



McGraw Hill Financial
SNL Financial Acquisition &
2nd Quarter 2015 Earnings Conference Call
Prepared Remarks
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Chip Merritt

Vice President, Investor Relations
McGraw Hill Financial

Good morning and thanks for joining the call. Presenting on this morning's call are Doug Peterson, President and CEO, and Jack Callahan, Chief Financial Officer.

This morning we issued a news release announcing our acquisition of SNL Financial and a separate release regarding second quarter results. If you need a copy of the releases and financial schedules, they can be downloaded at www.mhfi.com.

In today's earnings release and during this conference call we're providing adjusted financial information. This information is provided to enable investors to make meaningful comparisons of the Corporation's operating performance between periods and to view the Corporation's business from the same perspective as management's. The earnings release contains exhibits that reconcile the difference between non-GAAP measures and the comparable financial measures, calculated in accordance with U.S. GAAP.

Before we begin, I'd like to provide certain cautionary remarks about forward-looking statements. Except for historical information, the matters discussed on the teleconference may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including projections, estimates, and descriptions of future events. Any such statements are based on current expectations and current economic conditions and are subject to risks and uncertainties that may cause actual results to differ materially from results anticipated in these forward-looking statements. In this regard, we direct listeners to the cautionary statements contained in our Form 10-K, 10-Q, and other periodic reports filed with the U.S. Securities and Exchange Commission.

I would also like to call your attention to a European regulation. Any investor who has, or expects to obtain, ownership of 5% or more of McGraw Hill Financial should give me a call to better understand the impact of this legislation on the investor, and potentially the Company.

In addition, we'd recently published the Company's new *2015 Investor Fact Book*, which can be downloaded from our website. If you'd like a hard copy, let us know.

We're aware that we do have some media representatives with us on the call. However, this call is intended for investors and we would ask that questions from the media be directed to Jason Feuchtwanger in our New York office at (212) 512-3151.

At this time, I'd like to turn the call over to Doug Peterson.

Douglas L. Peterson
President and CEO
McGraw Hill Financial

Thank you, Chip. Good morning everyone and welcome to the call.

We have two topics to cover with you this on this call; the SNL Financial transaction announced this morning and our second quarter earnings. We are creating a compelling combination with the addition of SNL so let's start with the transaction.

SNL Financial

Before I go into more detail, let me first give you some history. Shortly after I became CEO, we conducted a rigorous analysis of the markets we serve to define investment priorities and an acquisition wish list. For potential acquisitions, we analyzed quantitative factors such as financial performance and market size; as well as qualitative factors such as strategic fit, strength of management team, and cultural alignment. Our assessment identified SNL as a leading potential partner for MHFI and we began to explore the possibility of purchasing the company.

Once we started interacting with SNL, we were quickly impressed with the people at SNL, in particular its talented and dynamic senior leadership team led by Mike Chinn. We became even more convinced that a combination of the two companies offered a very attractive opportunity to create long-term shareholder value and with S&P Capital IQ and Platts we are in a unique position to add SNL to our portfolio in a very complementary way.

As many of you know, SNL is a leading provider of sector-specific market data, news and analytics for the financial institutions, real estate, insurance, media, energy, and metals and mining sectors. The company has increased organic revenue in the low-to-mid teens each year over the past decade. Its subscription business model coupled with strong renewal rates is a great fit for McGraw Hill Financial. We see exceptional opportunities as a combined company to further penetrate core customer segments, expand into new geographies, and strengthen common core capabilities in data, technology, and market approach.

This is a compelling acquisition for five key reasons:

- It is a unique fit with clear synergies with S&P Capital IQ and Platts;
- There is a common industry footprint especially in areas like banking and insurance where we can deepen our expertise;
- It is a proven growth engine having delivered organic revenue growth in the low-to-mid teens;
- There are clear revenue and cost synergies; and
- There are sound transaction fundamentals.

Jack and I will cover all five in more depth today.

