



2Q 2014 Earnings Call
July 29, 2014

Doug Peterson
President and CEO

Jack Callahan
Executive Vice President and CFO

Chip Merritt
Vice President, Investor Relations

McGraw Hill Financial | 2Q 2014 Earnings Conference Call/Webcast

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 July 29, 2014 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, including without limitation statements relating to our businesses and our prospects, new products, sales, expenses, tax rates, cash flows, and operating and capital requirements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are intended to provide management’s current expectations or plans for our future operating and financial performance and are based on assumptions management believes are reasonable at the time they are made.

Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “plan,” “estimate,” “project,” “target,” “anticipate,” “intend,” “may,” “will,” “continue” and other words of similar meaning in connection with a discussion of future operating or financial performance. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual outcomes and results could differ materially from what is expected or forecasted. These risks and uncertainties include, among others:

- worldwide economic, financial, political and regulatory conditions;
- currency and foreign exchange volatility;
- the effect of competitive products and pricing;
- the level of success of new product development and global expansion;
- the level of future cash flows;
- the levels of capital investments;
- income tax rates;
- restructuring charges;
- 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 capital markets in the U.S. and abroad;
- the demand and market for debt ratings, including collateralized debt obligations, residential and commercial mortgage and asset-backed securities and related asset classes;
- the state of the credit markets and their impact on Standard & Poor’s Ratings Services and the economy in general;
- the regulatory environment affecting Standard & Poor’s Ratings Services and our other businesses;
- the likely outcome and impact of litigation and investigations on our operations and financial condition;
- the level of merger and acquisition activity in the U.S. and abroad;
- continued investment by the construction, automotive, and computer industries;
- the strength and performance of the domestic and international automotive markets;
- the volatility of the energy marketplace; and
- the contract value of public works, manufacturing and single-family unit construction.

We caution readers not to place undue reliance on forward-looking statements.



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) for more information and should also obtain independent legal advice in such respect.

DOUG PETERSON
PRESIDENT AND CHIEF EXECUTIVE OFFICER



2014 – Excellent Second Quarter

- All lines of business delivered revenue and profit growth:

<u>Double-digit revenue growth</u>	<u>High single-digit revenue growth</u>
Standard & Poor's Ratings Services J.D. Power	Platts S&P Capital IQ S&P Dow Jones Indices

- Adjusted diluted EPS increase 15% to \$1.06
- The Company is raising its 2014 diluted adjusted EPS guidance by \$0.05 to a range of \$3.80 to \$3.90
- YTD, the Company reported free cash flow of \$392 million and returned \$525 million in dividends and share repurchases



Company Delivers Double-Digit Adjusted EPS Growth

(\$ in millions)	2Q 2014	2Q 2013	Change
Revenue	\$1,346	\$1,250	+8%*
Adj. Operating Profit	\$486	\$446	+9%
Adj. Operating Margin	36.1%	35.7%	+40 bps
Diluted Adjusted EPS	\$1.06	\$0.92	+15%

* Organic growth was 9% excluding lost revenue from 2013 portfolio rationalization

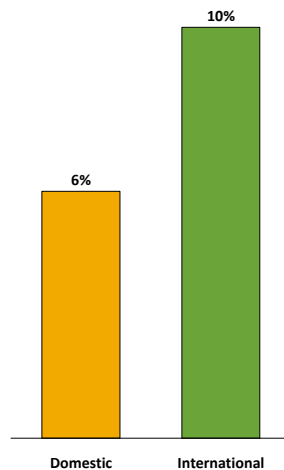
2Q 2014 highlights:

- Delivered high single-digit revenue growth and continued margin expansion
- Despite the most difficult earnings comparison of the year, second quarter diluted adjusted EPS increased 15%
- There were no adjustments during 2Q14

