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1Q 2014 Earnings Call  
April 29, 2014

Doug Peterson  
President and CEO

Jack Callahan  
Executive Vice President and CFO

Chip Merritt  
Vice President, Investor Relations

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McGraw Hill Financial | 1Q 2014 Earnings Conference Call/Webcast

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

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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 April 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 and the economy in general;
- the regulatory environment affecting Standard & Poor’s Ratings 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](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



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## 2014 – Solid Start to the Year

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- Hosted a well-attended Investor Day on March 18
- The Company is focused on creating growth and driving performance
- Reported revenue and earnings grew despite a decrease in global bond issuance
  - Leading the Company's results, Platts and S&P Dow Jones Indices delivered double-digit revenue growth
  - International growth was more than twice domestic growth
- During the quarter, the Company reported free cash flow of \$85 million and returned \$246 million in dividends and share repurchases

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## MHFI: Company Delivers Double-Digit Adjusted EPS Growth

(\$ in millions)	1Q 2014	1Q 2013	Change
Revenue	\$1,236	\$1,181	+5%*
Adj. Operating Profit	\$430	\$399	+8%
Adj. Operating Margin	34.8%	33.8%	+100 bps
Diluted Adjusted EPS	\$0.89	\$0.80	+12%

\* Organic growth was 6% excluding lost revenue from 2013 portfolio rationalization

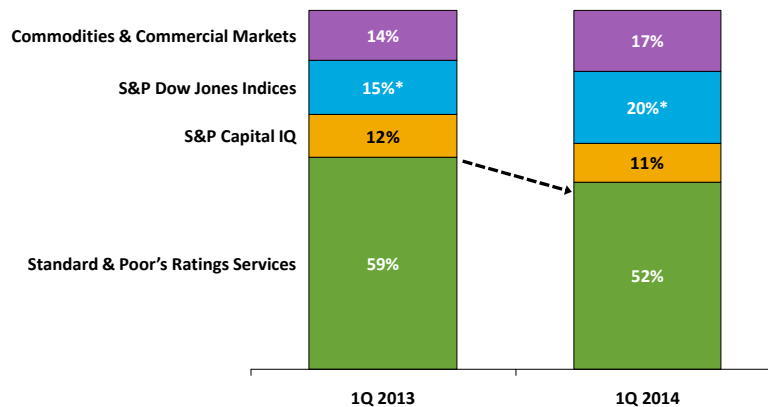
### 1Q 2014 highlights:

- Delivered mid single-digit revenue growth, continued margin expansion, and double-digit diluted adjusted EPS growth
- S&P Dow Jones Indices and Commodities & Commercial Markets delivered double-digit operating profit increases



## Strength of Portfolio Drives Quarterly Results

### Segment Operating Profit



\* Operating profit attributable to the noncontrolling interest of the S&P Dow Jones Indices joint venture comprised 4% and 5% of total segment operating profit for 1Q 2013 and 1Q 2014, respectively



Standard & Poor's Ratings Services:  
Weak Bond Issuance Dampens Results

(\$ in millions)	1Q 2014	1Q 2013	Change
Revenue	\$569	\$561	1%
Segment Op. Profit	\$240	\$249	(4%)
Segment Op. Margin	42.2%	44.4%	(220 bps)

**1Q 2014 highlights:**

- Weak bond issuance hindered revenue growth
- Bank loan ratings continued to show considerable strength
- Expenses increased due to targeted investments in human capital in our faster-growing businesses as well as in data and technology

ALL MARGINS ARE BASED ON REVISED CORPORATE OVERHEAD ALLOCATION METHODOLOGY



Standard & Poor's Ratings Services: Mixed Results

(\$ in millions)	1Q 2014	1Q 2013	Change
Non-transaction	\$324	\$297	+9%
Transaction	\$245	\$264	(7%)

**1Q 2014 highlights:**

Non-transaction revenue:

- Annual fees (predominately frequent issuer relationship fees and surveillance) grew 6%
- Rating Evaluation Service revenue increased 33%

Transaction revenue:

- Revenue from bond ratings in structured finance and corporates decreased as a result of decreased issuance
- The number of transactions decreased more than the value of transactions
- Bank loan ratings revenue increased 19%