SNL has a well-diversified customer base, including investment banks, commercial banks, insurance companies, asset managers, corporations, and government entities. Through this acquisition, we add two new information businesses in adjacent sectors: real estate and media. SNL's products are commonly cited as best-in-class and "must-have" by its customers due to the combination of differentiated content, proprietary analysis, and deep sector coverage. Their products are embedded

in the workflow of their user base with tools that have been customized to user needs over time. For example, over the past 28 years, SNL has built strong relationships with over 75,000 users at its 5,000 customers. You'll note in the pie chart on the top right of this slide that 91% of SNL's revenue is in the Americas. We believe that expanding SNL's global reach is one of the most attractive immediate opportunities.

SNL has sector-specific expertise in five different industries: financial institutions; energy; metals & mining; real estate; and media & communications. Currently, financial institutions and energy are the two largest sectors.

SNL's well diversified customer base gives MHFI a stronger presence in banking and insurance. The company has expanded usage outside of its traditional investment banking customer base in recent years. Users leverage SNL for traditional M&A analysis. For example, the company has a widely used bank merger model. But, their capabilities run far deeper – additional popular use cases for the FIG product include branch mapping and competitive benchmarking.

In the energy space, SNL monitors over 9,000 power plants, 100 gas utilities, 120 interstate pipelines, and 2,500 renewable energy plants. SNL tracks ownership and production data in over 80,000 mines across 60 countries in the metals & mining group. And in real estate, SNL has data on 140,000 commercial and residential properties globally.

With each new market that SNL has entered, they deploy the same model of combining differentiated analytics with unique content and deep sector coverage.

This timeline depicts SNL investments over the last decade. From its roots in providing sector-specific information and data on financial institutions, it has expanded into new sectors. In 2004, SNL entered the Energy information market through an acquisition and has built an incredible franchise in power, coal, and natural gas. Between 2012 and 2014, they launched their metals & mining platform with two acquisitions and are beginning to get traction on those investments. They added especially valuable mine-level production data to its metals & mining practice with the acquisition of Intierra RMG in 2014.

SNL started developing its European financials product in 2009 (EFIG). The product was launched in 2011 and is showing strong growth rates. This, in addition to similar FIG products for Asia and Latin America, represent an attractive opportunity for future value creation given the large and growing markets. SNL added depth and diversification to its financial institutions platform when it acquired the insurance specialty company, Highline Data, in 2011.

The company has a number of investments underway and it's best to think about their businesses falling into in two buckets: established businesses and developing businesses.

On the left of this slide are a set of businesses with low-to-mid teens organic growth rates and margins in the thirties. On the right are developing businesses which are in investment phases and expected to turn a profit by 2017. This results in an aggregate margin in the twenties. We believe SNL has the ability to continue to grow revenue and expand margins on its own, but together we think that the opportunities for growth are more substantial.

The combination of SNL and McGraw Hill Financial will slightly modify our revenue mix. Adding SNL to our portfolio will increase the analytic, data, and research revenue of McGraw Hill Financial from 33% to 36% and increase our recurring revenue from 60% to 62%.

It wasn't that long ago that SNL's customer base was concentrated in the investment bank sector. They have systematically built products and verticals to provide attractive and compelling data solutions. In the pie chart in the upper left-hand side of this slide, you can see SNL's customer diversification. SNL now serves:

- All the leading bulge bracket, regional, and boutique investment banks in the United States;
- Over 600 investment managers around the world;
- All of the largest 75 U.S. commercial banks;
- All 25 of the largest P&C and life insurance companies in the United States;
- And an array of the largest and most prestigious consulting companies, media companies, power utilities, and mining companies.

One of the most impressive qualities of SNL is its laser focus on data quality. SNL has a stellar reputation for sector-specific data accuracy, and fast turn-around. And they have leveraged this successful operation model as they have expanded into each new industry vertical.

Now before I hand it to Jack, let me tell you again how impressed we've been with SNL overall and with Mike Chinn and the leadership team specifically. The team has built an impressive company with a lot to be proud of. And we look forward to working together to build an ever brighter future for McGraw Hill Financial.

Now let me turn it over to Jack who will provide more detail on the transaction.

Jack Callahan

Executive Vice President and CFO
McGraw Hill Financial

Thanks, Doug, and good morning to everyone on the call. As Doug mentioned, SNL is a proven growth engine that will be additive to McGraw Hill's future performance. The company has delivered mid-teens revenue growth for over a decade, driven by organic growth in the low-to-mid teens, complemented by selective acquisitions.

