |
| **Operating income** | **207,884** | **162,675** |
| Other expense (income), net | 45,035 | 34,383 |
| Provision for income taxes | 14,724 | (49,900) |
| **Net income** | **$ 148,125** | **$ 178,192** |

# Reconciliation of Adjusted EBITDA Expenses to Operating Expenses *(UNAUDITED)*

| In thousands | Three Months Ended Mar. 31, 2020 | Three Months Ended Mar. 31, 2019 | Full-Year 2020 Outlook(1) |
|---|---|---|---|
| Index adjusted EBITDA expenses | $ 65,669 | $ 62,562 | |
| Analytics adjusted EBITDA expenses | 89,191 | 85,037 | |
| All Other adjusted EBITDA expenses | 32,693 | 26,075 | |
| **Consolidated adjusted EBITDA expenses** | **187,553** | **173,674** | **$700,000 - $750,000** |
| Multi-Year PSU payroll tax expense | — | 15,389 | - |
| Amortization of intangible assets | 13,776 | 11,793 | |
| Depreciation and amortization of property, equipment and leasehold improvements | 7,567 | 7,850 | ~$90,000 |
| **Total operating expenses** | **$ 208,896** | **$ 208,706** | **$790,000 - $840,000** |

[1]We have not provided a line-item reconciliation for adjusted EBITDA expenses to total operating expenses for this future period because we do not provide guidance on the individual reconciling items between total operating expenses and adjusted EBITDA expenses.

# Reconciliation of Net Income to Adjusted Net Income *(UNAUDITED)*

| In thousands, except per share data | Year Ended Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|---|---|---|
| Net income | $ 563,648 | $ 507,885 | $ 303,972 | $ 260,855 | $ 223,648 |
| Less: Income (loss) from discontinued operations, net of income taxes | — | — | — | — | (6,390) |
| Income from continuing operations | 563,648 | 507,885 | 303,972 | 260,855 | 230,038 |
| Plus: Amortization of acquired intangible assets | 34,773 | 43,981 | 39,157 | 47,033 | 46,910 |
| Plus: Multi-Year PSU payroll tax expense | 15,389 | — | — | — | — |
| Less: Discrete excess tax benefit related to Multi-Year PSU vesting | (66,581) | — | — | — | — |
| Plus: Debt extinguishment costs associated with the 2024 Senior Notes Redemption | 16,794 | — | — | — | — |
| Less: Gain on sale of Alacra (not-tax effected) | — | — | (771) | — | (6,300) |
| Less: Gain on sale of FEA (not-tax effected) | — | (10,646) | — | — | — |
| Less: Gain on sale of InvestorForce | — | (46,595) | — | — | — |
| Less: Valuation Allowance released related to InvestorForce disposition | — | (7,758) | — | — | — |
| Less: Tax Reform adjustments | — | (8,272) | 34,500 | — | — |
| Less: Income tax effect | (13,226) | 1,678 | (10,772) | (15,243) | (16,039) |
| **Adjusted net income** | **$ 550,797** | **$ 480,273** | **$ 366,086** | **$ 292,645** | **$ 254,609** |

| In thousands, except per share data | Three Months Ended Mar. 31, 2020 | Mar. 31, 2019 |
|---|---|---|
| Net income | $ 148,125 | $ 178,192 |
| Plus: Amortization of acquired intangible assets | 8,778 | 8,716 |
| Plus: Multi-Year PSU payroll tax expense | — | 15,389 |
| Less: Discrete excess tax benefit related to Multi-Year PSU vesting | — | (66,581) |
| Plus: Debt extinguishment costs associated with the 2024 Senior Notes Redemption | 9,966 | — |
| Less: Tax Reform adjustments | (759) | — |
| Less: Income tax effect | (3,396) | (3,134) |
| **Adjusted net income** | **$ 162,714** | **$ 132,582** |

