



# MSCI Investor Day

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FEBRUARY 24, 2021



# Welcome & Opening Remarks



**SALLI SCHWARTZ**

HEAD OF INVESTOR RELATIONS & TREASURER

# Forward-Looking Statements and Other Information

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation, MSCI's full-year 2021 guidance and long-term targets. These forward-looking statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "will," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential" or "continue," or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond MSCI's control and that could materially affect actual results, levels of activity, performance or achievements.

Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in MSCI's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the Securities and Exchange Commission ("SEC") on February 12, 2021 and in quarterly reports on Form 10-Q and current reports on Form 8-K filed or furnished with the SEC. If any of these risks or uncertainties materialize, or if MSCI's underlying assumptions prove to be incorrect, actual results may vary significantly from what MSCI projected. Any forward-looking statement in this earnings presentation reflects MSCI's current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to MSCI's operations, results of operations, growth strategy and liquidity. MSCI assumes no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise, except as required by law.

Percentage changes and totals in this presentation may not sum due to rounding.

Gross sales include both new recurring subscription and non-recurring sales as reported in Table 6: Sales and Retention Rate by Segment (unaudited) of the press release reporting MSCI's financial results for fourth quarter 2020.

Foreign currency exchange rate fluctuations reflect the difference between the current period results as reported compared to the current period results recalculated using the foreign currency exchange rates in effect for the comparable prior period. While operating revenues adjusted for the impact of foreign currency fluctuations includes asset-based fees that have been adjusted for the impact of foreign currency fluctuations, the underlying assets under management ("AUM"), which is the primary component of asset-based fees, is not adjusted for foreign currency fluctuations. More than three-fifths of the AUM are invested in securities denominated in currencies other than the U.S. dollar, and accordingly, any such impact is excluded from the disclosed foreign currency adjusted variances.

MSCI has not independently verified the Burgiss-related information included on or statements made with respect to pages 96 through 109. The Burgiss Group, LLC assumes sole responsibility for the accuracy and completeness of such information and statements. The Burgiss Group, LLC does not undertake to update forward-looking statements to reflect the impact of subsequent events or circumstances, except as required by law.

On February 23, 2021, the Board authorized MSCI to opportunistically explore financing options, the proceeds of which could be used to refinance existing debt. Such a financing could marginally increase MSCI's leverage ratio and interest expense. Any potential financing is subject to market and other conditions, and there can be no assurance as to the timing or certainty of a transaction.

# Agenda

8:30 am	<b>Welcome &amp; Opening Remarks</b> <b>Salli Schwartz</b> Head of Investor Relations & Treasurer	10:30 am	<b>Modernizing Portfolio Management through Analytics</b> <b>Jorge Mina</b> Head of Analytics
	<b>Transforming the Investment World</b> <b>Henry Fernandez</b> Chairman & Chief Executive Officer		<b>Innovating Private Asset Investing</b> <b>Jay McNamara</b> President, Burgiss
	<b>Maximizing Competitive Advantages</b> <b>Baer Pettit</b> President & Chief Operating Officer		<b>Reimagining the Investment Process</b> <b>Peter Zangari</b> Global Head of Research & Product Development
	<b>Delivering Client-Centric Solutions</b> <b>Alvise Munari</b> Global Head of Client Coverage		<b>Revolutionizing the Investment World through Data &amp; Technology</b> <b>Jigar Thakkar</b> Chief Technology Officer & Head of Engineering
	<b>Supercharging Index Growth</b> <b>Diana Tidd</b> Head of Index & Chief Responsibility Officer		<b>Powering Compounding Returns</b> <b>Andy Wiechmann</b> Chief Financial Officer
	<b>Driving the Sustainable Investing Revolution</b> <b>Remy Briand</b> Head of ESG & Climate		<b>Invest in MSCI · Change the World</b> <b>Henry Fernandez</b> Chairman & Chief Executive Officer
10:05 am	<b>Q&amp;A Session</b>	11:40 am	<b>Q&amp;A Session</b>
10:25 am	<b>Break</b>		

# Speakers: Seasoned Leaders with Deep Expertise



**HENRY FERNANDEZ**

**Chairman & CEO**

1996



**BAER PETTIT**

**President & COO**

2000



**ALVISE MUNARI**

**Global Head of Client Coverage**

2015



**DIANA TIDD**

**Head of Index & CRO<sup>1</sup>**

1999



**REMY BRIAND**

**Head of ESG & Climate**

2001



**JORGE MINA**

**Head of Analytics**

1998



**JAY MCNAMARA**

**President, Burgiss**

2020<sup>2</sup>

*Formerly with MSCI 2002-2020*



**PETER ZANGARI**

**Global Head of Research & Product Development**

2011



**JIGAR THAKKAR**

**CTO & Head of Engineering**

2018



**ANDY WIECHMANN**

**CFO**

2012



**SALLI SCHWARTZ**

**Head of IR & Treasurer**

2019

# Transforming the Investment World



**HENRY FERNANDEZ**

CHAIRMAN & CHIEF EXECUTIVE OFFICER

# Key Messages: Uniquely Positioned to Transform the Investment World

- 01 Our **vision** is to be a change agent for an investment industry modernizing, becoming more efficient and creating greater scale to serve societies better
- 02 Our **mission** is to enable investors to build better portfolios for a better world leveraging state-of-the-art models and analytics, and data and technology
- 03 Our **strategy** is to support the investment process needs of our clients with highly differentiated solutions supported by best-in-class capabilities
- 04 Our **execution** will result in significant benefits to our clients, opportunities for our employees and exceptional returns to our shareholders over time

# Our Vision: An Increasingly Complex Investment Industry Creates Opportunity



**\$100T** Managed Assets

**100,000+** Public Equities

**Millions** Fixed Income Instruments

**10,000+** Private Equity (PE) Funds

**100,000+** PE-owned Companies

**\$10T** Global Investment Properties

**\$650T** Notional Derivatives Contracts

**\$120T+** Bank Assets

## MORE:

### Investors

- Proliferation of institutional and individual investors

### Markets

- New geographies and markets are accessible

### Choices

- Securities
- Instruments
- Asset classes

### Styles

- Factors
- ESG & Climate consideration
- Thematics and mega themes

### Vehicles

- Funds
- Co-investing
- Direct investments

### Scale

- Investable assets growing as a percentage of global economies
- Increased allocations to private markets





# Our Vision: Increased Complexity is Transforming the Investment World

## FROM

Home Country/Region Investing

Single Asset Classes

Public Assets

Fund Investing

Performance

Standard Portfolios

Active Management

ESG & Climate for Some

Western Markets

## TO

**Global Investing**

**Multi-Asset Classes**

**Public + Private Assets**

**Fund + Direct Investing**

**Risk + Performance**

**Customized Portfolios**

**Active + Indexed Management**

**ESG & Climate for All**

**Asian + Emerging Markets**



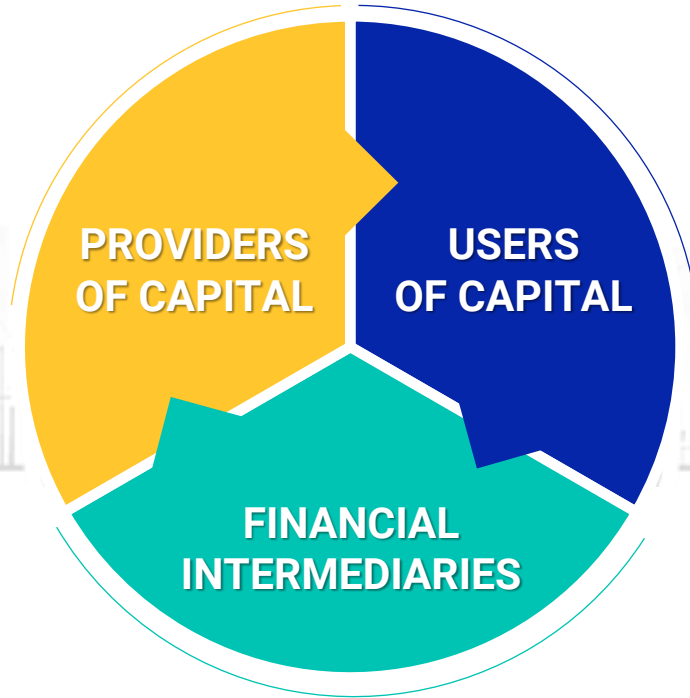
# Our Mission: Growing Investment Industry Presents Incredible Opportunities

AUM	2019	2021	2019	2021
<b>OWNERS OF ASSETS</b> >	<b>\$96T</b>	<b>\$113T</b>	<b>MANAGERS OF ASSETS</b> >	<b>\$70T</b> <b>\$82T</b>
Individuals Wealth Management and Defined Contribution Pensions	\$41T	\$49T	Fixed Income – Active and Indexed	\$27T      \$33T
Defined Benefit Pensions	\$23T	\$25T	Equity – Active	\$23T      \$23T
Insurance	\$23T	\$29T	Equity – Indexed	\$13T      \$16T
Sovereign Wealth	\$8T	\$8T	Private Equity, Real Estate and Private Credit	\$7T      \$10T
Endowment and Foundation	\$1T	\$2T		

● Established Position for MSCI with Opportunity for Growth     
 ● Newer High Growth Opportunity

# Our Mission: Solutions to Enable All Participants in the Investment Process

Enabling Owners and  
Managers of Assets  
**Build Better Portfolios for a  
Better World**

