



4Q and Full Year 2014  
Earnings Call  
February 12, 2015

Doug Peterson  
President and CEO

Jack Callahan  
Executive Vice President and CFO

Chip Merritt  
Vice President, Investor Relations

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## Comparison of Adjusted Information to U.S. GAAP Information



This presentation includes adjusted financial measures that are derived from the Company's continuing operations. This non-GAAP information is provided in order to allow investors to make meaningful comparisons of the Company's operating performance between periods and to view the Company's business from the same perspective as Company management.

The Company's earnings release dated February 12, 2015 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP.

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## “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 throughout this report 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, we may use forward-looking statements when addressing topics such as: the outcome of contingencies; future actions by regulators; changes in our business strategies and methods of generating revenue; the development and performance of our services and products; the expected impact of acquisitions and dispositions; our effective tax rates; and our 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 our forward-looking statements include, among other things:

- 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 and our other businesses, including new and amended regulations and our 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 U.S. and abroad;
- the demand and market for credit ratings in and across the sectors and geographies where we operate;
- concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent credit agency ratings;
- our 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 and/or improper disclosure of confidential information or data;
- the effect of competitive products and pricing;
- consolidation in our end customer market;
- 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 development and global expansion;
- the level of merger and acquisition activity in the U.S. 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 level of our future cash flows;
- our ability to make acquisitions and dispositions and to integrate, and realize expected synergies, savings or benefits from, the businesses we acquire;
- the level of our capital investments;
- the level of restructuring charges we incur;
- the strength and performance of the domestic and international automotive markets;
- our ability to successfully recover should we experience a disaster or other business continuity problem, such as a hurricane, flood, earthquake, terrorist attack, pandemic, security breach, cyber attack, power loss, telecommunications failure or other natural or man-made disaster;
- changes in applicable tax or accounting requirements;
- the impact on our net income caused by fluctuations in foreign currency exchange issues; and
- our exposure to potential criminal sanctions or civil remedies if we fail to comply with foreign and U.S. laws and regulations that are applicable in the domestic and international jurisdictions in which we operate, including sanctions laws relating to countries such as Iran, Russia, Cuba, Sudan and Syria, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010, local laws prohibiting corrupt payments to government officials, as well as import and export restrictions

The factors above are not exhaustive. The Company and its subsidiaries operate in a dynamic business environment in which new risks may emerge frequently. Accordingly, we caution readers not to place undue reliance on the above 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. Further information about our businesses, including information about factors that could materially affect our results of operations and financial condition, is contained in the Company’s filings with the SEC, including Item 1a, Risk Factors, in our most recently filed Annual Report on Form 10-K.



## EU Regulation Affecting Investors in Credit Rating Agencies

European Union Regulation 1060/2009 (as amended) applies to credit rating agencies (CRAs) registered in the European Union and therefore to the activities of Standard & Poor’s Credit Market Services Europe Limited, Standard & Poor’s Credit Market Services France SAS and Standard & Poor’s Credit Market Services Italy Srl, (collectively, “Standard & Poor’s”), indirect wholly-owned subsidiaries of McGraw Hill Financial, Inc., each of which is registered and regulated as a CRA with the European Securities and Markets Authority (“ESMA”).

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Persons who have or expect to obtain such shareholdings in McGraw Hill Financial, Inc. should promptly contact Chip Merritt at the McGraw Hill Financial, Inc. Investor Relations department ([chip.merritt@mhfi.com](mailto:chip.merritt@mhfi.com)) for more information and should also obtain independent legal advice in such respect.