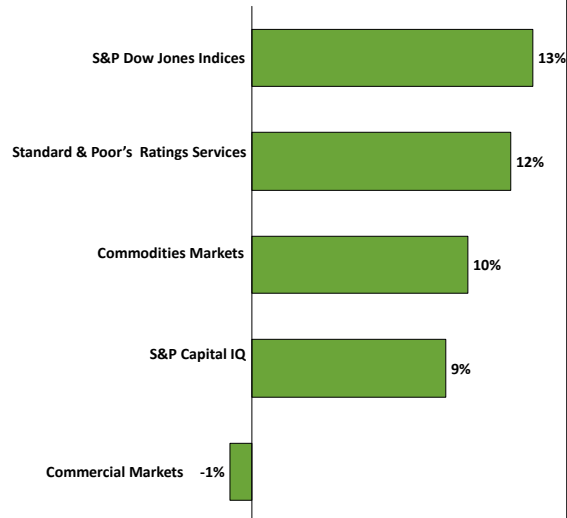


International Revenue Growth Outpaces Domestic Growth

MHFI Revenue Growth



International Revenue Growth





Changes to Leadership Team



- Lucy Fato appointed Executive Vice President and General Counsel, effective August 4, 2014
- Since 2005, Lucy has served as Vice President, Deputy General Counsel and Corporate Secretary at Marsh & McLennan Companies
- Previously a partner in the Capital Markets Group at law firm Davis Polk & Wardwell



- Imogen Dillon Hatcher named acting President of S&P Capital IQ as of July 2014
- Previously Imogen was Chief Commercial Officer with responsibility for leading S&P Capital IQ's global sales
- Search underway



Standard & Poor's Ratings Services: Excellent 2Q Results

(\$ in millions)	2Q 2014	2Q 2013	Change
Revenue	\$664	\$599	+11%
Segment Op. Profit	\$308	\$268	+15%
Segment Op. Margin	46.3%	44.7%	+160 bps

2Q 2014 highlights:

- Revenue growth driven by strong demand for S&P ratings associated with increased bond issuance and bank loan ratings
- Expenses increased primarily due to:
 - An increase in legal expenses as key court cases progressed
 - Compensation: Additional headcount as increased incentives
- Solid margin expansion



Standard & Poor's Ratings Services: Strong Results

(\$ in millions)	2Q 2014	2Q 2013	Change
Non-transaction	\$337	\$312	+8%
Transaction	\$327	\$287	+14%

2Q 2014 highlights:

Non-transaction revenue:

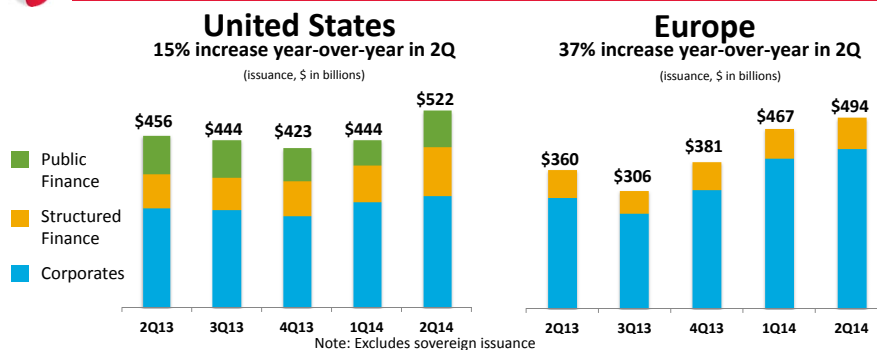
- Annual fees (predominately frequent-issuer relationship fees and surveillance) growth
- Rating Evaluation Service growth

Transaction revenue:

- Strong debt issuance particularly in:
 - Corporates: Due to strong investor demand for high-yield debt
 - Financial Services: Driven by capital reserve increases to meet regulatory requirements
- Bank loan ratings revenue increased 19%



Issuance Trends: Very Strong Issuance in 2Q



United States:

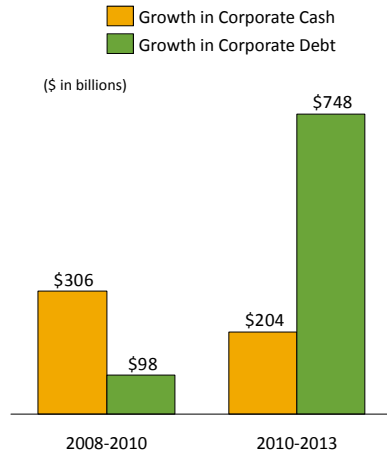
- Corporate issuance increased 12% with the number of issues decreasing 3%
- High-yield issuance increased 8%
- Public finance issuance declined 5%
- Structured finance issuance increased 45%

Europe:

- Corporate issuance increased 44%
- High-yield issuance increased 109% to a new record
- Structured finance issuance increased 13%



U.S.: Debt Issuance - A Form of “Synthetic Cash Repatriation”



- As U.S. corporate cash balances reached record levels during 2010-2013, debt grew almost four times as fast

- Why did corporations increase debt with so much cash on hand?