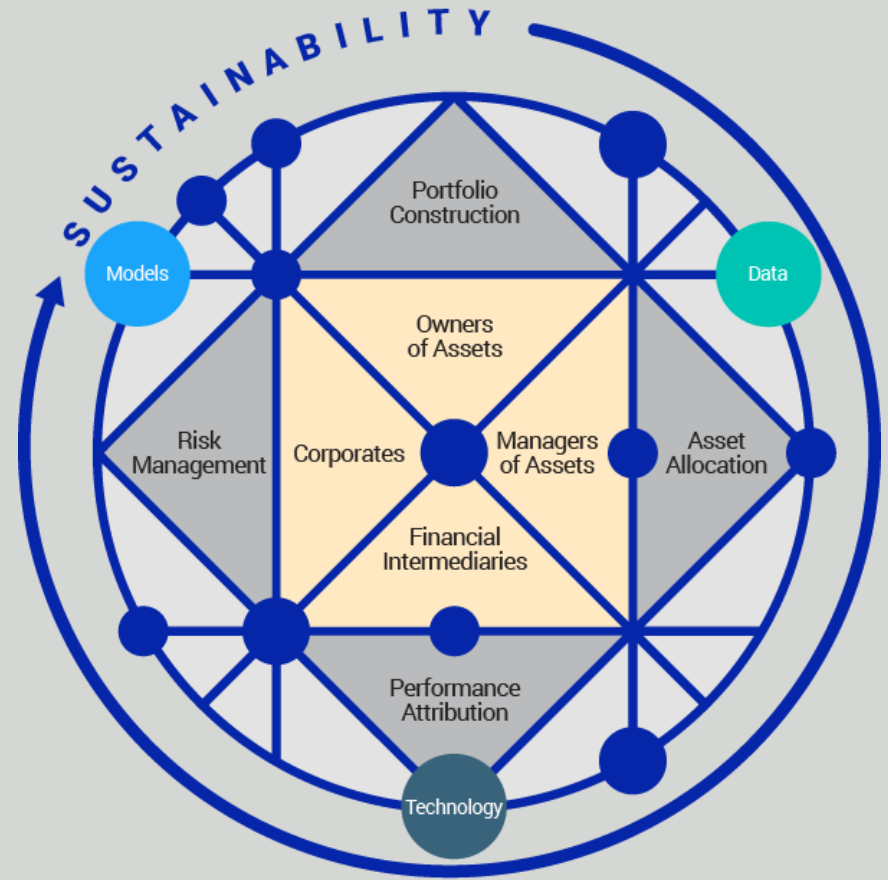


Enabling Corporates and Others  
Present their **ESG, Climate and  
Other Data to Providers of  
Capital**

Enabling Banks, Broker Dealers, Exchanges,  
Custodians and Others Support Providers and Users  
of Capital in the **Investment Process**

# Our Strategy

**Support the Investment Process Needs of our Clients with Highly Differentiated Solutions Supported by Best-in-Class Capabilities**



