



4Q 2013 Earnings Call  
February 4, 2014

Douglas L. Peterson  
President and CEO

Jack Callahan  
Executive Vice President and CFO

Chip Merritt  
Vice President, Investor Relations

## 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 February 4, 2014 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP.



## “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.

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## 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.

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DOUG PETERSON  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



## 2013 - Highlights of a Momentous Year

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### Focused portfolio improvements

- Completed sale McGraw-Hill Education and Aviation Week
- Launched McGraw Hill Financial with new ticker - MHFI
- Increased investment in CRISIL to 67.8%

### Delivered outstanding performance

- Achieved record revenue from continuing operations and diluted adjusted EPS
- Standard & Poor's Ratings Services, S&P Dow Jones Indices, and S&P Capital IQ all delivered record revenue

### Continued shareholder returns

- Returned \$1.3 billion in dividends and share purchases
- Announced a new 50 million share repurchase authorization

### Thoughtful leadership transition

- Terry McGraw retired as President and CEO, remains Chairman
  - Neeraj Sahai announced as new President of Standard & Poor's Ratings Services
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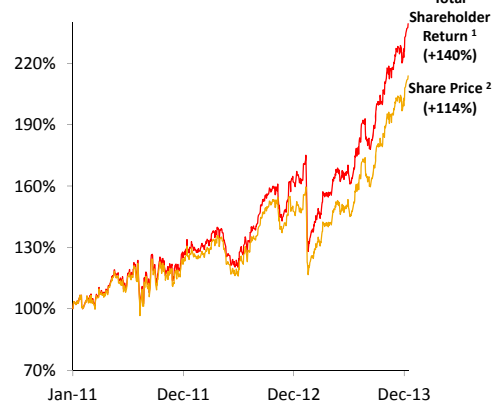


## Clear Success of Growth and Value Plan

	2011*	2013	
Revenue (million)	\$6,246	\$4,875	↓
Adjusted Operating Profit (million)	\$1,498	\$1,602	↑
Adjusted Operating Margin	24%	33%	↑
Adjusted Diluted EPS	\$2.91	\$3.33	↑
Capex (million)	\$277**	\$117	↓

\* Includes McGraw-Hill Education  
 \*\* Includes investment in prepublication costs

MHFI Share Price and Total Shareholder Return  
 01/01/2011 to 12/31/2013



(1) Calculated using dividend adjusted closing share price  
 (2) Calculated using non-adjusted closing share price  
 Source: S&P Capital IQ

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## MHFI: Record Revenue and Diluted Adjusted EPS

(\$ in millions)	2013	2012	Change
Revenue	\$4,875	\$4,450	+10%
Adj. Operating Profit	\$1,602	\$1,385	+16%
Adj. Operating Margin	32.9%	31.1%	+180 bps
Diluted Adjusted EPS	\$3.33	\$2.75	+21%

### 2013 highlights:

- 9% organic revenue growth
- Revenue growth compounded by cost control and share repurchases

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## MHFI: Challenging Ratings Comparison Explains Modest Growth

(\$ in millions)	4Q 2013	4Q 2012	Change
Revenue	\$1,250	\$1,226	+2%
Adj. Operating Profit	\$361	\$371	(3%)
Adj. Operating Margin	28.8%	30.3%	(150 bps)
Diluted Adjusted EPS	\$0.81	\$0.72	+12%

### 4Q 2013 highlights:

- 3% organic revenue growth
- Revenue only increased 2% despite records in 3 segments
- S&P Dow Jones Indices incurred a \$26 million non-cash impairment charge
- A final full-year 2013 adjusted tax rate of 34% resulted in a 4Q adjusted tax rate of 30.5%

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## Standard & Poor's Ratings Services:

### Excellent 2013 Growth Despite Challenging 4Q Comparison

(\$ in millions)	4Q 2013	4Q 2012	Change
Revenue	\$574	\$584	(2%)
Adj. Segment Op. Profit	\$231	\$254	(9%)
Adj. Segment Op. Margin	40.2%	43.5%	(330 bps)

(\$ in millions)	2013	2012	Change
Revenue	\$2,274	\$2,034	+12%
Adj. Segment Op. Profit	\$993	\$865	+15%
Adj. Segment Op. Margin	43.7%	42.5%	120 bps

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## Standard & Poor's Ratings Services: Excellent 2013 Growth

(\$ in millions)	4Q 2013	4Q 2012	Change
Non-transaction	\$317	\$292	+8%
Transaction	\$257	\$292	(12%)