DOUG PETERSON  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



## 2014 – Key Accomplishments

- Completed portfolio rationalization with sale of McGraw-Hill Construction
- Resolved significant legal/regulatory matters
- The Company delivered:
  - Strong growth in revenue from continuing operations
  - Balanced growth with every business unit achieving revenue growth and margin improvement
  - 280 basis-point improvement in adjusted operating profit margin
- Generated over \$1.0 billion in free cash flow
- Added talented leaders to the management team



## Resolved Significant Legal/Regulatory Matters

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- Reached settlement agreements with:
  - Department of Justice and the Attorneys General of 19 states and the District of Columbia
  - California Public Employees’ Retirement System (“CalPERS”) to resolve a lawsuit relating to three structured investment vehicles
  - U.S. Securities and Exchange Commission and the Attorneys General of New York and Massachusetts; and
  - Several private litigations stemming from the financial crisis
- Recorded a 4<sup>th</sup> quarter charge of \$1.552 billion for these matters



## Continuing to Enhance Growth and Transparency in the Global Capital, Commodity, and Corporate Markets

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### **Platts:**

- Acquired Eclipse
- Relocated head office to London

### **Standard & Poor’s Ratings Services:**

- Acquired BRC Investor Services, S.A. in Colombia

### **S&P Capital IQ:**

- Added private company financial data for 500 Brazilian and 250 Australian firms
- Added the first phase of CRISIL Ratings content with 3,000 private Indian companies

### **S&P Dow Jones Indices:**

- New or Expanded Exchange Agreements:
  - Bolsa de Valores de Lima
  - Bolsa Mexicana de Valores
  - BM&F Bovespa
  - Korea Exchange

### **J.D. Power:**

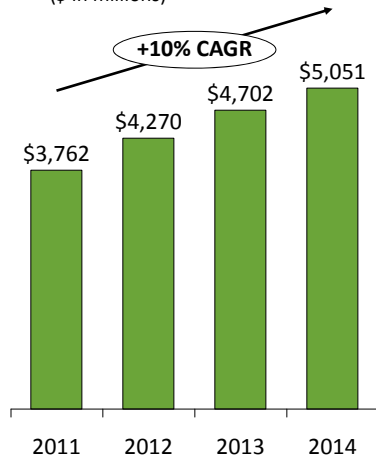
- Launched financial services offerings in Southeast Asia and Australia
- Launched digital automotive retail performance improvement platform in China



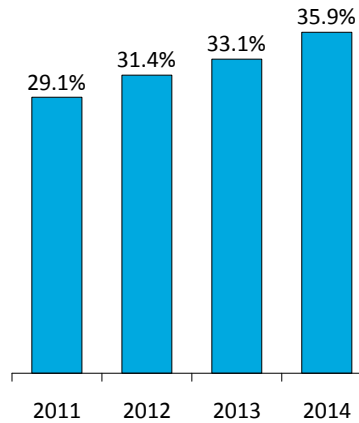
## MHFI: A Proven Track Record of Growth

### Annual Revenue Growth

(\$ in millions)



### Adjusted Operating Margin



McGraw-Hill Education and McGraw-Hill Construction reclassified to discontinued operations

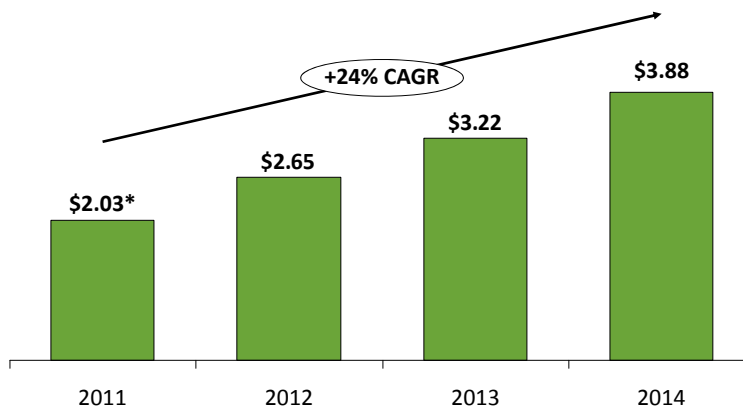
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## MHFI: Double-Digit Earnings Growth