# Our Strategy: Capabilities to Build Solutions to Meet Client Needs

## Needs

Portfolio Construction

Asset Allocation

Performance Attribution

Risk Management



## Solutions

Indexes for Every Portfolio

Tools for Every Investment  
Decision



## Capabilities

Models, Data and Technology

Partnership Ecosystem

Entrepreneurial Culture



# Our Client Growth: Opportunities in Established and New Segments

## Established Markets

## Recent Markets

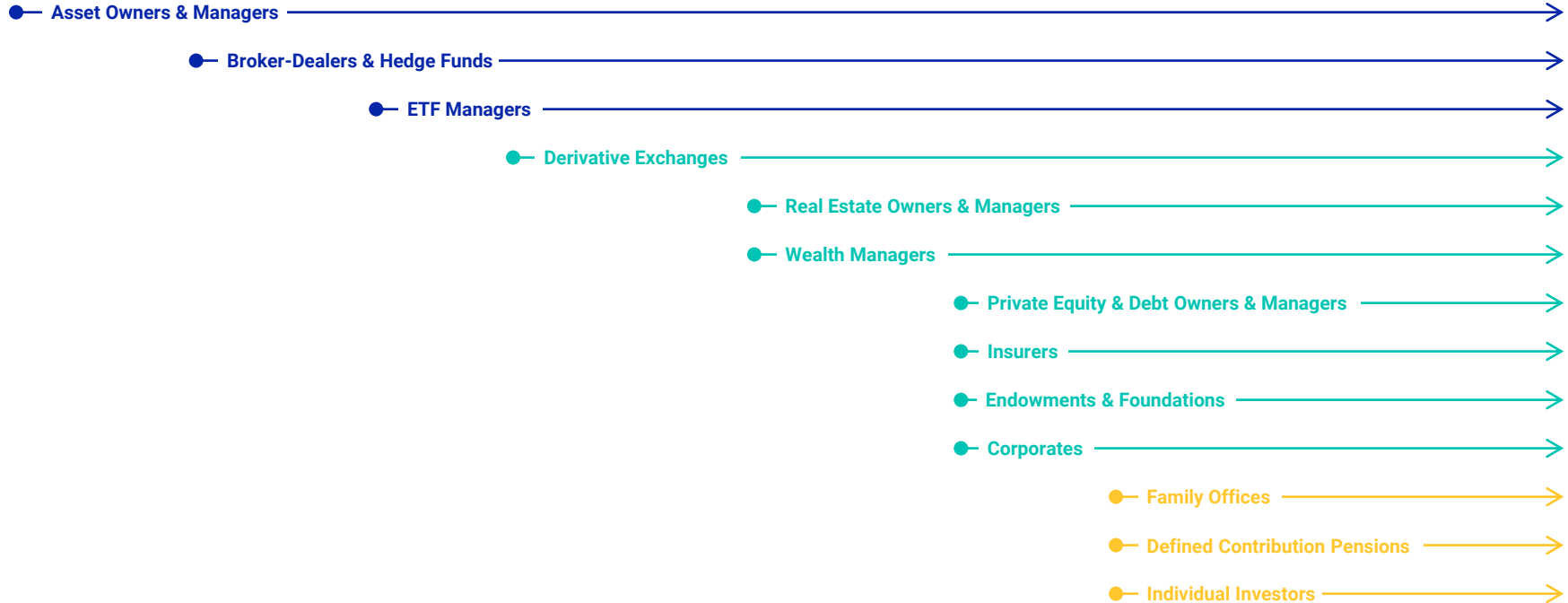
## Future Markets

1990s & Earlier

2000s

2010s

2020s & Beyond



# Our Solutions Growth: Opportunities in Established and New Use Cases

## Established Markets

## Recent Markets

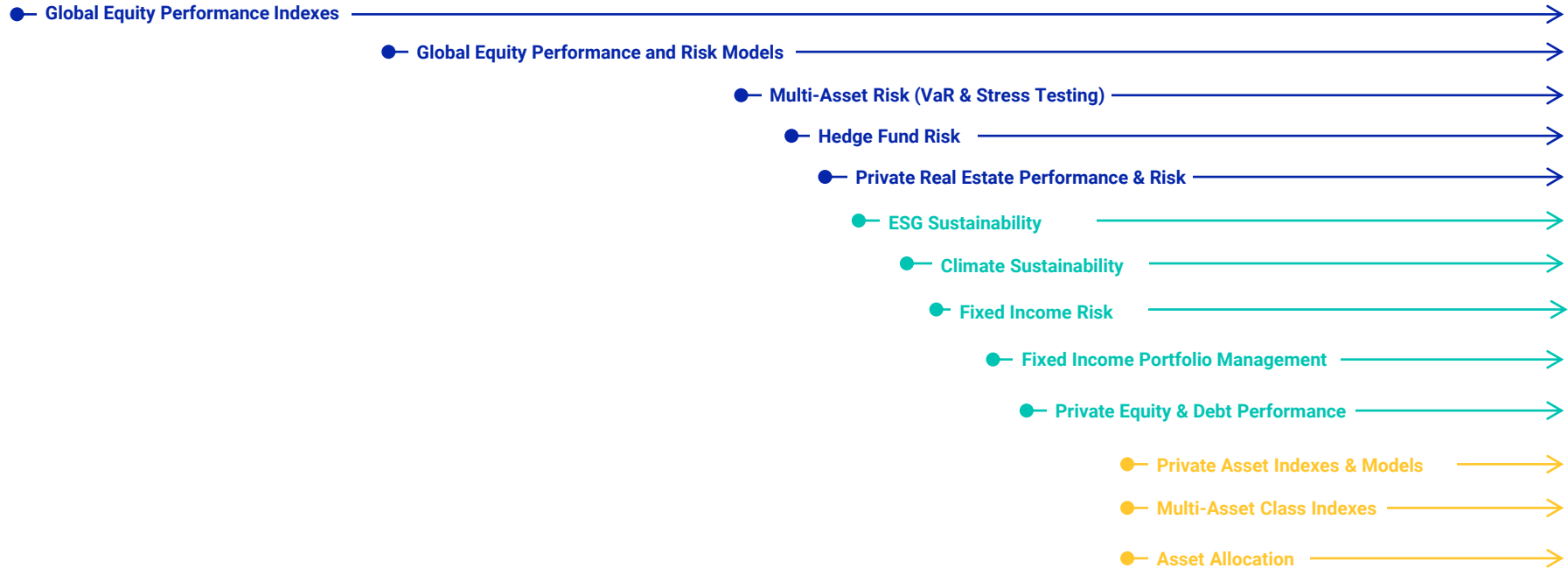
## Future Markets

1990s & Earlier

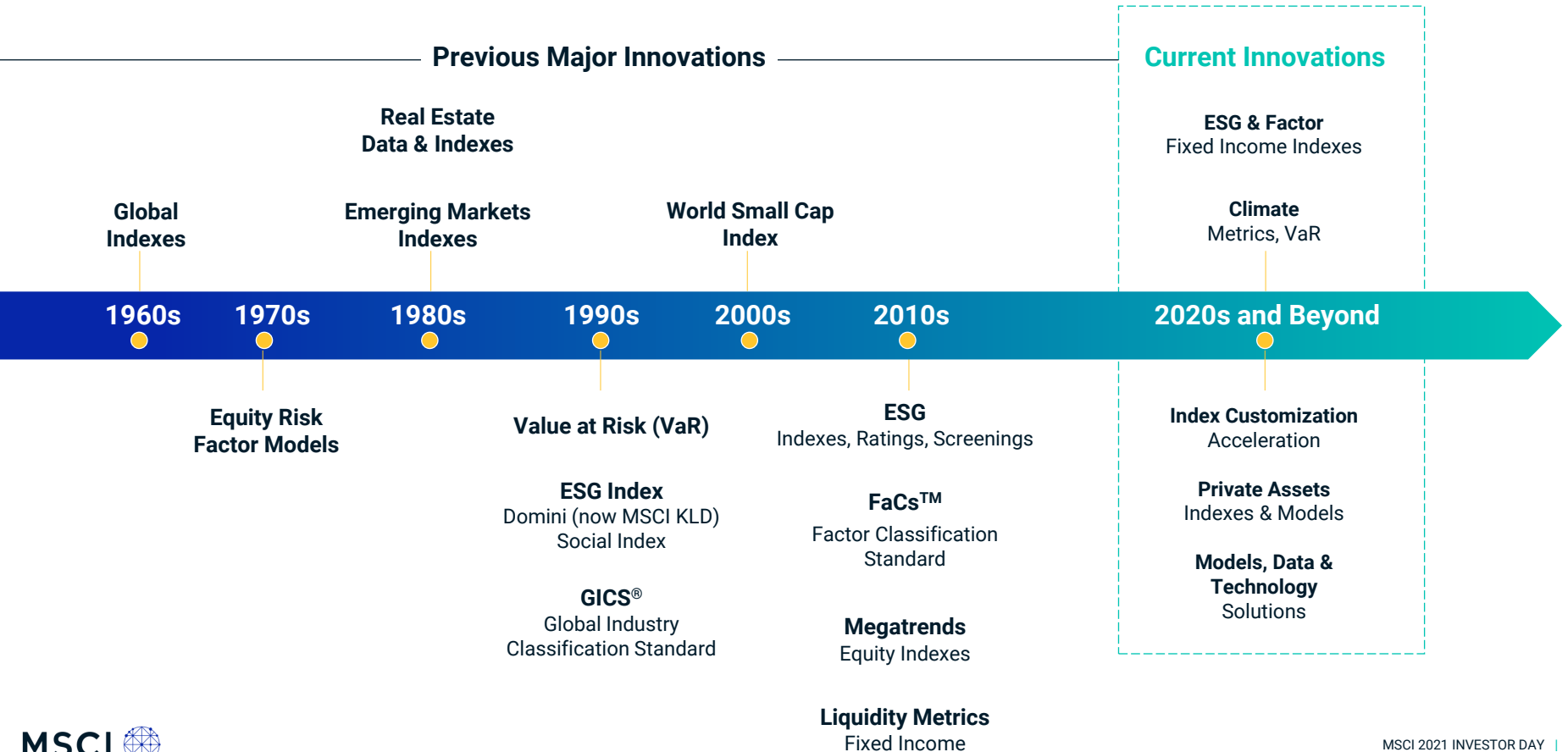
2000s

2010s

2020s & Beyond



# Our Execution: 50+ Years of Establishing Standards in the Investment Industry





# Our Execution: Driving Competitive Advantages

## LOYAL CLIENT BASE

*Innovative solutions*



## FIRST MOVER ADVANTAGES

*Industry leadership*



## DISCIPLINED CAPITAL ALLOCATION

*Triple Crown investments*



## ENTREPRENEURIAL MINDSET

*Owner-operator culture*



# Our Execution: Creating Value for All Stakeholders

## EMPLOYEES

- Entrepreneurial, owner-operator and performance-based culture
- Unique investment process expertise
- Diversity, equality and inclusion driving better outcomes

## COMMUNITIES

- Responsible and dedicated participant in community affairs
- Commitment to corporate responsibility, including reducing carbon emissions



## CLIENTS

- Provide indexes and tools for mission-critical investment decisions
- Enable investment differentiation and operating efficiency
- Lead to new frontiers of investing

## SHAREHOLDERS

- Create value with relentless focus on compounding TSR
- Triple Crown investment framework for disciplined capital allocation
- Robust governance with strong alignment among Board, management and shareholders

# Maximizing Competitive Advantages



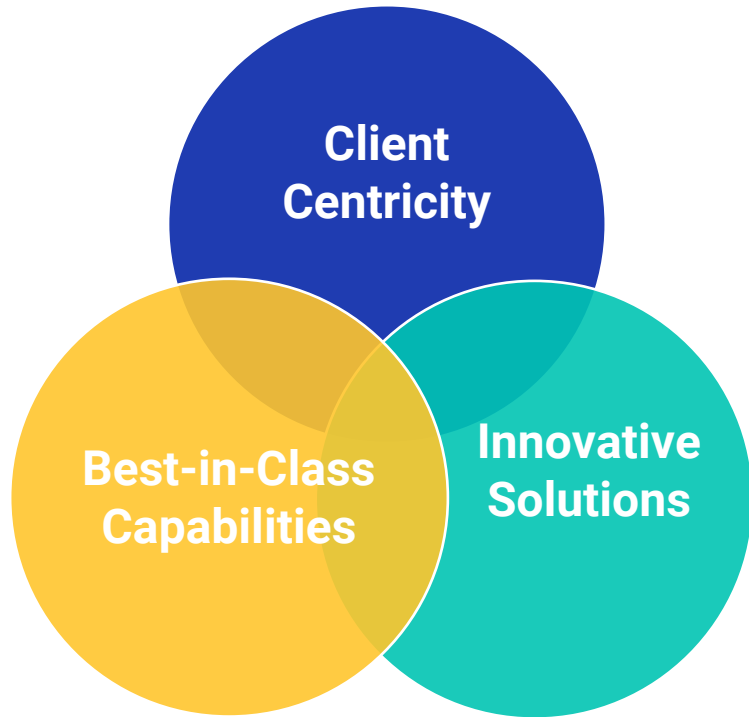
**BAER PETTIT**

PRESIDENT & CHIEF OPERATING OFFICER

# Key Messages: Maximizing Competitive Advantages

- 01 Serving a **deep, global client base** with **rapidly changing needs in a dynamic industry**
- 02 Continuously innovating our **highly differentiated solutions** to meet our clients' goals
- 03 **Open architecture strategy** leveraging MSCI's **best-in-class capabilities**

# Combining Innovation and Discipline to Create Strong Outcomes



## Client Centricity

- ✓ Client experience and servicing obsession
- ✓ Integrated and deeper firmwide relationships

## Innovative Solutions

- ✓ High-quality models, data and technology with open platforms
- ✓ Commitment to innovation with disciplined business management

## Best-in-Class Capabilities

- ✓ Built on a foundation of research and quality
- ✓ Supported by continuous innovation



# Addressing Client Needs to Power Better Investment Decisions

## INVESTORS RELY ON MSCI FOR

- Research-driven insights into drivers of risk and performance
- Broad asset class coverage
- Innovative tools to help investment strategies to market
- Exceptional quality
- Reliability, technology and business continuity infrastructure

## Supporting Investors' Needs in Every Part of the Investment Cycle



### DESIGNING STRATEGIES

Portfolio Construction Tools • Indexes

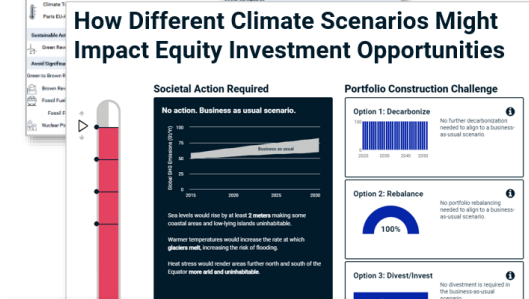
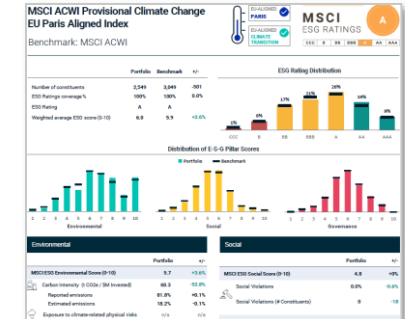
### MANAGING STRATEGIES

Asset Allocation Models • Risk and Performance Models

### EVALUATING STRATEGIES

Benchmarks • Performance Attribution Applications •  
Risk Analytics and Reporting

# Our “Research DNA” Bridges Our Solutions with Client Needs



**ESG now.**

ESG now podcast

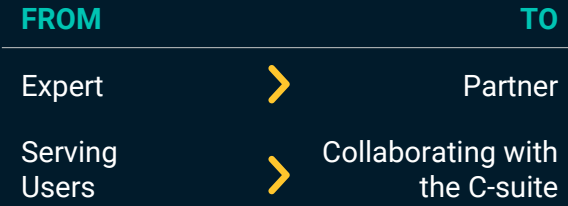
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## Tenants of Our Research