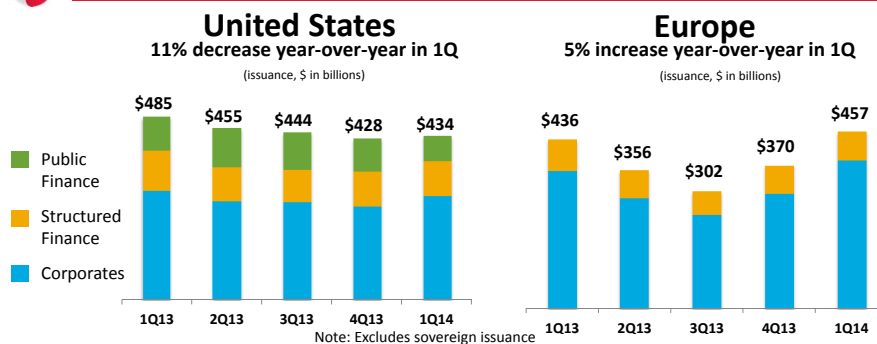
## Standard & Poor's Ratings Services: Int'l Growth Outpaces U.S.

(\$ in millions)	1Q 2014	1Q 2013	Change
International	\$264	\$248	+6%
Domestic	\$305	\$313	(2%)

- Consistent with 2013 trends, international growth continued to outpace domestic
- International growth was driven by:
  - Record corporate high-yield issuance in Europe, surpassing 4Q 2013
  - Strength in Canadian corporate issuance



## Issuance Trends: Europe Issuance Continues to Strengthen



### United States:

- Corporate issuance decreased 5% with the number of issues decreasing 30%
- High-yield issuance declined 38%
- Public finance issuance declined 26%
- Structured finance issuance declined 12%

### Europe:

- Corporate issuance increased 8%
- Record high-yield issuance increased 29%
- Structured finance issuance declined 7%



## Standard & Poor's Ratings Services: Litigation Update

### • Litigation:

- 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
- **DOJ case:**
  - On April 15<sup>th</sup>, the Court granted S&P's discovery motion
  - A trial is currently expected to begin in September 2015
- **Consolidated States case:** Awaiting a ruling by the federal court on the States' motion to remand cases back to the State courts

Since the Company's fourth quarter earnings call,  
no new cases have been filed



## S&P Capital IQ: Steady Growth Continues

(\$ in millions)	1Q 2014	1Q 2013	Change
Revenue	\$301	\$288	+4%*
Segment Op. Profit	\$53	\$50	+6%
Segment Op. Margin	17.5%	17.3%	20 bps

\* Organic growth was approximately 6% excluding lost revenue from ongoing portfolio rationalization of several small products

### 1Q 2014 highlights:

- Key products continue to drive growth
- Rollouts have begun on a wave of new desktop capabilities

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## S&P Capital IQ: Key Products Drive Growth

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

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

#### **Revenue increased 4%**

- Driven by 8% increase in S&P Capital IQ Desktop

### S&P Credit Solutions

- RatingsDirect®
- RatingsXpress®

#### **Revenue increased 5%**

- Driven by 8% increase in RatingsXpress®

### S&P Capital IQ Markets Intelligence

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

#### **Revenue increased 2%**

- Driven by 26% increase in LCD
- Largely offset by shutting down FMR Europe in 4Q 2013



## Launched Credit Analytics in February

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



Portfolio Risk



PresCenter



Dashboard Framework



Credit Analytics



Create

- Proprietary credit models seamlessly integrated into the S&P Capital IQ desktop
- Addresses the specific challenges faced by corporate credit analysts, insurance underwriters, finance and risk managers when analyzing and monitoring credit risk



[www.spcapitaliq-credit.com](http://www.spcapitaliq-credit.com)





## S&P Dow Jones Indices: Outstanding Start to Year

(\$ in millions)	1Q 2014	1Q 2013	Change
Revenue	\$137	\$115	+18%
Segment Op. Profit	\$91	\$64	+43%
MHFI Share of Op. Profit*	\$67	\$46	+45%
Segment Op. Margin	67.0%	55.6%	1,140 bps