### Annual Adjusted Diluted EPS



Note: McGraw-Hill Education and McGraw-Hill Construction reclassified to discontinued operations  
\* Adjusted EPS excludes gain on divestiture of Broadcasting

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## 2014 – Solid Growth

(\$ in millions)	2014	2013	Change
Revenue	\$5,051	\$4,702	+7%
Adj. Operating Profit	\$1,815	\$1,555	+17%
Adj. Operating Margin	35.9%	33.1%	+280 bps
Diluted Adjusted EPS	\$3.88	\$3.22	+20%

### Full-year 2014 highlights:

- Another year of robust revenue growth
- Continued focus on reducing costs sustained margin expansion
- Diluted adjusted EPS increased 20%



## 2014 – Every Business Unit Delivered Gains

### 2014 Business Unit Results

	Standard & Poor's Ratings Services	S&P Capital IQ	S&P Dow Jones Indices	Commodities & Commercial
Revenue	+8%	+6%	+12%	+6%
Adj. Operating Profit	+13%	+18%	+32%	+10%
Adj. Operating Margin (bps)	+190	+190	+960	+130



## Company Finishes 2014 with Strong Fourth Quarter

(\$ in millions)	4Q 2014	4Q 2013	Change
Revenue	\$1,290	\$1,206	+7%
Adj. Operating Profit	\$444	\$347	+28%
Adj. Operating Margin	34.5%	28.8%	+570 bps
Diluted Adjusted EPS	\$0.95	\$0.78	+23%

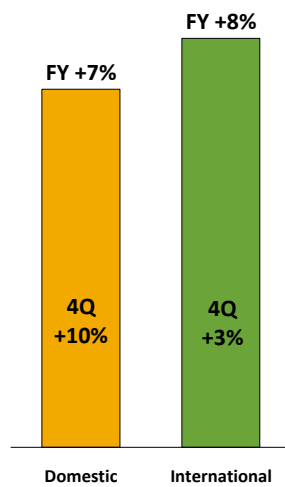
### 4Q 2014 highlights:

- All business units contributed mid to high single-digit revenue growth
- Meaningful adjusted margin expansion continued
- Fourth quarter diluted adjusted EPS increased 23%

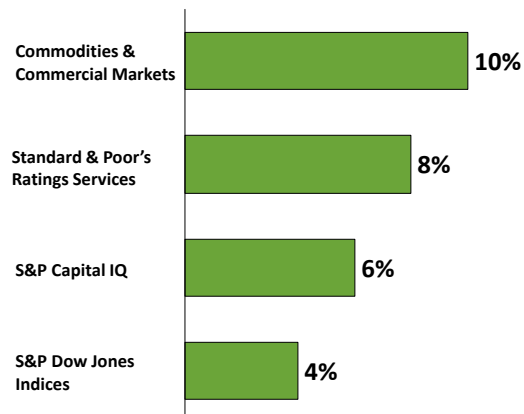


## 2014 – Balanced Growth in Domestic and International Revenue

### 2014 MHFI Revenue Growth



### International Revenue Growth: FY 2014





Standard & Poor's Ratings Services:  
Revenue Growth & Cost Focus Drive Margin Improvement

(\$ in millions)	2014	2013	Change
Revenue	\$2,455	\$2,274	+8%
Adj. Segment Op. Profit	\$1,074	\$952	+13%
Adj. Segment Op. Margin	43.8%	41.9%	+190 bps

(\$ in millions)	4Q 2014	4Q 2013	Change
Revenue	\$618	\$574	+8%
Adj. Segment Op. Profit	\$261	\$220	+18%
Adj. Segment Op. Margin	42.2%	38.4%	+380 bps



Standard & Poor's Ratings Services: 2014 Growth

(\$ in millions)	2014	2013	Change
Non-transaction	\$1,326	\$1,239	+7%
Transaction	\$1,129	\$1,035	+9%