- ✓ Quality, Data-driven
- ✓ Innovative
- ✓ Cutting-edge
- ✓ Timely

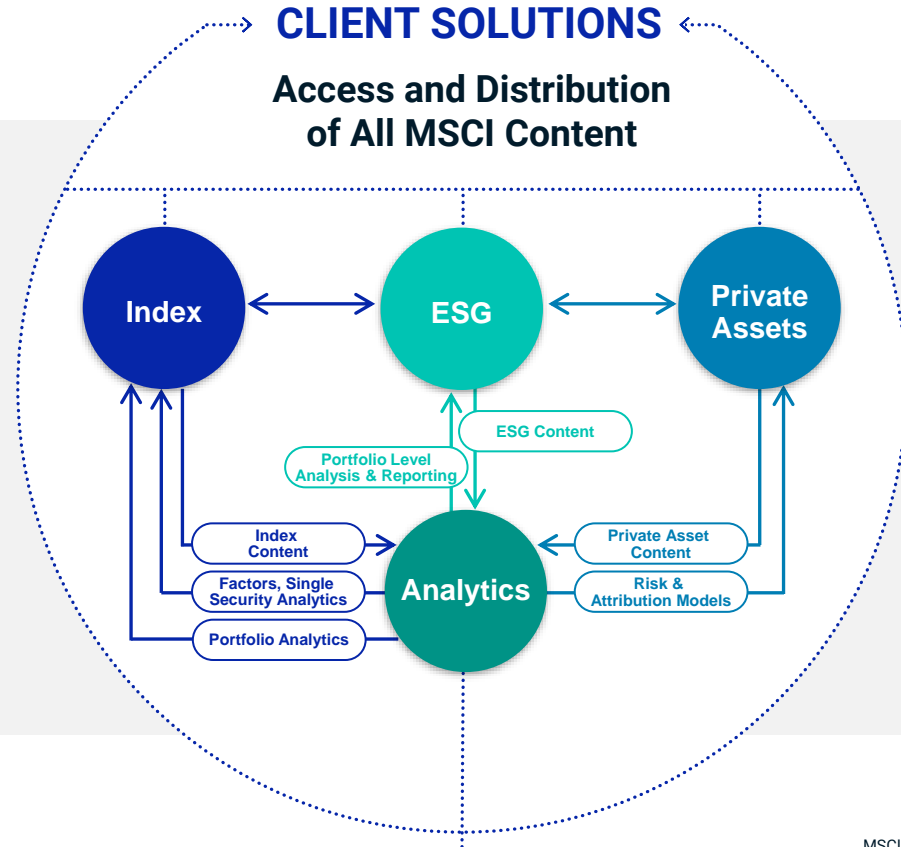
## What Research Does for Us

- Earns us the right to **innovate for clients**
- Allows us to **move up the value chain**



# Intensely Focused on Bringing Together the Elements of MSCI

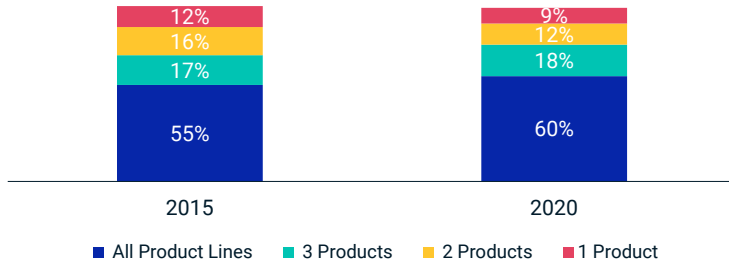
Our Network of Capabilities Creates Many Opportunities to Partner with Our Client Firms



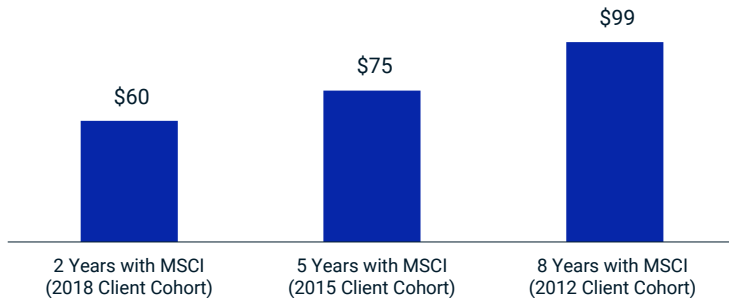


# Our Relationships with Existing Clients Have Been Expanding Over Time

Total Run Rate by Mix of Clients Purchasing One or More Product Lines<sup>1</sup>



Average Subscription Run Rate per Client by Cohort Year (\$000s)



## Steady Trend of Clients Purchasing More MSCI Products Over Time

> **60%**

Run Rate of Clients Purchasing all Product Lines vs. 55% in 2015

## Clients are Spending More with MSCI Over Time

> **\$99K**

Average Subscription Run Rate for Clients with 8 Years with MSCI vs. \$60K for Clients with 2 Years

<sup>1</sup> Refers to products sold by our Index, Analytics, ESG and Real Estate Segments  
Note: Unless otherwise noted, all annual figures refer to year-end as of December 31.

# Highly Differentiated MSCI Expertise to Anticipate Client Needs

**Factor  
Models**

+

**Equity  
Indexes**

=

**Factor  
Indexes**

**Climate  
Value-at-Risk**

+

**Real Estate  
Assets**

=

**Real Estate  
CVaR**

**ESG  
Ratings**

+

**Fixed Income  
Indexes**

=

**ESG FI  
Indexes**

**Climate  
Value-at-Risk**

+

**Analytics  
Reporting**

=

**TCFD  
Reporting**

## Climate Value-at-Risk



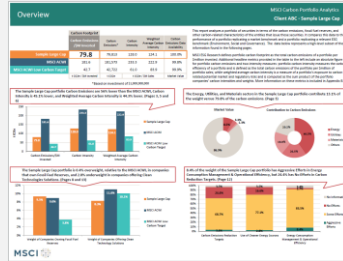
## Real Estate Assets



## Real Estate CVaR

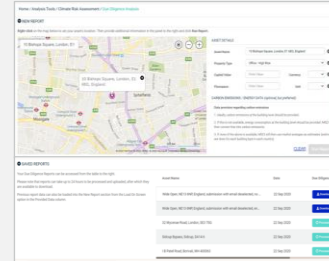
## Combination Enables Investors to Understand Exposure to Physical Risks in their Portfolios

### Climate Tools



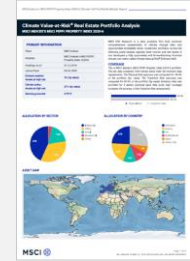
- Tools to help clients measure climate risk
- Modeling climate risks and scenarios
- Calculate carbon footprinting

### Real Estate Assets



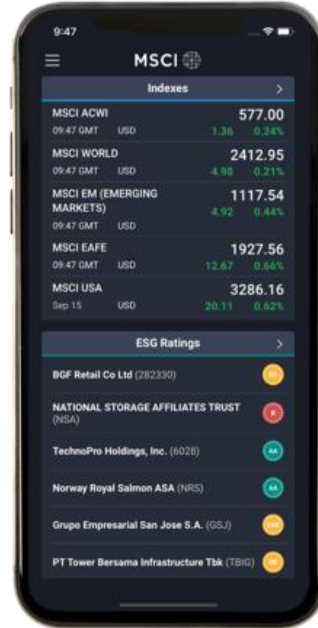
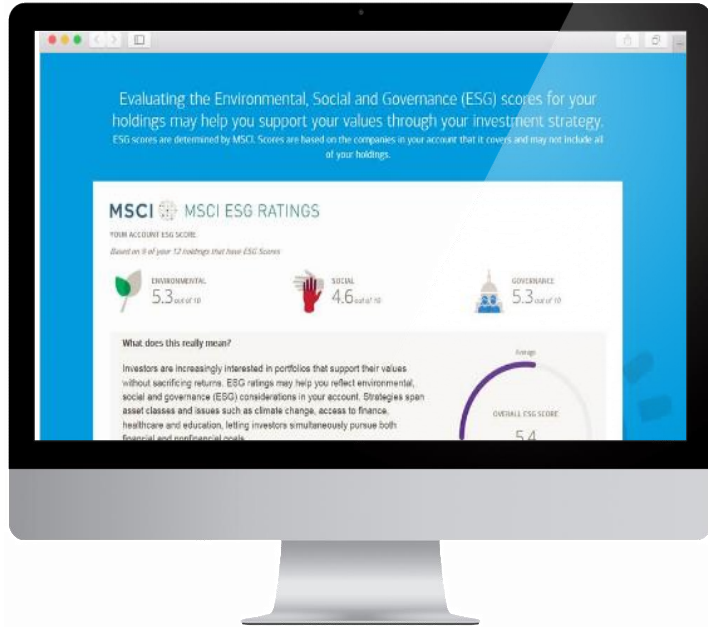
- Asset level analysis helps clients identify drivers of risk and the impact on portfolio decisions made, such as selling various combinations of assets

### Real Estate CVaR



- Combination enables investors to understand exposure to physical risks in their portfolios
- Enables real estate investors to integrate climate risk into asset underwriting

# Open Access, Interoperable Platform for Ease of Use



✓ **FASTER**

✓ **MORE AGILE**

✓ **AMPLIFIED REACH**

✓ **FLEXIBLE**

✓ **INTEROPERABILITY**

## Leveraging Our Capabilities to Further Our Lead

**Innovation Driven by  
Research and  
Client Centricity**

**X**

**Excellence across  
Data and  
Technology**

**X**

**Financial Discipline  
and Strong Business  
Management**

***Creating Unique Value for All Stakeholders***

# Key Takeaways

01

Serving a **deep, global client base** with **rapidly changing needs in a dynamic industry**



02

Continuously innovating our **highly differentiated solutions** to support our clients' goals

03

**Open architecture strategy** leveraging MSCI's **best-in-class capabilities**

04

Combining deep, global client base, differentiated solutions and best-in-class capabilities to create **enormous value for all stakeholders**