The revenue model is highly stable as it is a subscription-based business with high renewal rates and clear future revenue visibility, much like our S&P Capital IQ and Platts businesses. Furthermore, the upfront receipt of cash before the subscription period begins results in minimal working capital requirements.

In 2015, we expect revenues of around \$255 million and margins over 20% which includes 5-6 points of investment in the developing businesses that Doug just reviewed.

Given the unique fit of SNL into McGraw Hill Financial, we have identified significant synergies — both cost and revenue based. We have built \$70 million of EBITDA benefits in the financial plan that should be realized over the next four years by 2019. I will provide more detail on these synergies in just a moment.

There is also a tax benefit associated with the basis step-up that has an NPV of approximately \$550 million which has an economic impact on the valuation.

Relative to earnings per share, for the first full year of operation in 2016, we anticipate accretion on a cash basis, excluding transaction-specific amortization. On a GAAP-basis, we expect the transaction to be accretive in 2018.

As I just mentioned, SNL is a proven growth engine delivering mid-teens growth over the last few years. Their established businesses are growing approximately 10% with margins over 30%. Their developing businesses — global expansion of their leading financial institutions product line, the build out of the metals & mining product line, and selective software for U.S. banks and insurance companies— are all expected to be profitable in 2017. As these developing businesses become profitable overall margins in the business should strongly improve. This attractive margin profile will be further strengthened by synergies.

The combination of SNL and McGraw Hill Financial provides significant revenue and cost synergies for SNL and both our S&P Capital IQ and Platts businesses. With S&P Capital IQ, we see opportunities to deepen penetration in commercial banking, insurance, and corporates. This includes a terrific opportunity to accelerate international growth for SNL's leading financial institutions products leveraging the commercial reach of McGraw Hill Financial. In addition, we see incremental opportunity by developing new products that leverage capabilities in core sectors, including risk management products for banking and insurance.

With Platts, the opportunity exists to build out the combined energy and commodity platforms. The SNL products of energy, focused largely on utilities and natural gas, and metals & mining, match up well with Platts' capabilities in these areas. In energy, there is an opportunity to expand internationally leveraging the recent Platts acquisition of Eclipse. Furthermore, there are clear opportunities to introduce new products, especially in oil leveraging the deep expertise of Platts. There are also greater opportunities to build out joint capability vertically in these commodity sectors by providing end-to-end information offerings covering price assessments, fundamental research, and supply/demand analytics.

Finally, SNL adds scale and leverage to our data and technology operations which will enable us to drive efficiencies, and add new opportunities to enrich existing product offerings.

Let me provide a bit more color on the data-related opportunity. SNL adds considerable capabilities in data collection, analysis, and research, with the addition of 2,000 employees in key offshore locations. The combined capabilities will have approximately 7,200 employees primarily in locations that can attract well-trained analytical associates at a reasonable cost. This is a terrific asset to power future growth.

The total synergies built into the \$70 million of EDITDA by 2019 are roughly half cost-related and the balance revenue-related. The revenue synergies assumed over the medium term are fairly straightforward as McGraw Hill Financial will work with SNL to extend their global reach. Quite simply, no other billion dollar+ acquisition that we have reviewed since the formation of McGraw Hill Financial has offered such a clear synergy opportunity — both over the medium term and longer term in new product development and customer relevance.

The clear synergy is a significant consideration into the overall valuation of the business that supported the purchase price. There are several other important items to consider as part of valuation.

- As Doug and I have both discussed, the current profitability of the business is impacted by investments in the developing businesses which are growing rapidly, but are not yet profitable. We evaluated these investments in great detail, and are comfortable with the ramp rate to profitability by 2017. The valuation needed to provide a return on these investments, which included multiple acquisitions over the last 4-5 years.
- There is also considerable value from the tax basis step-up, which on a net present value basis is worth approximately \$550 million.
- Lastly, with the upfront cash receipts exceeding revenue, the cash basis on which a valuation is based is roughly a year ahead of GAAP EBITDA.