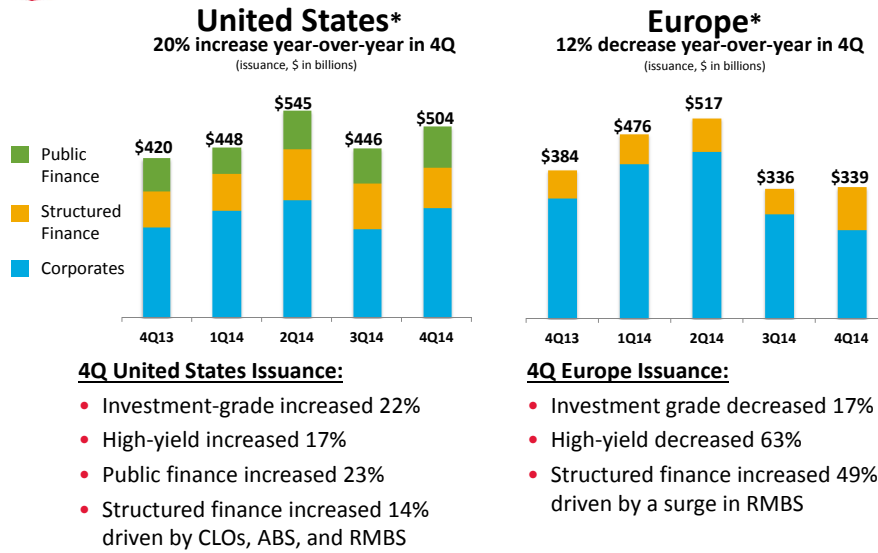
(\$ in millions)	4Q 2014	4Q 2013	Change
Non-transaction	\$330	\$317	+4%
Transaction	\$288	\$257	+12%

- Non-transaction revenue growth in 4Q and full-year 2014 was driven by annual fees (predominantly frequent-issuer relationship fees and surveillance) and Rating Evaluation Service revenue
- 2014 transaction revenue growth was driven by corporate debt ratings and bank loan ratings, while 4Q was driven by corporate and public finance ratings



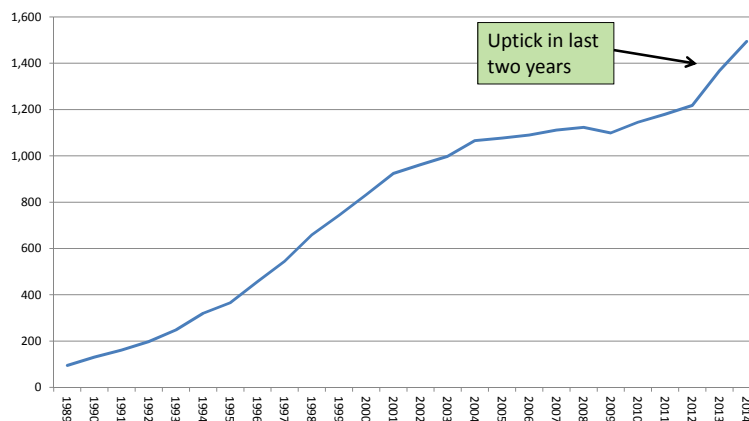


## Issuance Trends: U.S and European Issuance Diverge in 4Q



## Growth of European Capital Markets Drives Increase in Corporate Issuers

### European Corporate Rating Distribution (Issuer Count)



Includes parent and subsidiary level issuers. Data as of Dec. 31, 2014. Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®.