# Delivering Client-Centric Solutions



**ALVISE MUNARI**

GLOBAL HEAD OF CLIENT COVERAGE

# Key Messages: Delivering Client-Centric Solutions

- 01 Strong foundations in place** with client centricity at the core of our strategy
- 02 Identify new opportunities to accelerate growth** across segments, regions and new partnership structures
- 03 Invest in the Client Engagement Model** to drive higher revenue growth and retention
- 04 Focus on technological and organizational transformation** to make it easier to do business with MSCI and achieve greater client satisfaction



# STRONG FOUNDATIONS IN PLACE

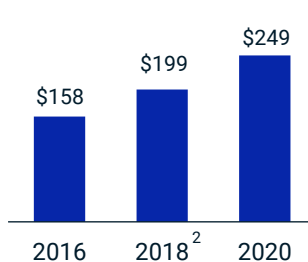
# Client Centricity Was Critical To Our Success Over The Last 5 Years

## Commentary

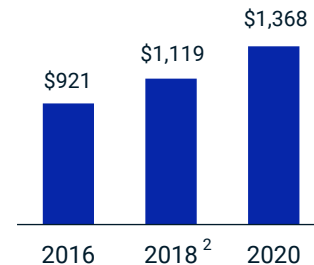
- Sales have been growing by a CAGR of 12%, **substantially outpacing Coverage Personnel growth of 4%**
- Number of clients has increased by 24%; **established and newer client segments both contributed to the growth**
- **Sales productivity increased at a CAGR of 10%. To support expansion into newer areas** (Wealth, Insurers, Derivatives, ESG&Climate, Core Europe, China) we recently accelerated **investment in salespeople**



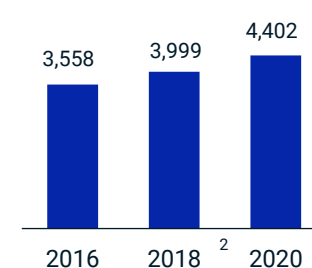
**Total Gross Sales (\$M)**  
+12% CAGR ('16-'20)



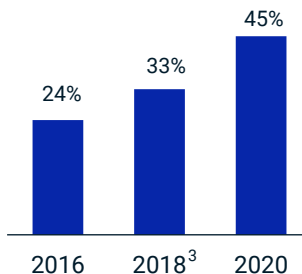
**Subscription Run Rate (\$M)**  
+10% CAGR ('16-'20)



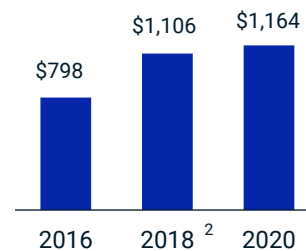
**Number of Clients<sup>1</sup>**  
+24% ('16-'20)



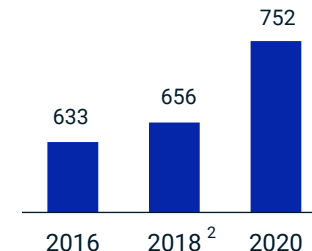
**Net Promoter Scores**  
+21pts ('16-'20)



**Sales Productivity (\$M)**  
+10% CAGR ('16-'20)



**Coverage Personnel**  
+4% CAGR ('16-'20)



<sup>1</sup> Number of clients based on parent entity; <sup>2</sup> 2018 represents what was the last period shared during MSCI's 2019 Investor day.

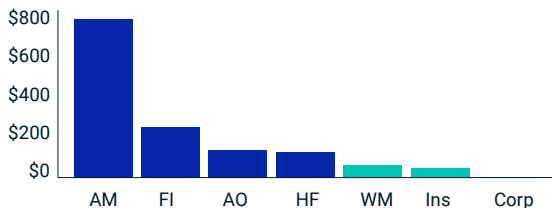
# IDENTIFYING NEW OPPORTUNITIES TO ACCELERATE GROWTH

# Key Trends Provide Expanding Growth Opportunities Across Client Segments

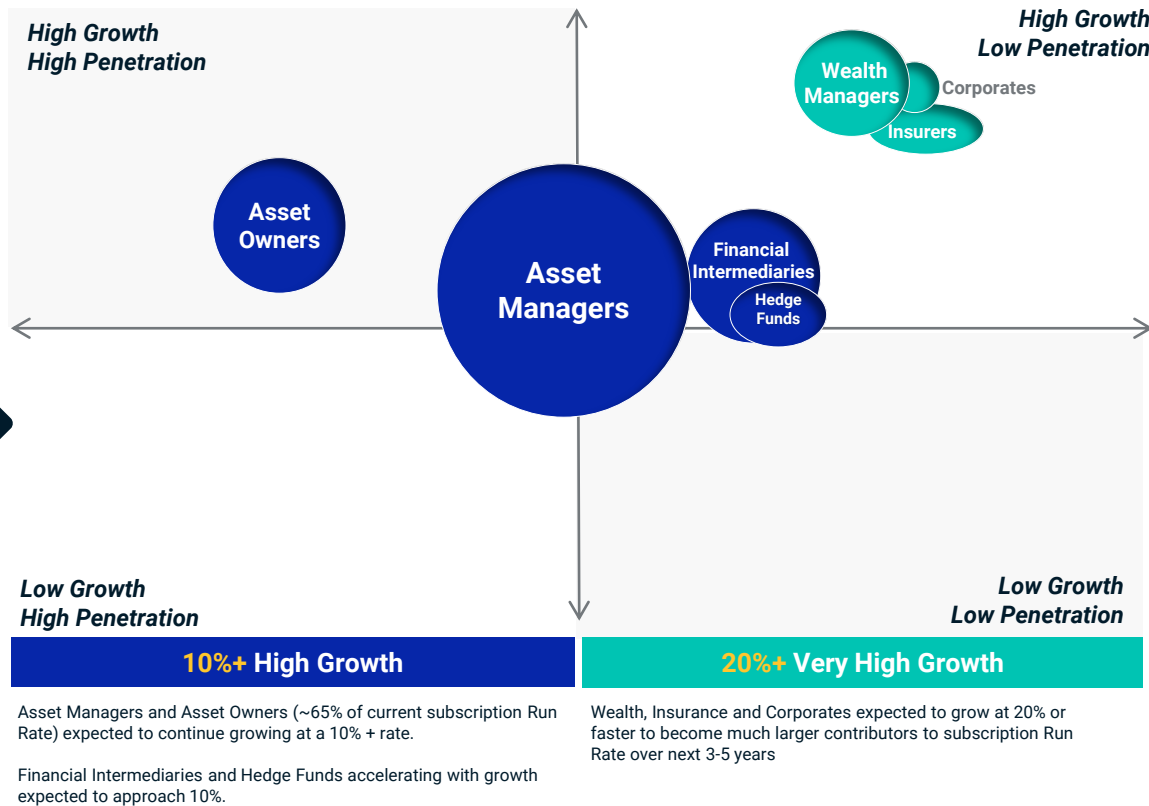
## Powerful, Monetizable Secular Trends

- 1 Exponentially growing demand for indexes
- 2 Rapidly growing demand for ESG & Climate tools
- 3 Increasing allocations to illiquid and private assets
- 4 Focus on portfolio construction, risk and performance analysis

2020 Subscription Run Rate (\$M)



## Subscription Run Rate Opportunities by Client Segment



# Capitalize On Accelerating Growth Rate Across All Client Segments

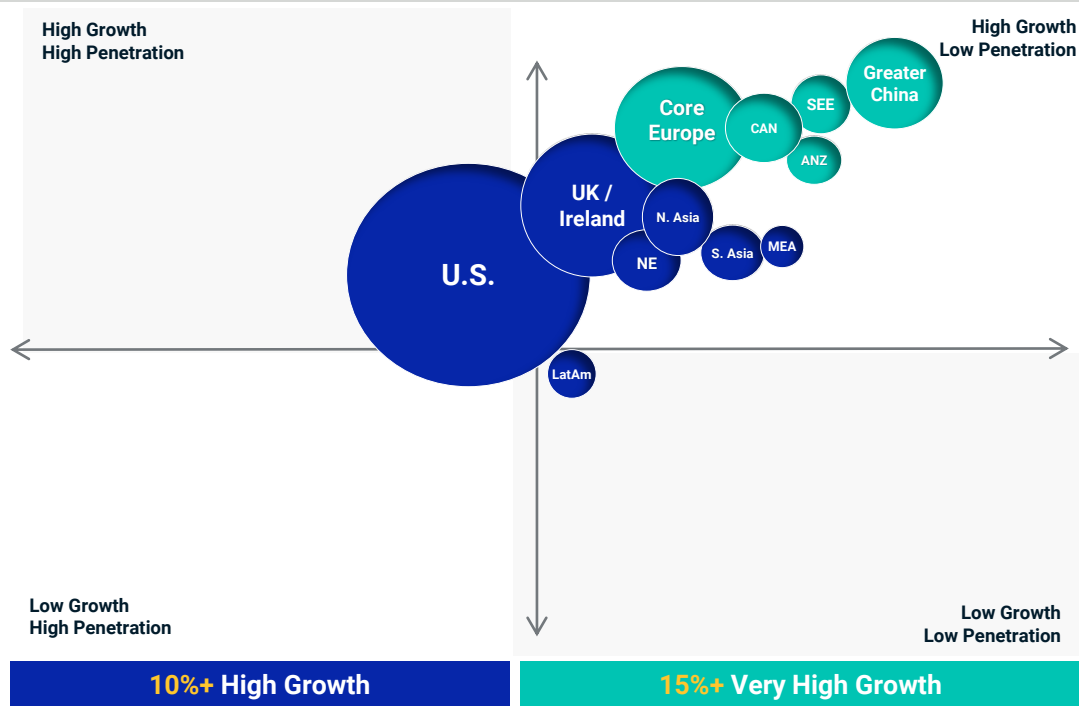
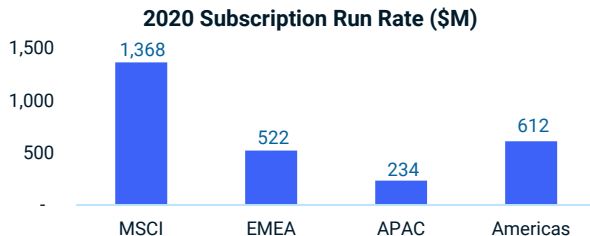
	Assets Owners	Assets Managers	Financial Intermediaries	Hedge Funds	Wealth Managers	Insurers	Corporates
<b>Future Growth Trajectory</b>	→	→	→	→	↗	↗	↗
<b>2018 YoY Growth<sup>1</sup></b>	8%	9%	9%	8%	14%	18%	24%
<b>2020 YoY Growth</b>	11%	10%	7%	9%	23%	19%	42%
<b>1 Indexes</b>	Higher value Index investing: Sustainability, Impact, Factors and Themes	Higher Value Index Investing, Mandate Customization, Asset Allocation	Tailored investments, Hedging solutions, Index trading	Index Arbitrage, Flow and Crowding analysis	Direct indexing, Mass customization, Tailored investments, Asset Allocation	Fixed Income ESG indexation, Factor Investing	
<b>2 ESG &amp; Climate Tools</b>	Sustainability, Long-term investment focus, Impact, Net zero emissions targets	Sustainable investing, Product differentiation, Reporting, Signals for Investment Process	Capital Markets facilitation, Product creation, Regulatory reporting requirements	Additional signals for investment process, Reporting	Mass customization of advisory services, Asset selection, Portfolio Construction	Adoption of ESG & Climate ratings, Emissions reduction targets, Underwriting risk	Regulatory Compliance, Investor Communication, Cost of Capital optimization
<b>3 Illiquid and Private Assets</b>	Broad appetite for returns beyond public markets	Diversification, search for growth and income	Expanding factor and risk analysis transparency	Demand for modeling of private equity assets	Enhanced portfolio diversification	Allocating to private markets in search of yield	
<b>4 Portfolio Construction, Risk and Performance</b>	Total Portfolio construction, risk and performance, Long term horizon modelling	Integrating risk in portfolio management: Climate, ESG Liquidity, Mandate Customization	Increased focus on factor hedging, product creation	Better tools to manage liquid assets investing, factor risk, trading models, Fixed Income analytics	Centralized Investment solutions and risk monitoring	Total Portfolio construction risk and performance, Fixed Income analytics	