- Given the reticence to repatriate cash at the current tax rate, many companies are issuing debt as a form of synthetic cash repatriation

- The top 1% cash holders:

- Held 36% of all cash, approximately \$535 billion

- For the top 1% that report it, overseas cash accounts for 83% of overall cash

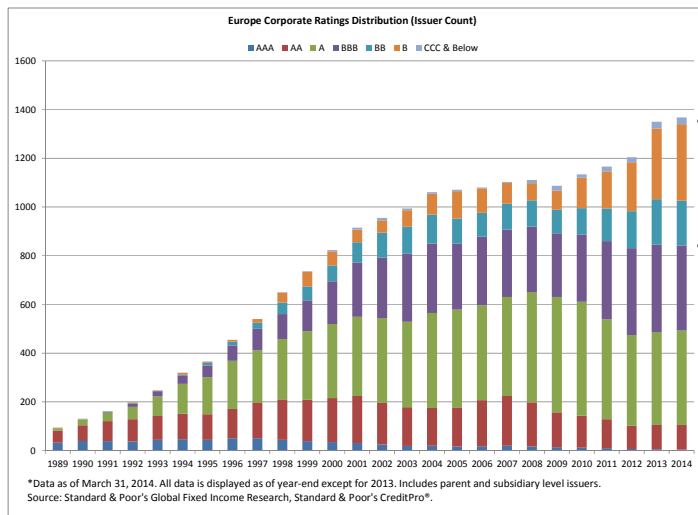
Source: Standard & Poor's Report - 2014 Cash Update: Cheap Debt Fuels Record Cash Growth – April 14, 2014

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Europe: Bank Disintermediation Drives Increase in Corporate Issuers



Growing number of companies rated in the high-yield category

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Standard & Poor's Ratings Services: Litigation Update

- **Litigation statistics: Unchanged from the first quarter**
 - 36 cases now dismissed outright
 - 13 dismissals by lower courts have been affirmed by higher courts
 - 11 cases have been voluntarily withdrawn
 - A couple dozen non-government cases remain outstanding
- **New case:** IKB Deutsche Industriebank AG; related to the Rhinebridge Structured Investment Vehicle
- **CalPERS:** The California appellate court affirmed the denial of our motion to strike the complaint under anti-SLAPP law. The Company is seeking review by the California Supreme Court.
- **DOJ case:** Discovery is underway
- **State Attorneys General cases:** The federal court remanded the cases back to the State courts. The Company is seeking to have the cases dismissed.



S&P Capital IQ: Continued Revenue Growth

(\$ in millions)	2Q 2014	2Q 2013	Change
Revenue	\$307	\$287	+7%*
Segment Op. Profit	\$54	\$49	+10%
Segment Op. Margin	17.7%	17.2%	+50 bps

* Organic growth was approximately 8% excluding lost revenue from ongoing portfolio rationalization of several small products

2Q 2014 highlights:

- The largest contributors to this growth were S&P Capital IQ Desktop and RatingsXpress®
- Rollouts continue on a wave of new desktop capabilities



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

S&P Capital IQ Desktop & Enterprise Solutions

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

Revenue increased 9%

- Driven by 12% increase in S&P Capital IQ Desktop, partially offset by the shutdown of smaller products last year

S&P Credit Solutions

- RatingsDirect®
- RatingsXpress®

Revenue increased 7%

- Driven by 11% increase in RatingsXpress®
- RatingsDirect® now also available on the S&P Capital IQ Desktop

S&P Capital IQ Markets Intelligence

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

Revenue increased 1%

- Double-digit growth in LCD and GMI
- Largely offset by shutdown of Funds Management Research Europe and declines in ERS revenue