## S&P Capital IQ: Adjusted Operating Profit Growth in 2014

After two years of investments, S&P Capital IQ began to deliver adjusted operating margin improvement in 2014

(\$ in millions)	2014	2013	Change
Revenue	\$1,237	\$1,170	+6%*
Adj. Segment Op. Profit	\$237	\$201	+18%
Adj. Segment Op. Margin	19.1%	17.2%	+190 bps

(\$ in millions)	4Q 2014	4Q 2013	Change
Revenue	\$318	\$301	+5%*
Adj. Segment Op. Profit	\$62	\$47	+31%
Adj. Segment Op. Margin	19.4%	15.7%	+370 bps

\* Organic growth for the full-year 2014 and 4Q 2014 was 7% and 6%, respectively, excluding lost revenue from product rationalization

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## S&P Capital IQ: Key Products Continue to Drive Revenue Growth

### S&P Capital IQ Desktop & Enterprise Solutions

- S&P Capital IQ Desktop
- Portfolio Risk
- Compustat
- Consolidated Feeds

4Q	2014
+8%	+8%

- Driven by increase in S&P Capital IQ Desktop, partially diluted by slower growth in other products

### S&P Credit Solutions

- RatingsDirect®
- RatingsXpress®

4Q	2014
+6%	+6%

- Driven by increase in RatingsXpress® and RatingsDirect® partially offset by decreases in Risk Solutions

### S&P Capital IQ Markets Intelligence

- Global Markets Intelligence (GMI)
- Leveraged Commentary & Data (LCD)
- Equity Research Services (ERS)

4Q	2014
(11%)	(3%)

- LCD and GMI growth offset by declines in Equity Research Services and shutdown of Funds Management Research Europe

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## S&P Dow Jones Indices: Top- and Bottom-Line Growth

2013 adjusted operating profit was impacted by a \$26 million non-cash impairment charge in 4Q

(\$ in millions)	2014	2013	Change
Revenue	\$552	\$493	+12%
Adj. Segment Op. Profit	\$351	\$266	+32%
Adj. Segment Op. Margin	63.6%	54.0%	+960 bps
MHFI Share of Adj. Op. Profit*	\$259	\$193	+35%

(\$ in millions)	4Q 2014	4Q 2013	Change
Revenue	\$140	\$130	+8%
Adj. Segment Op. Profit	\$87	\$48	+82%
Adj. Segment Op. Margin	61.7%	36.6%	+2.5 points
MHFI Share of Adj. Op. Profit*	\$64	\$35	+87%

\* The Company owns 73% of the S&P Dow Jones Indices joint venture

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## S&P Dow Jones Indices: Inflows and Volatility Fuel Growth

### Exchange-Traded Funds:

- Record industry inflows of \$331 billion in 2014
- Company AUM increased 25% to \$832 billion from the end of 2013
- Approximately 15% of the 2014 AUM increase was the result of unit creation, or inflows
- During 2014, over 400 new indices and 45 new ETFs, based upon SPDJI indices, were launched

### Mutual Funds:

- AUM increased 17% to over \$1 trillion

### Exchange-Traded Derivatives:

- Derivative trading volumes based on SPDJI indices increased 20% in the fourth quarter; yearly volumes increased 4%
- Fourth quarter E-mini and VIX trading volumes increased 20% and 15%, respectively, as volatility returned to the equity markets

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## Commodities & Commercial Markets: Continued Revenue Growth and Margin Expansion

High single-digit organic revenue growth at both Platts and J.D. Power drove 2014 results

(\$ in millions)	2014	2013	Change
Revenue	\$893	\$841	+6%*
Adj. Segment Op. Profit	\$306	\$278	+10%
Adj. Segment Op. Margin	34.3%	33.0%	+130** bps

(\$ in millions)	4Q 2014	4Q 2013	Change
Revenue	\$236	\$220	+8%*
Adj. Segment Op. Profit	\$76	\$73	+4%
Adj. Segment Op. Margin	32.3%	33.5%	(120 bps)

\* Organic growth for the full-year 2014 and 4Q 2014 was 9% and 7%, respectively, excluding revenue from the Eclipse acquisition and Aviation Week disposition

\*\* Including changes to the portfolio in 2014, adjusted operating margin increased 370 basis points