# Trends Will Continue To Provide Growth Opportunities Across All Regions

## Targeted Approach by Region

- EMEA:** continues growing at an attractive pace thanks to team greater focus on account management, use case innovation and closing discipline and opportunities in lower penetration segments
- APAC:** leveraging EMEA blueprint, regional fundamentals and current lower penetration; growth rate **increases** by 4% - 6%
- Americas:** leveraging EMEA blueprint and opportunities in lower penetration segments growth rate **increases** by 1% - 2%
- Specific subregions:** Push for 15%+ growth rates where current low penetration, fundamentals and dynamics are conducive

	MSCI	EMEA	APAC	Americas
+4Yr CAGR ('16-'20)	10.4%	12.6%	11.5%	8.4%



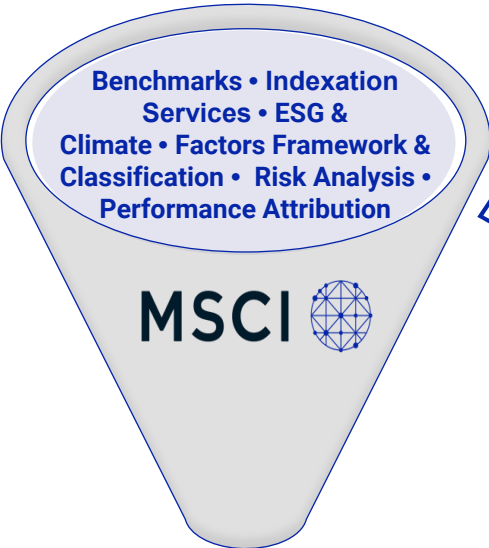
Growth continues at a steady ~10% rate across well penetrated sub regions (e.g., US, UK/Ireland, North Asia)

Growth continues at a faster pace or substantially accelerates in regions with lower penetration and/or favorable dynamics (e.g., Core Europe, Greater China, Canada, Southern & Eastern Europe)

# Client Partnership Case Study: MSCI And Large Financial Services Firm

**Partnering with large Financial Services Firm enables MSCI to extend its reach by leveraging partner's global distribution network across multiple client channels**

## MSCI Content, Tools & Insights



## Partner's Distribution Channels



- Financial Institutions
- Sovereign Wealth Funds
- Corporations
- High Net Worth
- Retail

## MSCI Benefits:

- + Distribution and Client Reach
- + Brand Recognition
- + Subscription Run Rate with Client Partner growing at a substantially higher rate than overall MSCI Run Rate

## Partner Benefits:

- + Increased AUM
- + Investment Returns
- + Product Offering
- + Sales and Trading Volumes
- + Risk and Performance Management

**Accelerating MSCI's Commercial Growth through Offering Substantial Value Creation for Client Partner**

# INVEST IN CLIENT ENGAGEMENT MODEL



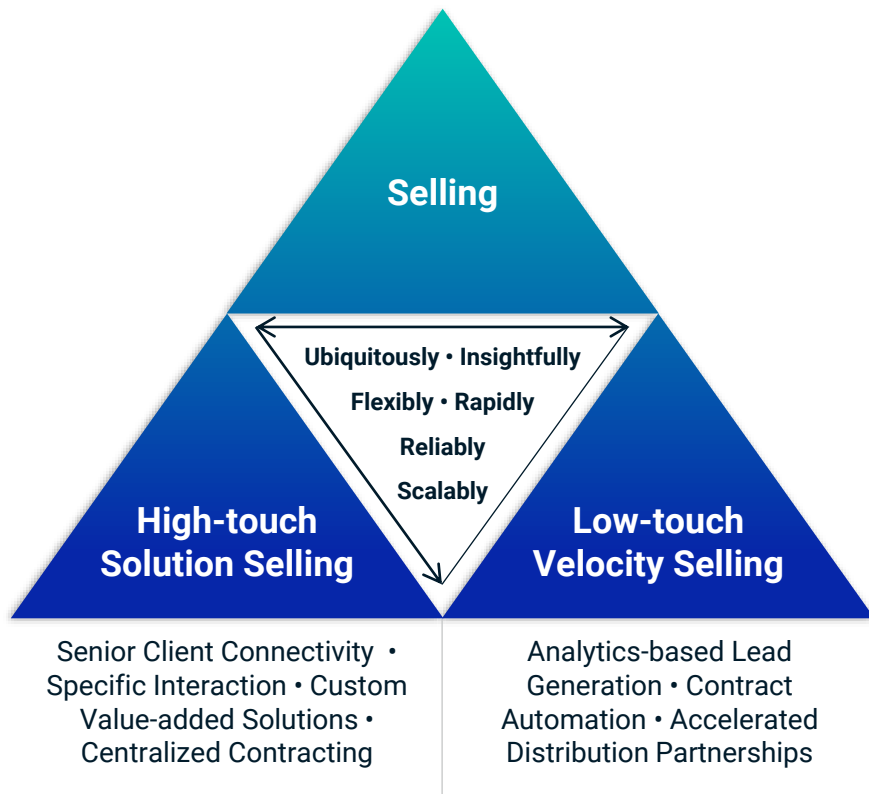
# Identify Optimal Client Coverage To Drive Higher Revenue And Productivity Growth



- ✓ **Expanding to new client segments**, including wealth managers, insurance companies, corporates, among others
- ✓ **Deepening and broadening client base across regions**, including the Americas, EMEA and APAC
- ✓ **Invest in People to broaden and deepen relationships with clients** - go from being a vendor to being partner
- ✓ **Invest in processes and technology to improve client experience, commercial velocity and productivity**

# FOCUS ON TECHNOLOGICAL AND ORGANIZATIONAL TRANSFORMATION

# Dealing With MSCI Becomes Easier And More Holistic On All Levels



## Allow Clients to:

- ✓ **Contract with us** in just a few clicks for any products and services they might need
- ✓ **Consume content, tools and services** wherever they want and through whichever platforms suits them best
- ✓ **Route to us as much volume as they need** with full confidence that we can handle it in any environment and circumstance
- ✓ **View MSCI as the go-to place** for both fast response solutions to specific investment problems as well as deep thought leadership on long-term investment issues

# Key Takeaways

01

**Complete Client Centricity will be the foundation towards** driving higher revenue growth and retention



02

**Build on client needs to accelerate growth** across segments, regions and new partnership structures

03

**Invest in the Client Engagement Model** with a focus on technological and organizational transformation to achieve greater client satisfaction, higher sales and better retention

04

**Simplification and automation** will transform the way clients do business with MSCI

# Supercharging Index Growth



**DIANA TIDD**

HEAD OF INDEX & CHIEF RESPONSIBILITY OFFICER

# Key Messages: Supercharging Index Growth

- 01 Our addressable market is **very large and growing rapidly**
- 02 We can capture the **explosion in demand with our strong value proposition**
- 03 Our investment plan can **supercharge our winning strategy**

# We Leveraged Our Global Franchise and Strong Execution to Deliver Results

## WHAT WE SET OUT TO DO IN 2019

### 1 Focus on High Growth Markets

- High growth client segments
- Multi-currency derivatives

### 2 Capture Growing Adoption

- Global investing
- Indexed investing
- Factor, Sustainable, & Thematic investing