If you take into consideration the economic impact of the tax step-up, the value of this transaction is approximately \$1.7 billion. As we move past the investment cycle that is nearing an end and consider that cash flow is roughly a year ahead of EBITDA, we view the price of this transaction as having a mid-teens multiple on 2017 cash flow before the impact of synergies. Longer term, the synergies across SNL, S&P Capital IQ and Platts provide a terrific opportunity for significant shareholder value creation.

Financing of the transaction should be relatively straightforward given our strong balance sheet and the success of our recent bond offering which reintroduced McGraw Hill Financial to the fixed income investor. This acquisition will be funded by a combination of approximately \$525 million cash on the balance sheet and \$1.7 billion of new debt. A committed bridge financing of \$1 billion combined with our existing credit facility of \$1.2 billion will provide additional flexibility through closing.

Post deal, we anticipate 1.6x pro forma leverage which provides ongoing flexibility in returning capital to shareholders through share repurchase and dividends and pursuing future growth opportunities while maintaining an investment-grade rating.

Our approach to integration will be to have SNL's CEO, Mike Chinn, report directly to Doug. Mike and his executive team are based in Charlottesville, Virginia and we are committed to that location over the long term. Initially, for financial reporting purposes, we will report SNL as part of S&P Capital IQ but that may evolve over time. We expect immediate areas of focus to include pragmatic integration of corporate, data, and technology capability as well as sales force training on this enhanced product line.

Let me summarize by saying that SNL has a unique fit with McGraw Hill Financial adding sector-specific depth and overall scale. It is a proven growth engine with compelling revenue and cost synergy opportunities across both S&P Capital IQ and Platts. We believe that McGraw Hill Financial is the right owner for SNL.

Now, let me hand the call back over to Doug to discuss our second quarter results.

Douglas L. Peterson
President and CEO
McGraw Hill Financial

Thank you, Jack.

As I said in the past, we're aligned around four very important themes that drive growth and performance and create value:

- Strengthening our customer and stakeholder engagement;
- Accelerating our international growth;
- Sustaining our margin expansion and maintaining discipline in capital allocation; and
- Fostering a robust risk & compliance culture to manage and mitigate risk throughout the Company.

As you just heard, the acquisition of SNL today fits very well with these themes.

Now, let's turn to the second quarter. And I'm pleased to report solid results. The Company delivered:

- Increased revenue despite unfavorable foreign exchange rates and decreased issuance outside the United States;
- Continued margin expansion with 450-basis-point improvement in adjusted operating profit margin;
- A 17% increase in adjusted diluted EPS to \$1.21;
- Strong year-to-date free cash flow of \$621 million, excluding the payments of legal settlements;
- Issuance of \$700 million of new 10-year notes as we re-entered the capital markets for the first time in eight years;
- Increased capital return with the repurchase of 2.6 million shares YTD;
- New additions to the portfolio with the purchases of NADA Used Car Guide in J.D Power and Petromedia in Platts; and
- Continued productivity efforts across the Company, which Jack will review later in the call.

Now, let's turn take a closer look at the second quarter results:

- Revenue increased 3%, but excluding the impact of foreign exchange revenue increased 6%.
- Adjusted operating profit increased 16%.

While geopolitical concerns negatively impacted issuance in our ratings business, adjusted operating profit increased across the entire portfolio.

Progress on productivity initiatives resulted in a year-over-year decline in adjusted expenses. These initiatives have been focused on layering the organization, driving process efficiencies, and improving productivity. Of note, on Friday we will close the door on our former mid-town headquarters as the last wave of employees relocates to our downtown Manhattan operating center at 55 Water Street.

- Productivity actions led to an adjusted operating margin increase of 450 basis points; and
- Adjusted diluted EPS increased 17%.

Standard & Poor's Ratings Services reported its second-highest revenue ever, but due to unfavorable changes in foreign currency and weak issuance outside the United States, did not exceed the second quarter of last year. Every other business segment delivered year-on-year revenue growth.

Standard & Poor's Ratings Services

Now, let me turn to the individual businesses. And I'll start with Standard & Poor's Ratings Services.