## Platts: Highest Revenue Quarter of the Year

### Platts highlights:

- Platts 4Q revenue was the strongest of the year, capping high single-digit organic revenue growth for 2014
- Petroleum, the largest category, delivered high single-digit growth in both the quarter and the year
- Based on recent investments, Metals & Agriculture delivered the greatest rate of revenue growth in 2014 at 34%
- Global Trading Services' revenue increased in the 4th quarter, primarily in Metals & Agriculture, but was down for the year



## J.D. Power: Highest Revenue Quarter of the Year

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### J.D. Power highlights:

- J.D. Power delivered low single-digit revenue growth in the quarter and high single-digit revenue growth for the year
- Asia revenue growth in 2014 was 10%
- Overall growth in both the quarter and the year were mirrored by gains in the auto business
- The second largest contributor to 2014 growth was advertising licensing revenue from customers' usage of the J.D. Power brand
- Global Services Industries delivered low single-digit growth in 2014



## Solid 2014

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- Completed portfolio rationalization
- Resolved significant legal/regulatory matters
- All four business units achieved revenue growth\* and significant margin improvement
- Continued adjusted operating profit margin improvement with 280 basis points increase
- Achieved diluted adjusted EPS of \$3.88

\* From continuing operations



## Expect Continued Growth and Performance in 2015

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- Poised for continued success in 2015 with:
  - Mid single-digit revenue growth guidance
  - Adjusted diluted EPS guidance of \$4.35 to \$4.45
- Focused on creating growth and driving performance by:
  - Strengthening customer and stakeholder engagement
  - Accelerating international growth
  - Sustaining margin expansion and disciplined capital allocation
  - Managing and mitigating risks

JACK CALLAHAN  
EXECUTIVE VICE PRESIDENT  
AND CHIEF FINANCIAL OFFICER





## Financial Highlights – Key Areas

- Consolidated income statement results
- Settlement and restructuring charges
- Update on \$100 million cost reduction target
- Balance sheet and free cash flow results
- Return of capital
- 2015 guidance



## 4Q 2014: Delivered 23% Adjusted EPS Growth

(\$ in millions, except earnings per share)	4Q 2014	4Q 2013	% Change
Revenue	\$1,290	\$1,206	+7%
Segment Operating Profit	\$485	\$388	+25%
Less: Unallocated Expense	(41)	(41)	(1%)
Operating Profit	\$444	\$347	+28%
Operating Profit Margin	34.5%	28.8%	+570 bps
Tax Rate	32.0%	30.2%	+180 bps
Net Income	\$264	\$216	+22%
Diluted EPS	\$0.95	\$0.78	+23%
Average Diluted Shares Outstanding	276.2	278.0	(1%)

Note: All numbers, except revenue, are presented on an adjusted basis



## 2014: Achieved 20% Adjusted EPS Growth

(\$ in millions, except earnings per share)	2014	2013	% Change
Revenue	\$5,051	\$4,702	+7%
Segment Operating Profit	\$1,968	\$1,697	+16%
Less: Unallocated Expense	(152)	(142)	+7%
Operating Profit	\$1,815	\$1,555	+17%
Operating Profit Margin	35.9%	33.1%	+280 bps
Tax Rate	33.1%	33.9%	(80 bps)
Net Income	\$1,073	\$902	+19%
Diluted EPS	\$3.88	\$3.22	+20%
Average Diluted Shares Outstanding	276.2	279.8	(1%)

Note: All numbers, except revenue, are presented on an adjusted basis

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## 2014: Bridge from Reported to Performance

(\$ in millions, except earnings per share)	Reported	Non-GAAP Adjustments	Performance
Revenue	\$5,051	—	\$5,051
Operating Profit	\$113	\$1,702	\$1,815
Operating Profit Margin	2.2%	—	35.9%
Tax Rate	N.M.	—	33.1%
Net Income - continuing	(\$293)	\$1,366	\$1,073
Diluted EPS	(\$1.08)	\$4.96	\$3.88