### 3 Investments

- People
- Product development
- Technology

## 2020 INDEX GROWTH<sup>1</sup>

91%

ESG and Climate

65%

Futures and Options

20%

Wealth Management

12%

ETF ABF

180+

New Hires<sup>2</sup>

20K

New Indexes<sup>2</sup>

**OUR ADDRESSABLE MARKET IS  
VERY LARGE AND GROWING RAPIDLY**



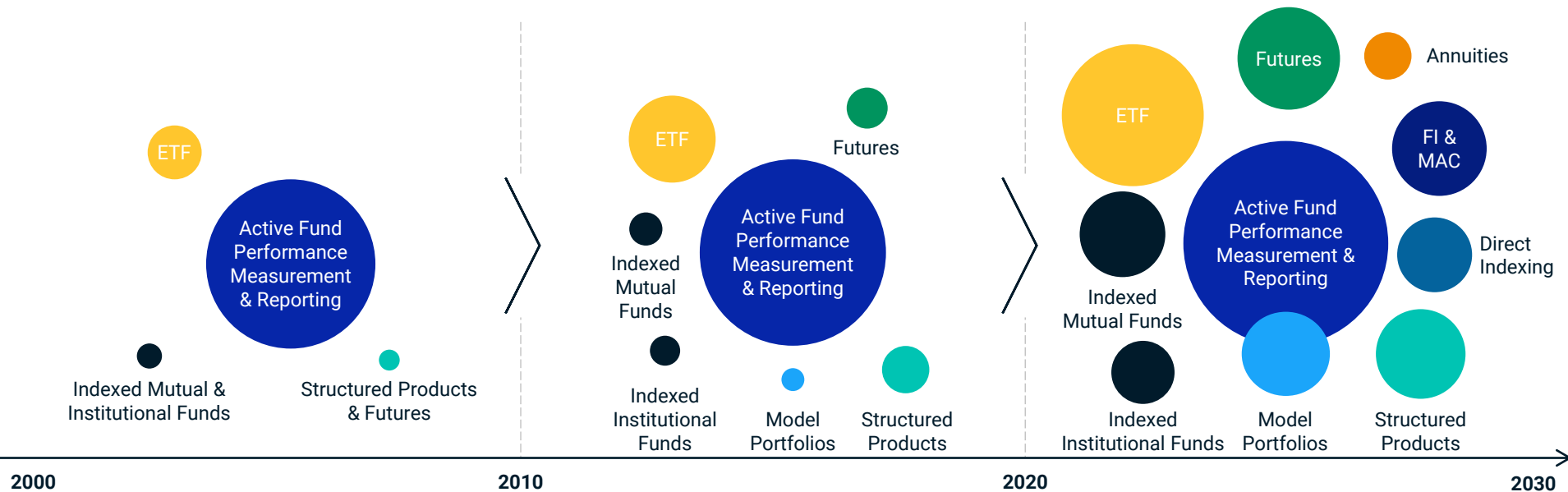
# Demand for Index-based Solutions is Led by Several Transformations



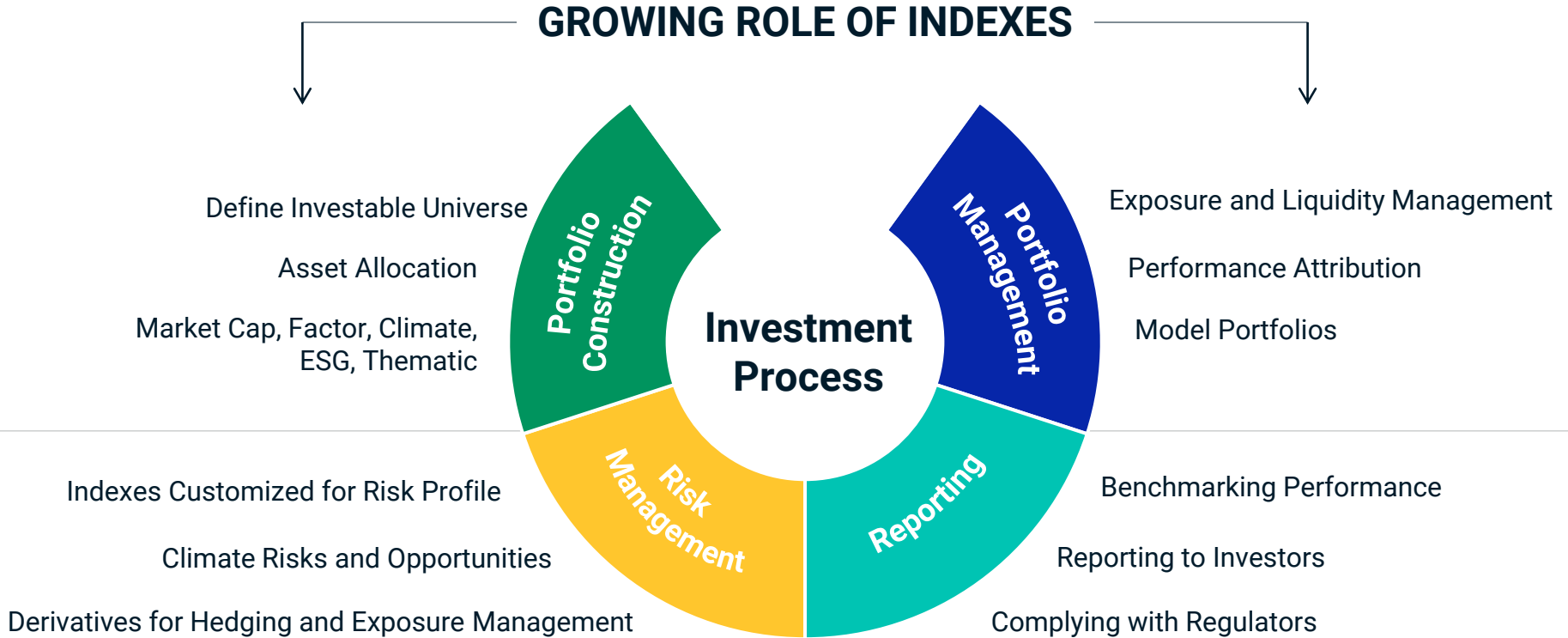
# Investors are Using Indexes in New Ways, Creating New Avenues for Growth

From a Foundation of Market Cap Indexes that Measure the Opportunity Set to Indexes that Represent an Investment Thesis, the Use of Indexing is Expanding

## Growth in MSCI Index Use Cases Over the Decades

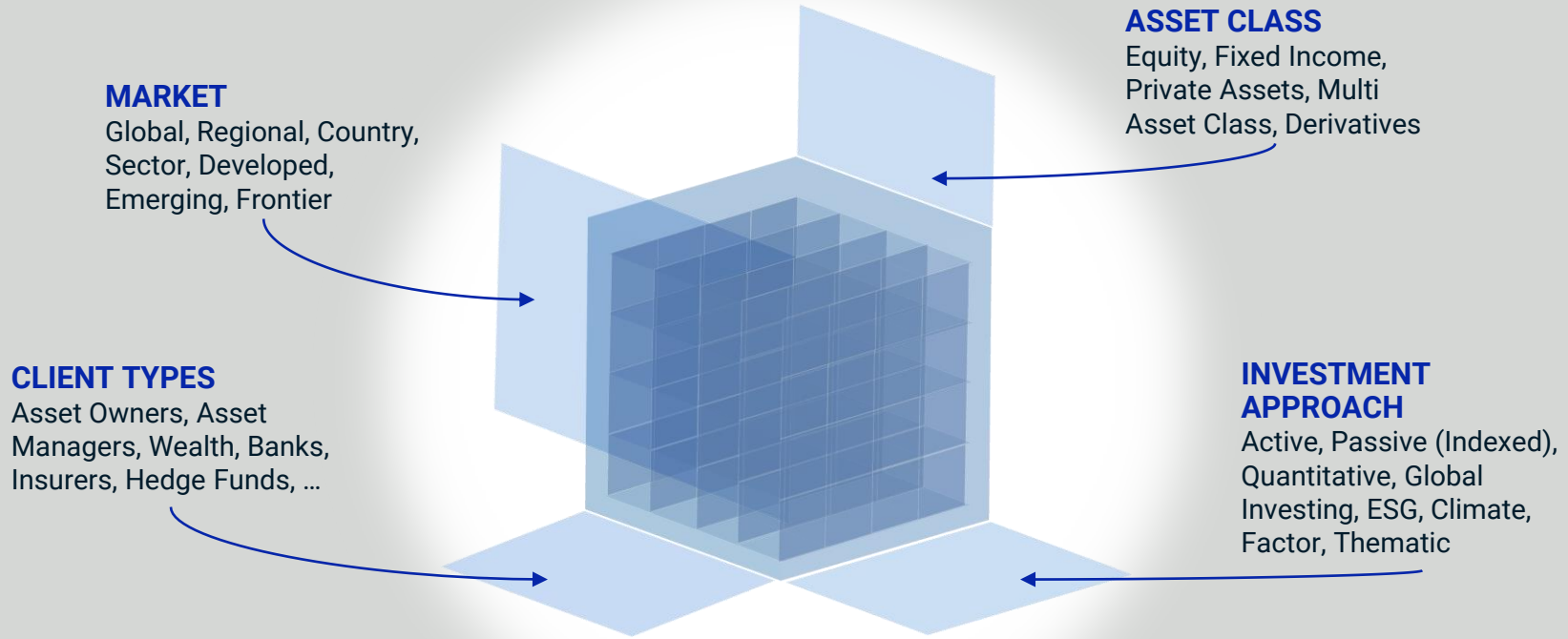


# New Use Cases Put Indexes at the Center of the Investment Process



# Relentless Product Innovation Broadens Our Addressable Market

We Have Been on a Multi-Year Mission of Relentless Innovation



**We Are There**

Across Markets, Asset Classes, Client Types and Investment Approaches

# Rapid Growth Categories Accelerate Our Growth Potential

## ESG

**\$100T+**

in Global Assets by End of 2028  
with an **ESG Mandate**

Deutsche Bank<sup>1</sup>

## ETF

**\$50T**

in Assets by End of 2030  
**Potential US ETF Market size**

Bank of America<sup>2</sup>

## CLIMATE

The Creation of Sustainable Index Investments  
Has Enabled a Massive

**Acceleration Of Capital**

Towards Companies Better Prepared  
to Address Climate Risk

Blackrock<sup>3</sup>

## LISTED DERIVATIVES

We View the Opportunity in Listed Derivatives  
on a 5 to 10-year Horizon to be

**Multiples**

of the Run Rate that  
We Have Today

MSCI<sup>4</sup>

**WE CAPTURE THE EXPLOSION IN DEMAND  
WITH OUR STRONG VALUE PROPOSITION**

# To Capture the Opportunity, We Offer Both Simplicity And Choice

In a Complex World, We Win by Meeting Client Demand with Top Quality Choices  
An Index for Every Portfolio