(\$ in millions)	2013	2012	Change
Non-transaction	\$1,239	\$1,131	+10%
Transaction	\$1,035	\$903	+15%

- Non-transaction growth both in 4Q and for the full year was driven by increased entity credit rating activity, particularly in Europe
- 4Q transaction revenue decreased from the strongest quarter of 2012 due to less U.S. corporate issuance, particularly high yield
- 2013 transaction revenue benefited from both healthy issuance and a 42% increase in bank loan ratings

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

(\$ in millions)	4Q 2013	4Q 2012	Change
International	\$287	\$266	+8%
Domestic	\$287	\$318	(10%)

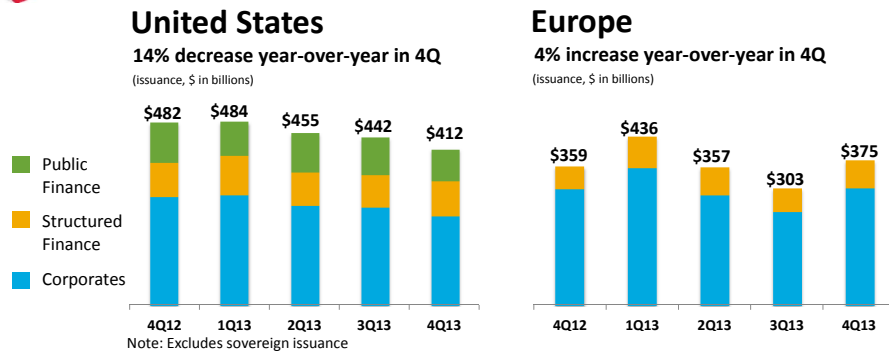
(\$ in millions)	2013	2012	Change
International	\$1,060	\$932	+14%
Domestic	\$1,214	\$1,102	+10%

- International reached 50% of 4Q revenue, its highest percentage since 4Q 2008
- European corporates drove the outsized international growth for both 4Q and 2013

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## Issuance Trends: Europe Relatively Stronger Than U.S.



- **U.S.:** Corporate and Public issuance were down 18% and 19%, respectively, driven by the government shutdown, interest rate volatility, and economic uncertainty.
- **Europe:** Corporate issuance was flat with weak investment grade (-9%) offset by very strong high yield (+71%). Improved economic conditions drove a structured issuance increase of 25% due primarily to strength in ABS (+41%) and covered bonds (+25%)
- **2014:** The Company has published its expectations for corporate new issuance to grow modestly in 2014 at a rate between flat and 6% higher

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

- **Litigation:**
  - 36 cases now dismissed outright (3 since 3Q earnings)
  - 13 dismissals by lower courts have been affirmed by higher courts
  - 11 cases have been voluntarily withdrawn (1 since 3Q earnings)
  - Several dozen non-government cases remain outstanding
  - DOJ case: The case is in discovery and the next hearing is scheduled for March 11, 2014
  - 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 third quarter earnings call, a CPDO case in the Netherlands has been filed and a notification of a potential claim from an Italian prosecutor at the Corte dei Conti has been received

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## S&P Dow Jones Indices: Non-Cash Impairment Impacts 4Q

(\$ in millions)	4Q 2013	4Q 2012	Change
Revenue	\$130	\$110	+18%
Adj. Segment Op. Profit	\$50	\$67	(24%)
MHFI Share of Op. Profit*	\$37	\$50	(26%)
Adj. Segment Op. Margin	39.0%	60.7%	(2,170 bps)

Adjusted op. profit decreased due to a \$26 million non-cash impairment charge

(\$ in millions)	2013	2012	Change
Total Revenue**	\$493	\$388	+27%
Adj. Segment Op. Profit	\$278	\$234	+19%
MHFI Share of Op. Profit*	\$205	\$198	+4%
Adj. Segment Op. Margin	56.3%	60.4%	(410 bps)

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

\*\* Organic revenue, which excludes the Dow Jones Indexes for the first half of 2013, increased 12%

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## S&P Dow Jones Indices

### Highlights:

- Fourth consecutive quarter of record assets under management (AUM) in exchange-traded funds linked to S&P Dow Jones Indices
  - Year-end AUM increased 43% to \$668 billion from the end of 2012
  - Approximately one third of the AUM increase was the result of unit creation, or inflows, into these passively managed ETFs
- During the quarter, 14 new ETFs based upon our indices were launched
- 4Q licensing revenue from derivative trading increased, primarily due to SPX and VIX trading volumes which increased 11% and 19%, respectively
- At the end of the quarter, the Company made the final payment to acquire the intellectual property for the S&P GSCI® index