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

### 1Q 2014 highlights:

- Solid AUM growth and exchange-traded derivative trading volume
- Approximately one-half of the revenue increase was due to refined revenue recognition for certain products
- Licensing agreement for UBS Commodities Indices to expire in June

**ALL MARGINS ARE BASED ON REVISED CORPORATE OVERHEAD ALLOCATION METHODOLOGY**



## S&P Dow Jones Indices

### Exchange-Traded Funds

- AUM increased 27% to \$667 billion from the end of 1Q 2013
- Approximately 11% of the AUM increase was the result of unit creation, or inflows
- During the quarter, 5 new ETFs based upon our indices were launched

### Exchange-Traded Derivatives

- Derivative trading licensing revenue increased primarily due to:
  - SPX and VIX trading volumes which increased 9% and 24%, respectively
  - CME equity complex average daily volumes increased 11%



## S&P Dow Jones Indices – Expanding the Business

- Acquired the remaining intellectual property for the S&P Global Broad Market Index (BMI)
- Began collaboration with the Korea Exchange for global marketing and sales of KRX Indices
- Announced strategic index development and co-branding agreement with the Taiwan Stock Exchange (“TWSE”) along with the launch of the S&P/TWSE Taiwan Low Volatility High Dividend Index



## The Company Successfully Defends Intellectual Property

**January 24, 2014: S&P Dow Jones Indices and CBOE Announce Successful Conclusion of ISE Index Litigation**



*“As we had made blatantly clear more than seven years ago when this litigation first began, S&P Dow Jones Indices will vigorously and fiercely protect its well-established intellectual property rights from all those that seek to infringe upon them – ensuring that we remain the preeminent index provider in the world.”*

—Alex Matturri, Chief Executive Officer, S&P Dow Jones Indices



## Commodities & Commercial Markets: Expanding Profitability

(\$ in millions)	1Q 2014	1Q 2013	Change
Revenue	\$251	\$236	+6%*
Segment Op. Profit	\$76	\$60	+27%
Segment Op. Margin	30.4%	25.3%	510 bps

\* Excluding the sale of Aviation Week, revenue increased 10%

### 1Q 2014 highlights:

- Strong revenue growth and cost control drove profitability
- Platts and J.D. Power both delivered double-digit revenue growth
- Construction revenue decreased mid single-digit

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## Commodities: Continued Double-Digit Growth

### Commodities

(\$ in millions)	1Q 2014	1Q 2013	Change
Revenue	\$148	\$130	+14%

### 1Q 2014 highlights:

- Platts' continued to deliver double-digit revenue growth
- Petroleum, Metals & Agriculture, and Petrochemicals delivered double-digit revenue growth while Power & Gas delivered mid single-digit revenue growth
- Metals & Agriculture, building on recent investments, provided the greatest rate of growth at 36%



## Energy Symposium Showcases Collective Influence of MHFI

Houston - April 2, 2014



- Thought leaders from four MHFI businesses offered a comprehensive picture of the energy industry
- More than 160 institutional investors, advisors, and industry professionals were in attendance — a record for this event
- S&P Capital IQ announced its new oil and gas estimates



## Commercial: Excluding Aviation Week, Revenue Increased

### Commercial

(\$ in millions)	1Q 2014	1Q 2013	Change
Revenue	\$103	\$106	(3%)*

\* Excluding the sale of Aviation Week, organic revenue increased 5%

### 1Q 2014 highlights:

- J.D. Power delivered double-digit revenue growth driven by the auto business and customer advertising
  - Growth in China continues to be a significant contributor to growth in the auto business
  - Customer advertising increased 34% primarily from the Initial Quality Study in autos and several non-auto studies



## A Solid Start to 2014

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- 1Q results....
  - 5% revenue growth
  - 100 bps margin improvement
  - 12% adjusted EPS growth  
...in line with 2014 guidance
- 2014 guidance remains unchanged:
  - Diluted EPS \$3.75–\$3.85
  - Free cash flow ~ \$1 billion

JACK CALLAHAN  
EXECUTIVE VICE PRESIDENT  
AND CHIEF FINANCIAL OFFICER





## Financial Highlights – 4 Key Areas

- Consolidated results
- Impact of accounting-related changes
- Free cash flow and return of capital
- 2014 guidance