Recorded an effective tax rate of approximately 20% on the aggregate of these charges

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## 2<sup>nd</sup> Half 2014 Charges Related to Legal/Regulatory Matters

(\$ in millions)	3Q 2014	4Q 2014
DOJ settlement	—	\$687.5
States settlement	—	\$687.5
CalPERS lawsuit	—	\$125
SEC & related states settlement	\$60	\$17
Charges related to several private litigation matters	—	\$35

Total legal/regulatory charges: **\$1,612**

Most of these payments will be made in the first quarter of 2015



## 2<sup>nd</sup> Half 2014 Restructuring Charges

The Company continues to drive productivity improvements across the portfolio

(\$ in millions)	3Q 2014	4Q 2014
Standard & Poor's Ratings Services	\$23	\$22
Platts	\$9	\$3
S&P Capital IQ	\$4	\$5
J.D. Power	\$3	\$1
Corporate	\$7	\$10
<b>Total restructuring charges</b>	<b>\$46</b>	<b>\$41</b>

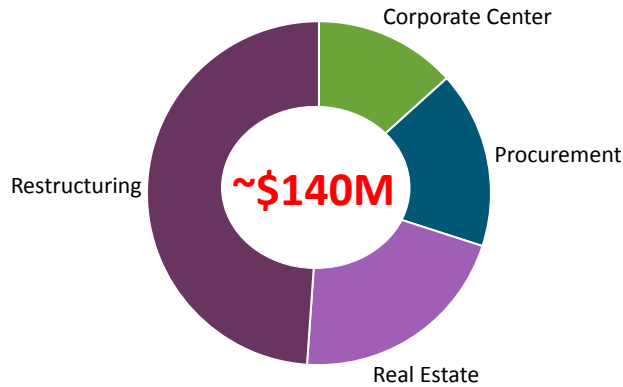
\$86\*

\* In addition there was a \$4 million charge in 3Q14 associated with professional fees in S&P Dow Jones Indices



Initiatives in Place to Deliver  
Approximately \$140 Million of Productivity

2014-2016 Cost Reduction Initiatives



Free Cash Flow from Continuing Operations:  
Reached Full-Year Target of \$1 Billion

(\$ in millions)	4Q 2014	
Cash and equivalents	\$2,497	
Total debt	\$799	
(\$ in millions)	2014	2013
Cash provided by operating activities	\$1,209	\$782
Capital expenditures	(92)	(117)
Dividends and other payments to noncontrolling interests	(84)	(75)
<b>Free Cash Flow</b>	<b>\$1,033</b>	<b>\$590</b>

- 2014 return of capital in dividends and share repurchases was \$688 million
- No shares repurchased during Q4 '14
- 2014 share repurchases totaled 4.4 million shares



## Return of Capital Update

- The Company has returned \$3.3 billion to shareowners in last three years
- Today, announced dividend increase of 10% to \$1.32/share
- 2015 marks the 42<sup>nd</sup> year of sustained dividend increases

### Maintaining disciplined capital allocation strategy:

- Invest in organic growth
- Continue to pursue attractive acquisitions
- Sustain dividend growth
- Continue selective share repurchases
- Consider additional leverage as appropriate



## 2015 Guidance

(\$ in millions)	2015 Guidance
<b>Income Statement</b>	
Revenue	Mid single-digit
Adjusted Unallocated Expense	Flat
Adjusted Operating Profit Margin	> 125 bps
Adjusted Tax Rate	~ 33.0%
Adjusted Diluted EPS	\$4.35-\$4.45
<b>Investment/Free Cash Flow</b>	
Capital Expenditures	~ \$100
Free Cash Flow*	> \$1.1 billion
Regular Dividend Per Share (annual basis)	\$1.32

\* Excluding impact of legal and regulatory settlements



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be available approximately two hours  
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