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## S&P Capital IQ: Record Quarterly Revenue

(\$ in millions)	4Q 2013	4Q 2012	Change
Revenue	\$301	\$290	+4%*
Adj. Segment Op. Profit	\$54	\$53	+1%
Adj. Segment Op. Margin	17.8%	18.3%	(50 bps)

\* Organic growth was approximately 5% excluding lost revenue from ongoing portfolio rationalization of several small products

(\$ in millions)	2013	2012	Change
Revenue	\$1,170	\$1,124	+4%
Adj. Segment Op. Profit	\$224	\$228	(2%)
Adj. Segment Op. Margin	19.1%	20.3%	(120 bps)

- Work continues on building new products and new data sets

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## S&P Capital IQ: New Product Development Continued

### Highlights:

- For both 4Q and full year 2013, Desktop Solutions, Enterprise Solutions, and Ratings IP all delivered mid single-digit revenue growth while Proprietary Research revenue declined mid single-digits
- Sold first Portfolio Risk solution with a five-year deal
- Multiple new desktop analytics and capabilities scheduled for launch through Q2
- Continued to fine-tune the portfolio by shutting down FMR Europe
- Robust equity markets, new products launches, and increased customer compliance requirement needs point to improvement in 2014

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## Commodities & Commercial Markets: Record Year

(\$ in millions)	4Q 2013	4Q 2012	Change
Revenue	\$264	\$260	+2%*
Adj. Segment Op. Profit	\$84	\$59	+41%
Adj. Segment Op. Margin	31.7%	22.9%	880 bps

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

(\$ in millions)	2013	2012	Change
Revenue	\$1,014	\$973	+4%*
Adj. Segment Op. Profit	\$310	\$260	+19%
Adj. Segment Op. Margin	30.6%	26.8%	380 bps

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

**Record adjusted operating profit for both 4Q and full-year 2013**

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## Commodities: Continued Double-Digit Growth

### Commodities

(\$ in millions)	4Q 2013	4Q 2012	Change	2013	2012	YoY Change
Revenue	\$141	\$129	+10%	\$550	\$489	+13%

### Highlights:

- Platts' revenue has doubled in the last five years with 2013 revenue setting a new yearly record
- During the quarter, Metals & Agriculture and Petrochemicals product subscription growth overtook Petroleum as the primary drivers of double-digit growth
- Licensing revenue from petroleum derivative trading increased more than 30% as volatile oil prices increased trading activity

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## Commercial: Revenue Increased, Excluding Aviation Week

### Commercial

(\$ in millions)	4Q 2013	4Q 2012	Change	2013	2012	YoY Change
Revenue	\$123	\$131	(6%)*	\$464	\$484	(4%)*

\* Excluding the sale of Aviation Week, organic growth in 4Q 2013 and full year 2013 was 4% and flat respectively

### Highlights:

- J.D. Power delivered its second year in a row of record revenue capped by record quarterly revenue in 4Q
- Auto business in China and license revenue from customer advertising delivered the strongest revenue growth in the quarter
- McGraw Hill Construction revenue declines moderated compared to recent years

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## A Great Year – Expect Continued Growth in 2014

- Completed the highly successful Growth and Value Plan
- Launched MHFI
  - Achieved record revenue from continuing operations
  - Delivered record diluted adjusted EPS of \$3.33
  - Finished strong with 3 of the 4 business segments delivering record quarterly revenue in 4Q
- Positioned for continued success in 2014 with guidance of:
  - Mid single-digit revenue growth
  - Adjusted diluted EPS guidance of \$3.75 to \$3.85, which represents 13% to 16% growth

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## First 100 Days Progress

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- Neeraj Sahai appointed President, Standard & Poor's Ratings Services
- Elevated the heads of Platts and S&P Dow Jones Indices to streamline management structure
- Relocated the President of Platts to London
- Elevated the Chief Risk & Compliance Officer and Chief Economist to Corporate positions
- Initiated a consolidation of our real estate footprint, including the decision to move our company headquarters
- Scheduled Investor Day for March 18th

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JACK CALLAHAN  
EXECUTIVE VICE PRESIDENT  
AND CHIEF FINANCIAL OFFICER





## Financial Highlights – 4 Key Areas

- Consolidated results
- Impact of productivity initiatives (adjustments to earnings)
- Free cash flow and return of capital
- 2014 guidance

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## McGraw Hill Financial: 21% Adjusted EPS Growth in 2013