Launched PresCenter in July – Presentation Productivity Tool

New Capabilities in the S&P Capital IQ Desktop for 2014



Portfolio Risk



PresCenter



Dashboard Framework



Credit Analytics



Create

PresCenter simplifies workflow and improves productivity:

- Link data directly from Excel® or PowerPoint® to presentations and/or documents
- Easily update and maintain PowerPoint presentations and Word® documents
- Build and format models in a fraction of the time required with customizable keyboard shortcuts

www.spcapitaliq-prescenter.com



S&P Dow Jones Indices: Increased AUM Drives Growth

(\$ in millions)	2Q 2014	2Q 2013	Change
Revenue	\$133	\$123	+8%
Segment Op. Profit	\$82	\$77	+6%
MHFI Share of Op. Profit*	\$60	\$57	+5%
Segment Op. Margin	62.1%	62.9%	(80 bps)

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

2Q 2014 highlights:

- Revenue growth driven by increased ETF and mutual fund AUM and data subscriptions partially offset by subdued derivative activity
- ETF AUM associated with SPDJ reaches new record of \$719 billion
- Marketing agreement for UBS Commodities Indices expired in June
- Expenses increased 10%, driven by targeted headcount additions and the timing of marketing costs



S&P Dow Jones Indices

Exchange-Traded Funds

- AUM increased 32% to \$719 billion from the end of 2Q 2013
- Approximately 11% of the AUM increase was the result of unit creation, or inflows
- During the quarter, 16 new ETFs based upon our indices were launched

Exchange-Traded Derivatives

- With continued strong performance of equities, derivative trading volumes have remained low
- SPX and E-mini S&P 500 Futures trading volumes decreased 13% and 26%, respectively



S&P Dow Jones Indices – Expanding the Business

- Introduced Dow Jones Commodity Index which emphasizes diversification and liquidity using an equal-weighted approach
- Continue to expand alternatively weighted and emerging markets index offering, including:
 - Low Beta and Intrinsic Value Weighted indices
 - South Africa indices and Pan Africa indices
- ETFs in emerging markets were launched based on our indices:
 - Brazil: S&P 500 ETF traded on Brazilian exchange (BM&FBOVESPA)
 - Colombia: S&P Colombia Select ETF traded on Bolsa de Valores de Colombia
 - Korea: Three S&P Select Sector ETFs listed on the Korea Exchange



Commodities & Commercial Markets: Impacted by Divestiture

(\$ in millions)	2Q 2014	2Q 2013	Change
Revenue	\$263	\$259	+1%*
Segment Op. Profit	\$83	\$83	Unch.
Segment Op. Margin	31.6%	32.0%	(40 bps)

* Excluding the sale of Aviation Week, revenue increased 8% and segment operating profit increased approximately 6%

2Q 2014 highlights:

- Excluding the sale of Aviation Week, revenue increased 8% and segment operating profit increased approximately 6%
- Platts delivered 9% revenue growth
- J.D. Power delivered double-digit revenue growth
- Construction revenue decreased low single-digit



Commodities: Continued Solid Growth

Commodities

(\$ in millions)	2Q 2014	2Q 2013	Change
Revenue	\$149	\$137	+9%

2Q 2014 highlights:

- Platts' price assessment and market data subscriptions continued to deliver double-digit revenue growth
- Global Trading Services licensing revenue decreased due to weaker trading volumes for natural gas and petroleum
- Petroleum, Petrochemicals, and Power & Gas all delivered single-digit revenue growth
- Metals & Agriculture, building on recent investments, continued to deliver the greatest rate of revenue growth at 29%



Platts' New Product Introductions in 2Q



- With the Bakken formation at the heart of soaring U.S. oil production, launched a new Bakken rail-based crude oil assessment



- Announced several enhancements to the Minerals Value Service (MVS) online analytics platform



- Launched *Dry Freight Wire*, expanding Platts portfolio of products dedicated to shipping

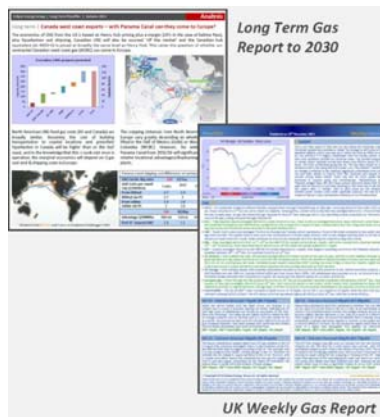


Platts Acquires



Eclipse Energy Group

- Provides market leading data and analysis for European natural gas, power and liquefied natural gas (LNG) markets
- Natural gas becoming increasingly important as Europeans focus on clean energy
- Enables Platts to leverage 2011 Bentek acquisition in North American natural gas