## McGraw Hill Financial: 12% Adjusted EPS Growth in 1Q 2014

(\$ in millions, except earnings per share)	1Q 2014	1Q 2013	% Change
Revenue	\$1,236	\$1,181	+5%*
Segment Operating Profit	\$460	\$423	+9%
Less: Unallocated Expense	(30)	(24)	+27%
Operating Profit	\$430	\$399	+8%
Operating Profit Margin	34.8%	33.8%	+100 bps
Tax Rate	34.0%	35.0%	(100 bps)
Net Income	\$248	\$228	+9%
Diluted EPS	\$0.89	\$0.80	+12%
Average Diluted Shares Outstanding	277.2	284.3	(2%)

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

\* Organic growth was 6% excluding lost revenue from 2013 portfolio rationalization



## 2013 Unallocated Expense – Shared Costs Reallocated to Segments

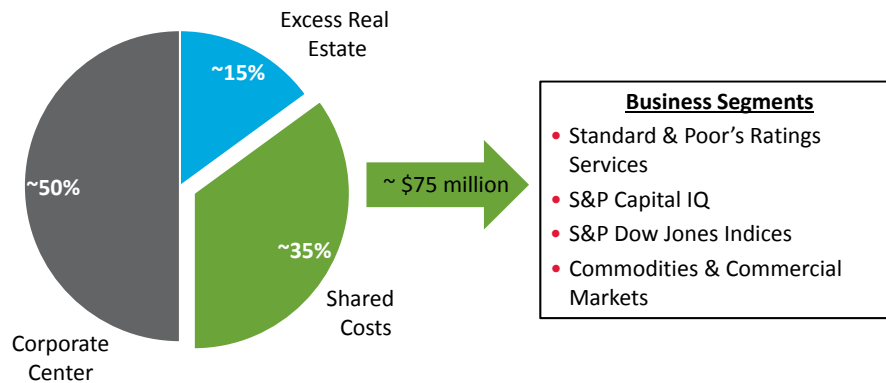


Exhibit 8 of press release financials provides a recast of operating profit by quarter for 2013



## S&P Dow Jones Indices – Refined Revenue Recognition

- Incorporated validated data that provides assets under management for a greater portion of ETFs than in the past, driven in large part by their respective growth and history
- Approximately two-thirds of revenue related to ETFs are already based on this methodology
- Enables recording revenue when earned versus a timing delay
- Expect this to be the only quarter meaningfully impacted by this change



## Free Cash Flow from Continuing Operations

(\$ in millions)	1Q 2014	
Cash and equivalents	\$1,531	
Total debt	\$799	

(\$ in millions)	1Q 2014	1Q 2013
Cash provided by operating activities	\$120	(\$47)
Capital expenditures	(20)	(22)
Dividends and other payments to noncontrolling interests	(15)	(17)
<b>Free Cash Flow</b>	<b>\$85</b>	<b>(\$86)</b>

- Year-over-year improvement primarily due to timing of tax payments
- First quarter FCF normally impacted by incentive compensation payments
- Anticipate approximately \$1 billion in free cash flow in 2014



## Return of Capital

- Repurchased 2.2 million shares during the first quarter at an average price of \$78.47
- 47.8 million shares remain in the new authorization
- Basic shares outstanding increased from 12/31/13 due to:
  - 2.3 million of employee option exercises (only 9.6 million remain outstanding)
  - 1.7 million shares of 2011 employee restricted stock plan issued (vested plans payout in first quarter)
- Anticipate greater impact on shares outstanding from any balance of year share repurchases





## 2014 Guidance Unchanged

(\$ in millions)

### 2014 Guidance

#### Income Statement

Revenue	Mid single-digit
Adj. Unallocated Expense	Flat
Adj. Operating Profit Margin	> 100 bps
Adjusted Tax Rate	~ 34.0%
Diluted EPS	\$3.75–\$3.85

#### Investment/Free Cash Flow

Capital Expenditures	~ \$125
Free Cash Flow	~ \$1 billion
Regular Dividend Per Share (annual basis)	\$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](http://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 May 29, 2014**  
Domestic: 866-467-2404  
International: 203-369-1443  
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