In the quarter:

- Revenue decreased 1%. Excluding the negative impact of foreign exchange, revenue increased 3%;
- Adjusted operating profit grew 7%; and
- The adjusted operating margin increased 370 basis points to 50%.

While revenue was negatively impacted by foreign exchange rates, it had less of an impact on operating profit.

S&P Rating Services continues to make progress in improving margins. Reduced headcount from recent restructurings and lower incentive costs were the primary contributors to this quarter's margin improvement. In addition, Ratings continues to implement a process re-engineering program called "The Way We Work." Legal expenses were significantly lower; however, this was offset by costs associated with Dodd-Frank implementation as we continue to invest in people and technology.

- Transaction revenue increased from 49% to 50% of total revenue.
- Non-transaction revenue decreased due to the effects of a strong U.S. dollar. Excluding the impact of foreign exchange, non-transaction revenue increased 3% due primarily to annual fee growth.
- Transaction revenue grew 4%, excluding the impact of foreign exchange. This was the result of record U.S. public finance issuance and strong U.S. investment-grade issuance paced by a number of large M&A transactions.

When we look at second quarter issuance in the U.S., it was driven by a 20% increase in public finance as call options on strong 2005 issuance are being refinanced, and a 30% increase in investment-grade issuance. U.S. structured finance issuance in total was unchanged with a 53% increase in CMBS and an 18% decrease in structured credit, which is predominantly CLOs.

In Europe, issuance decreased in almost every category. RMBS was a notable exception. Concerns about Greek debt, slowing growth in China, and dramatic volatility in German sovereign debt, along with very low-cost bank liquidity all combined to dampen bond market activity outside the United States during the quarter.

In Europe, investment-grade debt issuance decreased actually 33% and high-yield debt declined 54%. Structured issuance decreased 7% with RMBS being the primary area of strength. Not depicted on this chart is issuance from other parts of the world which collectively, excluding sovereigns, declined over 50%.

S&P Capital IQ

Now, let me turn to S&P Capital IQ.

- Revenue grew 6% with consistent growth globally;
- Adjusted segment operating profit grew 37%; and
- The adjusted operating margin increased 520 basis points to 22.9%.

Capitalizing on past investments, the margin improvement is the result of product enhancements that deliver revenue growth coupled with tight cost control. In fact, headcount increased less than 1% year-over-year. And excluding the impact of foreign exchange, revenue increased 7% and expenses only 3%.

Let me add a bit more color on growth in the three business lines of S&P Capital IQ:

- S&P Capital IQ Desktop & Enterprise Solutions revenue increased 7%, primarily as a result of a low-teens increase in Desktop revenue driven by a similar increase in users.
- S&P Credit Solutions revenue increased 6% due primarily to growth in RatingsXpress® and RatingsDirect.
- In the smallest category, S&P Capital IQ Markets Intelligence revenue decreased 4% overall. Strong growth in Global Markets Intelligence and Leveraged Commentary & Data, however, was offset by declines in Equity Research Services.

S&P Dow Jones Indices

Turning to S&P Dow Jones Indices, this business delivered an 11% increase in revenue due to ETF, mutual fund, data license, and derivative revenue, which all increased. Operating profit increased 16% and the operating profit margin increased 250 basis points to 64.6%.

During the quarter, we introduced 64 new indices, many in the fixed income space, and a net of 18 new ETFs based upon our indices were launched.

ETF assets under management (AUM) associated with our indices increased 10% to \$792 billion versus the end of the second quarter of 2014. Please note that while our year-over-year growth was meaningful, this AUM decreased from the record \$832 billion at the end of 2014 as ETF flows moved to products offering European and non-U.S. exposure.

One of our fastest-growing categories has been with products based on our smart beta indices. AUM in these products increased 55% year-over-year to \$133.6 billion. This next slide depicts two charts that should help to understand year-to-year ETF industry flows.

- In the chart on the left, you see that the AUM linked to ETFs based on our indices has declined recently. While the year-over-year comparisons are still positive, AUM has declined since the end of 2014.
- The chart on the right shows that inflows into passively managed ETFs continue to be robust. In fact, while down sequentially, the industry experienced record first-half flows of \$146 billion. Unfortunately, compared to recent quarters, the percentage of flows directed to products based on our indices has declined. We view this as temporary as investors move into global products.