Commercial: Excluding Aviation Week, Revenue Increased

Commercial

(\$ in millions)	2Q 2014	2Q 2013	Change
Revenue	\$114	\$122	(7%)*

* Excluding the sale of Aviation Week, revenue increased 7%

2Q 2014 highlights:

- J.D. Power delivered double-digit revenue growth driven by gains in the auto business and license fees from customer usage of its brands
- Growth was led by business in North America and Asia Pacific
- McGraw Hill Construction revenue declined modestly



Excellent 2Q Results:

- Continuing to create growth...
 - 8% total revenue growth
 - 10% international revenue growth
 - Additional tuck-in acquisition with Eclipse Energy Group
 - Numerous new product launches
- ...and drive performance
 - 15% adjusted diluted EPS growth over the toughest quarterly comparison in 2013
 - Increased 2014 adjusted diluted EPS guidance by \$0.05 to a range of \$3.80 to \$3.90
 - Strengthening the leadership team

JACK CALLAHAN
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER





Financial Highlights – 3 Key Areas

- Consolidated results
- Balance sheet, free cash flow, and return of capital
- Updated 2014 guidance



McGraw Hill Financial: 15% Adjusted EPS Growth in 2Q 2014

(\$ in millions, except earnings per share)	2Q 2014	2Q 2013	% Change
Revenue	\$1,346	\$1,250	+8%*
Segment Operating Profit	\$527	\$477	+10%
Less: Unallocated Expense	(41)	(31)	+31%
Operating Profit	\$486	\$446	+9%
Operating Profit Margin	36.1%	35.7%	+40 bps
Tax Rate	33.1%	35.0%	(190 bps)
Net Income	\$316	\$280	+13%
Diluted EPS	\$1.06	\$0.92	+15%
Average Diluted Shares Outstanding	276.1	278.3	(1%)

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

* Organic growth was 9% excluding lost revenue from 2013 portfolio rationalization



Free Cash Flow from Continuing Operations

(\$ in millions)	2Q 2014	
Cash and equivalents	\$1,617	
Total debt	\$799	
(\$ in millions)	YTD 2014	YTD 2013
Cash provided by operating activities	\$459	\$226
Capital expenditures	(37)	(43)
Dividends and other payments to noncontrolling interests	(30)	(38)
Free Cash Flow	\$392	\$145

- Year-over-year improvement primarily due to:
 - Timing of tax payments
 - Increased income from operations
- Anticipate approximately \$1 billion in free cash flow in 2014



Return of Capital

- Repurchased 2.2 million shares during the second quarter at an average price of \$79.65
- YTD share repurchases total 4.4 million shares
- 45.6 million shares remain in the new authorization
- Paid \$163 million in dividends YTD

Total YTD return of capital in dividends and share repurchases was \$525 million



2014 Guidance

Income Statement (\$ in millions)	2014 Initial Guidance	2014 Updated Guidance
Revenue	Mid single-digit	Mid single-digit
Adjusted Unallocated Expense	Flat	~ +\$10m
Adjusted Operating Profit Margin	> 100 bps	> 100 bps
Adjusted Tax Rate	~ 34%	~ 33.5%
Adjusted Diluted EPS	\$3.75–\$3.85	\$3.80–\$3.90
Investment/Free Cash Flow		
Capital Expenditures	~ \$125	~ \$125
Free Cash Flow	~ \$1 billion	~ \$1 billion
Regular Dividend Per Share (annual basis)	\$1.20	\$1.20



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NOTE: A replay of this webcast will
be available approximately two hours
after the end of the call from
www.mcgraw-hill.com/investor_relations



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REPLAY OPTIONS

- Internet: **Replay available for one year**
Go to <http://investor.mhfi.com>

- Telephone: **Replay available through August 29, 2014**
Domestic: 866-501-2973
International: 203-369-1832
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