MSCI

# Reconciliation of Diluted EPS to Adjusted EPS
*(UNAUDITED)*

| In thousands, except per share data | Year Ended Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|---|---|---|
| Diluted EPS | $ 6.59 | $ 5.66 | $ 3.31 | $ 2.70 | $ 2.03 |
| Less: Earnings per diluted common share from discontinued operations | — | — | — | — | (0.06) |
| Earnings per diluted common share from continuing operations | $ 6.59 | $ 5.66 | $ 3.31 | $ 2.70 | $ 2.09 |
| Plus: Amortization of acquired intangible assets | 0.41 | 0.49 | 0.43 | 0.49 | 0.43 |
| Plus: Multi-Year PSU payroll tax expense | 0.18 | — | — | — | — |
| Less: Discrete excess tax benefit related to Multi-Year PSU vesting | (0.78) | — | — | — | — |
| Plus: Debt extinguishment costs associated with the 2024 Senior Notes Redemption | 0.20 | — | — | — | — |
| Less: Gain on sale of Alacra (not-tax effected) | — | — | (0.01) | — | (0.06) |
| Less: Gain on sale of FEA (not-tax effected) | — | (0.12) | — | — | — |
| Less: Gain on sale of InvestorForce | — | (0.52) | — | — | — |
| Less: Valuation Allowance released related to InvestorForce disposition | — | (0.09) | — | — | — |
| Plus: Tax Reform adjustments | — | (0.09) | 0.38 | — | — |
| Less: Income tax effect | (0.16) | 0.02 | (0.13) | (0.16) | (0.14) |
| **Adjusted EPS** | **$ 6.44** | **$ 5.35** | **$ 3.98** | **$ 3.03** | **$ 2.32** |

| In thousands, except per share data | Three Months Ended Mar. 31, 2020 | Mar. 31, 2019 |
|---|---|---|
| Diluted EPS | $ 1.73 | $ 2.08 |
| Plus: Amortization of acquired intangible assets | 0.10 | 0.10 |
| Plus: Multi-Year PSU payroll tax expense | — | 0.18 |
| Less: Discrete excess tax benefit related to Multi-Year PSU vesting | — | (0.78) |
| Plus: Debt extinguishment costs associated with the 2024 Senior Notes Redemption | 0.12 | — |
| Less: Tax Reform adjustments | (0.01) | — |
| Less: Income tax effect | (0.04) | (0.03) |
| **Adjusted EPS** | **$ 1.90** | **$ 1.55** |

# Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow *(UNAUDITED)*

| In thousands | Twelve Months Ended Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
|---|---|---|---|---|---|
| Net cash provided by operating activities | $ 709,523 | $ 612,762 | $ 404,158 | $ 442,363 | $ 321,247 |
| Capital expenditures | (29,116) | (30,257) | (33,177) | (32,284) | (40,652) |
| Capitalized software development costs | (24,654) | (18,704) | (15,640) | (10,344) | (8,500) |
| Capex | (53,770) | (48,961) | (48,817) | (42,628) | (49,152) |
| **Free cash flow** | **$ 655,753** | **$ 563,801** | **$ 355,341** | **$ 399,735** | **$ 272,095** |
| **Net Income** | **$ 563,648** | **$ 507,885** | **$ 303,972** | **$ 260,855** | **$ 223,648** |

| In thousands | Three Months Ended Mar. 31, 2020 | Mar. 31, 2019 | Full-Year 2020 Outlook(1) |
|---|---|---|---|
| Net cash provided by operating activities | $ 112,770 | $ 87,875 | **$600,000 - $650,000** |
| Capital expenditures | (3,613) | (3,156) | |
| Capitalized software development costs | (7,203) | (4,990) | |
| Capex | (10,816) | (8,146) | ($50,000 - $60,000) |
| **Free cash flow** | **$ 101,954** | **$ 79,729** | **$540,000 - $600,000** |



[1]We have not provided a line-item reconciliation for free cash flow to net cash from operating activities for this future period because we do not provide guidance on the individual reconciling items between net cash from operating activities and free cash flow.

# Reconciliation of Effective Tax Rate to Adjusted Tax Rate *(UNAUDITED)*

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
| Effective tax rate | 6.6% | 19.4% | 34.9% | 32.4% | 34.2% |
| Tax Reform impact on effective tax rate | —% | 1.3% | (7.4%) | —% | —% |
| Multi-Year PSU impact on effective tax rate | 11.0% | —% | —% | —% | —% |
| Adjusted tax rate | 17.6% | 20.7% | 27.5% | 32.4% | 34.2% |

| | Three Months Ended | |
|---|---|---|
| | Mar. 31, 2020 | Mar. 31, 2019 |
| Effective tax rate | 9.0% | (38.9%) |
| Tax Reform impact on effective tax rate | 0.5% | —% |
| Multi-Year PSU impact on effective tax rate | —% | 51.9% |
| Adjusted tax rate | 9.5% | 13.0% |

MSCI