During the quarter, we launched the flagship of our fixed income indices — the S&P 500® Bond Index. This is the first index that tracks the debt of the S&P 500 companies and the first to be priced in real-time throughout the day.

Weighted by the market value of the bonds and with a maturity requirement of greater than one month, we anticipate that the S&P 500 Bond Index will be liquid enough to also serve as the basis for potential ETF and structured products. The S&P 500 Bond Index currently tracks the debt of 430 S&P 500 companies reflecting over \$3 trillion in debt outstanding.

At the launch, we published more than 20 years of daily historical data on the S&P 500 Bond Index. We will round out this offering with multiple S&P 500 index variations based on duration, rating, and sector. Examples include the S&P 500 AA Investment-Grade Corporate Bond, the S&P 500 5-7 Year Investment-Grade Corporate Bond Index, and the S&P 500 Utilities Corporate Bond Index.

And finally, as you know, we have formed a number of unique and dynamic alliances with exchanges in various markets since 1998. This quarter, we signed an agreement with BM&F BOVESPA designed to create and launch new, co-branded Brazilian equity indices. In addition, we have signed an agreement with BMV, the Mexican stock exchange, incorporating all of the BMV indices including their flagship index, IPC (Índice de Precios y Cotizaciones) – the broadest indicator of the BMV's overall performance.

Commodities & Commercial Markets

In the Commodities & Commercial Markets segment:

- Revenue grew 7%, with organic growth of 6% excluding the Eclipse acquisition. This was led by high-single-digit revenue growth at Platts.
- Adjusted segment operating profit grew 15%.
- Adding together the solid revenue growth and tight cost control, the adjusted operating margin increased 270 basis points to 37.8%.

J.D. Power delivered low single-digit revenue growth led by double-digit growth from PIN (Power Information Network) and modest growth in the U.S. auto sector. Revenues in Asia were negative as growth in the China market moderated and Japan revenue declined.

Platts continues to deliver strong results while building for the future. Platts demonstrated resiliency delivering high single-digit revenue growth despite continued low commodity prices. Platts results, while quite strong, would have been even stronger except that several major banks have withdrawn from the commodities space and upselling new products has been difficult in this low oil price environment.

Metals, agriculture & petrochemicals continued to deliver the highest revenue growth rates and Global Trading Services' revenue increased primarily due to license revenue from The Steel Index derivative activity and record eWindow trading volumes.

Petromedia is a small but interesting tuck-in acquisition for Platts:

- Through a product named Bunkerworld, Petromedia provides pricing, news, and analytics for the global marine fuel (bunker) market. Bunker makes up 70% of the cost of chartering a ship and is therefore a critical price component for the industry.

- The other main product is OceanIntelligence, which provides credit reports for the bunker industry and adds to Platts' risk management offerings.

The highlight of the quarter for J.D. Power was the acquisition of the NADA Used Car Guide. This is the premier source of used car value benchmarks. This acquisition fits well with J.D. Power's PIN business as both generate essential pricing benchmarks and analytics.

This subscription-based business with more than 30,000 business customers expands J.D. Power's offerings in the U.S. automotive OEM, retailer, financial services, and insurance markets. This final slide shows examples of how different sectors utilize this reliable, used car benchmark data in their businesses.

With that, I want to thank you for joining the call this morning and I'm going to hand it over to Jack Callahan, our Chief Financial Officer.

Jack Callahan

Executive Vice President and CFO
McGraw Hill Financial

Thank you, Doug.

I know this has been a longer call this morning than our norm so I just want to briefly want add some color on several items related to second quarter financial performance; the balance sheet, and the impact of the SNL acquisition on 2015 guidance; and then we will open it up to your questions.

First, I will recap key financial results and review certain adjustments to earnings that were recorded in the quarter. Let's start with the second quarter income statement. Overall, these were very good results, especially the continuing progress in margin improvement.