(\$ in millions, except earnings per share)	2013	2012	% Change
Revenue	\$4,875	\$4,450	+10%
Segment Operating Profit	\$1,805	\$1,587	+14%
Less: Unallocated Expense	(203)	(202)	Flat
Operating Profit	\$1,602	\$1,385	+16%
Tax Rate	34.0%	36.0%	(200 bps)
Noncontrolling Interest*	(\$87)	(\$52)	+67%
Net Income	\$931	\$783	+19%
Diluted EPS	\$3.33	\$2.75	+21%
Average Diluted Shares Outstanding	279.8	284.6	(2%)

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

\* Noncontrolling interest includes the 27% ownership of the S&P Dow Jones Indices joint venture

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## McGraw Hill Financial: 12% Adjusted EPS Growth in 4Q 2013

(\$ in millions, except earnings per share)	4Q 2013	4Q 2012	% Change
Revenue	\$1,250	\$1,226	+2%
Segment Operating Profit	\$419	\$433	(3%)
Less: Unallocated Expense	(58)	(62)	(7%)
Operating Profit	\$361	\$371	(3%)
Tax Rate	30.5%	35.7%	(520 bps)
Noncontrolling Interest*	(\$17)	(\$22)	(24%)
Net Income	\$223	\$205	+9%
Diluted EPS	\$0.81	\$0.72	+12%
Average Diluted Shares Outstanding	278.0	284.7	(2%)

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

\* Noncontrolling interest includes the 27% ownership of the S&P Dow Jones Indices joint venture

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## 2013 Adjustments to Earnings (Pre-Tax)

(\$ in millions)	Sept. YTD	4Q 2013	2013
Growth and Value Plan Costs	(\$64)	Complete	(\$64)
Legal Settlements	(~\$77)		(~77)
Net gain on sale of businesses	\$24		\$24
Restructuring charges	(\$3)	(\$28)	(\$31)
Non-cash impairment charge related to the pending sale of a data center		(\$36)	(\$36)
Lease terminations to reduce real estate footprint		(\$13)	(\$13)
Total excluded from adjusted results	(\$120)	(\$77)	(\$197)

As a key enabler to future cost reduction, the Company reached agreement for early termination of the lease for 1221 6<sup>th</sup> Avenue at the end of 2015 (~\$60 million payment in Q4 2013 as consideration)

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## Free Cash Flow from Continuing Operations

(\$ in millions)	2013	
Cash and short-term investments	\$1,560	
Total debt	\$799	
(\$ in millions)	2013	2012
Cash provided by operating activities	\$816	\$747
Capital expenditures	(117)	(97)
Dividends and other payments to noncontrolling interests	(75)	(24)
<b>Free Cash Flow</b>	<b>\$624</b>	<b>\$626</b>

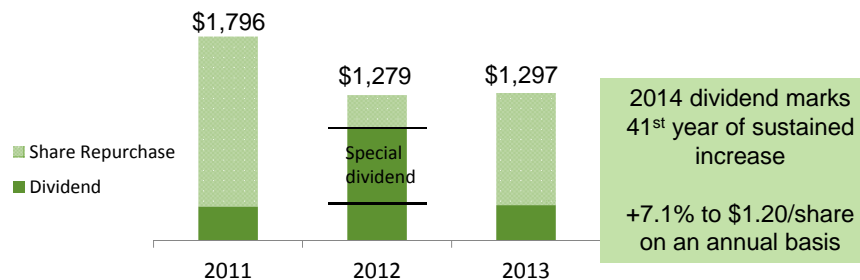
Anticipate approximately \$1 billion in free cash flow in 2014

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## Return of Capital

- Repurchased 1.9 million shares during the fourth quarter, completing the existing authorization
- Repurchased approximately 16.9 million shares in 2013 at an average price of \$58.52
- New 50 million share repurchase authorization was announced in December



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## 2014 Guidance

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(\$ 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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## 2013 – A Great First Year for MHFI, Strong Outlook for 2014

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- Excellent results:
  - 10% revenue growth
  - 21% adjusted diluted EPS growth
- Anticipate continued growth in 2014:
  - Long-term secular drivers remain in place, although market volatility could impact results
  - Mid single-digit revenue growth
  - Mid-teen adjusted diluted EPS growth
  - Approximately \$1 billion in free cash flow
- To learn more about MHFI, please join us at Investor Day
  - March 18<sup>th</sup>, 12:00pm – 5:30pm
  - New York Hilton Midtown, 1335 Ave of the Americas

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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 March 4, 2014**  
**Domestic: 800-945-2458**  
**International: 203-369-3946**  
**No password required**

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