- Revenue grew 3%, despite the continued headwinds from foreign exchange which reduced our growth rate by about 3 points;
- Adjusted consolidated operating profit grew 16%, with all four business units contributing to this growth. Operating margins were over 41%, up 450 basis points from a year ago. This is highest quarterly margin achieved since the formation of McGraw Hill Financial. Revenue growth combined with progress on our productivity initiatives contributed to this significant step-up. While foreign exchange had a negative impact on revenue, it had almost no impact on adjusted operating profit for the Company as a whole due to the offsetting impact to expenses.
- Adjusted unallocated expenses decreased 22% as the prior year period had costs associated with the sale of certain assets;
- The tax rate, on an adjusted basis, was 32.3%. For the balance of the year, we continue to guide to below a 33% rate;
- Adjusted net income increased 17%, and adjusted diluted earnings per share increased 17% to \$1.21 versus the toughest comparison from 2014. The average diluted shares outstanding decreased by almost one-half million shares versus a year ago as share repurchase activity offset the dilutive impact of shares granted for equity-related compensation.

Now let me turn to adjustments to earnings to help you better assess the underlying performance of the business. In total, pre-tax adjustments to earnings from continuing operations resulted in a \$30 million gain during the quarter. This consisted of \$41 million in net settlement-related insurance recoveries, a gain of \$11 million related to the sale of a legacy construction business asset, and \$22 million of restructuring charges as the Company continues to delay and streamline operations.

Now I will turn to cash flow and the return of capital. Our year-to-date free cash flow was a negative (\$988 million). However, once the payments associated with legal settlements are excluded to get a better sense of our underlying cash generation from operations, year-to-date free cash flow was a positive \$621 million. That puts us well on our way to full-year 2015 guidance of greater than \$1.1 billion.

During the quarter, the Company's stepped up its share repurchase program and bought 1.6 million shares bringing the year-to-date total to 2.6 million shares. The share repurchase program remains an important component of our overall capital allocation, and we anticipate continuing to selectively repurchase shares under our remaining share repurchase authorization of 42.9 million shares.

Now, let's turn to the balance sheet. As of the end of the second quarter, we had \$1.7 billion of cash and cash equivalents, of which approximately 70% was held outside the United States. Our cash position was augmented with the issuance of \$700 million of 10-year notes in May. This was the first bond offering by the Company since 2007, and we were delighted with the strong interest from investors and the attractive 4% coupon.

We used some of the proceeds from these notes to pay down the short-term debt that we incurred during the first quarter. And during the quarter we completed the refinancing of our \$1.2 billion credit facility.

At the end of the quarter, we had approximately \$1.5 billion of long-term debt. As a result of the SNL acquisition as we discussed earlier, we currently anticipate issuing \$1.7 billion of long-term debt to fund the transaction. And we anticipate completing the financing ahead of the projected closing. Once completed, this would bring our total debt to approximately \$3.2 billion, or 1.6 x EBITDA.

The unique fit of SNL, combined with the smaller acquisitions of NADA Used Car Guide by J.D. Power and Petromedia by Platts, all strengthen the McGraw Hill Financial portfolio and will contribute to sustained growth.

In the context of 2015 guidance and assuming that the SNL transaction closes toward the end of the third quarter, we anticipate that the deals to collectively add approximately \$80-\$90 million of revenue over the balance of this year in the second half, and SNL specifically, have a dilutive impact to adjusted EPS of approximately \$0.05-\$0.07. However, based on the strength of the quarter and our outlook for the remainder of the year, we will leave adjusted EPS guidance unchanged at \$4.35 to \$4.45. At this point, we would expect performance toward the higher end of this range.

In closing, we continue to focus on creating growth and driving performance; building out the portfolio, improving margins, and returning cash to shareholders. And today is truly a special day as we look forward to welcoming over 3,000 associates of SNL Financial to McGraw Hill Financial.

To access the accompanying slides online, go to:

<http://investor.mhfi.com/phoenix.zhtml?c=96562&p=irol-EventDetails&EventId=5197218>

“Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995

This presentation contains “forward-looking statements,” as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management’s current views concerning future events, trends, contingencies or results, appear at various places in this press release and use words like “anticipate,” “assume,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “future,” “intend,” “plan,” “potential,” “predict,” “project,” “strategy,” “target” and similar terms, and future or conditional tense verbs like “could,” “may,” “might,” “should,” “will” and “would.” For example, management may use forward-looking statements when addressing topics such as: the outcome of contingencies; future actions by regulators; changes in the Company’s business strategies and methods of generating revenue; the development and performance of the Company’s services and products; the expected impact of acquisitions and dispositions; the Company’s effective tax rates; and the Company’s cost structure, dividend policy, cash flows or liquidity.

Forward-looking statements are subject to inherent risks and uncertainties. Factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include, among other things:

- the impact of the acquisition of SNL Financial, including the impact on the Company’s results of operations; any failure to successfully integrate SNL Financial into the Company’s operations and generate anticipated synergies and other cost savings; any failure to attract and retain key employees to execute SNL Financial’s growth strategy; and any failure to realize the intended tax benefits of the acquisition;
- the Company’s ability to obtain the requisite regulatory approvals and to satisfy the other conditions to complete the SNL Financial acquisition; the Company’s ability to obtain sufficient debt to finance the acquisition on favorable terms; the risk of litigation, competitive responses, or unexpected costs, charges or expenses resulting from or relating to the acquisition; and any disruption to the business of the Company or SNL Financial due to the announcement or completion of the acquisition or any transaction-related uncertainty;
- the rapidly evolving regulatory environment, in the United States and abroad, affecting Standard & Poor’s Ratings Services, Platts, S&P Dow Jones Indices, S&P Capital IQ, SNL Financial and the Company’s other businesses, including new and amended regulations and the Company’s compliance therewith;
- the outcome of litigation, government and regulatory proceedings, investigations and inquiries;
- worldwide economic, financial, political and regulatory conditions;
- the health of debt and equity markets, including credit quality and spreads, the level of liquidity and future debt issuances;
- the level of interest rates and the strength of the credit and capital markets in the United States and abroad;
- the demand and market for credit ratings in and across the sectors and geographies where the Company operates;
- concerns in the marketplace affecting the Company’s credibility or otherwise affecting market perceptions of the integrity or utility of independent credit ratings;
- the Company’s ability to maintain adequate physical, technical and administrative safeguards to protect the security of confidential information and data, and the potential of a system or network disruption that results in regulatory penalties, remedial costs or improper disclosure of confidential information or data;
- the effect of competitive products and pricing;
- consolidation in the Company’s end-customer markets;
- the impact of cost-cutting pressures across the financial services industry;
- a decline in the demand for credit risk management tools by financial institutions;
- the level of success of new product developments and global expansion;
- the level of merger and acquisition activity in the United States and abroad;
- the volatility of the energy marketplace;

- the health of the commodities markets;
- the impact of cost-cutting pressures and reduced trading in oil and other commodities markets;
- the strength and performance of the domestic and international automotive markets;
- the impact on the Company's revenue and net income caused by fluctuations in foreign currency exchange rates;
- the level of restructuring charges the Company incurs;
- the level of the Company's capital investments;
- the level of the Company's future cash flows;
- the Company's ability to make acquisitions and dispositions and to integrate, and realize expected synergies, savings or benefits from the businesses it acquires;
- the Company's ability to successfully recover should it experience a disaster or other business continuity problem from a hurricane, flood, earthquake, terrorist attack, pandemic, security breach, cyber-attack, power loss, telecommunications failure or other natural or man-made event;
- changes in applicable tax or accounting requirements; and
- the Company's exposure to potential criminal sanctions or civil penalties if it fails to comply with foreign and U.S. laws and regulations that are applicable in the domestic and international jurisdictions in which it operates, including sanctions laws relating to countries such as Iran, Russia, Sudan and Syria, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010, and local laws prohibiting corrupt payments to government officials, as well as import and export restrictions.

The factors noted above are not exhaustive. The Company and its subsidiaries operate in a dynamic business environment in which new risks emerge frequently. Accordingly, the Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made, except as required by applicable law. Further information about the Company's businesses, including information about factors that could materially affect its results of operations and financial condition, is contained in the Company's filings with the SEC, including the "Risk Factors" section in the Company's most recently filed Annual Report on Form 10-K and any subsequently filed Quarterly Report on Form 10-Q.