## Ready-Made Indexes

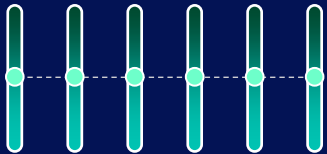


## Customized Indexes



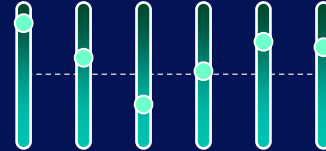
- **Starting universe** for portfolio building
- **Indexes** to integrate new strategies
- **Strong product ecosystem**

### Ready-Made



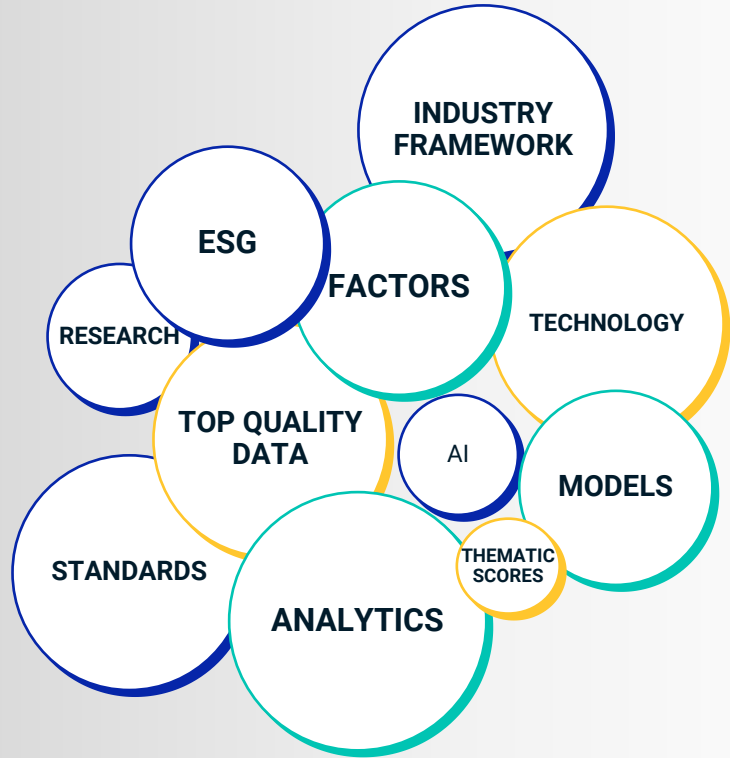
- Enable clients to **customize indexes**, by choosing screens to overlay on the indexes
- Ingredients for **self-build** and modular building blocks
- Bespoke **multi-strategy combinations**

### Customized



# We are Uniquely Positioned to Meet the Industry's Needs

By Leveraging Our Entire Firm, We Offer Clients a Comprehensive Toolset



We Offer Solutions Across:





# We are Accelerating Growth with Our Core Franchise and New Products

## ENHANCING OUR CORE OFFERING

Capture newly investable markets (e.g., China A, Saudi and more)

Enhanced customization capabilities

Facilitate the transition to ESG and Climate benchmarks

Growth Leveraging Our Market Cap Franchise and Industry Standards such as MSCI ACWI and MSCI WORLD

## DEVELOPING NEW PRODUCTS

Product innovation in growth areas (e.g., Factor and Thematic)

Building our range in new asset classes

Licensing of new client types and use cases

Growth from New Product and Licensing Innovations

# Solutions Example 1: Wealth Manager's Growing Demand for Direct Indexing

MSCI's Suite of Data and Tools Offers a Front to Back Solution for Wealth Managers to Direct Index, Creating Highly Customized Indexed Separately Managed Accounts (SMA) for their Clients



# Solutions Example 2: Financial Products Licensing

European Bank with Large Retail Network Wanted to Offer ESG Climate Products to Complement its Existing ETF and Structured Product Offerings

## MSCI

Bank

### THE CLIENT

Required customized index on MSCI World Climate Change ESG as basis for ETF and Structured Product

MSCI ESG Climate

### DISTRIBUTION

Bank distributed the Structured Product through its branch network in continental Europe

Clients of the Bank

### FINANCIAL DERIVATIVES LICENSING

Two Broker Dealers provided the hedge with listed options on MSCI World

These Broker Dealers saw the success and subsequently licensed the index for Structured Products in South Africa and Eastern Europe



## Commercial Growth

- ✓ Subscription to index data and customized index
- ✓ Asset-based fees (ABF) for the Structured Product and ETF licenses
- ✓ Options contract ABF

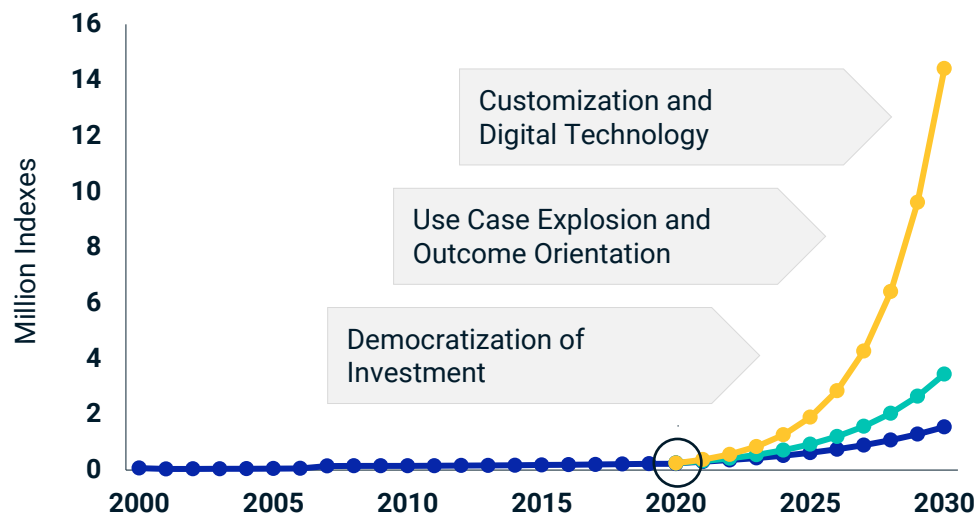


# OUR INVESTMENT PLAN TO SUPERCHARGE OUR WINNING STRATEGY

# Innovations for New Trends and Use Cases Will Multiply Our Index Range

## An Index for Every Portfolio

### Three Scenarios for Growth in Number of Indexes



	% Growth	Indexes by 2030
<b>3</b> Rapid Acceleration	50%	14M
<b>2</b> Acceleration	30%	3M
<b>1</b> Historical Growth Trend	20%	2M

**If Explosion in Index Demand Continues, We Could Calculate 14M+ Indexes in 2030**

# Investing in Key Strategic Areas for Long-term Growth

01

## Accelerate Content Innovations

- Innovative indexes across ESG, Climate, Thematic and China
- Fixed income and multi asset
- Customized indexes



02

## Expand Licensing to Financial Product Ecosystem

- Futures and options
- Structured products



03

## Develop Integrated Technology Proposition

- Digitizing client experience
- Infrastructure enhancements
- Development of index factory
- Enabling technologies



# Key Takeaways

01

Our addressable market is very large and growing rapidly

02

Indexes are increasingly central to the investment process

03

We can capture the explosion in demand with our strong value proposition

04

Investing for growth accelerates our winning strategy



# Driving the Sustainable Investing Revolution



**REMY BRIAND**

HEAD OF ESG & CLIMATE

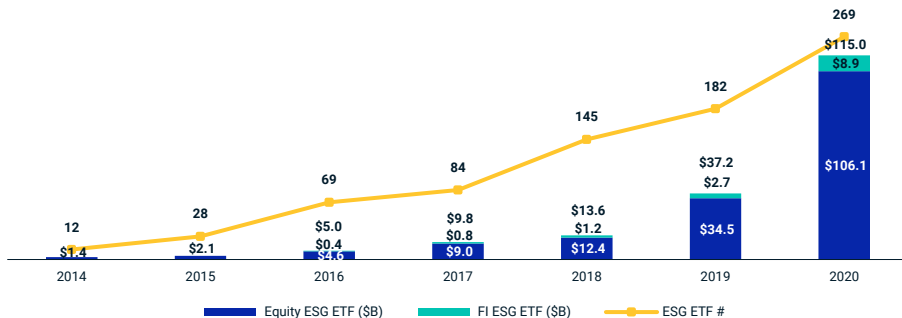


# Key Messages: Driving the Sustainable Investing Revolution

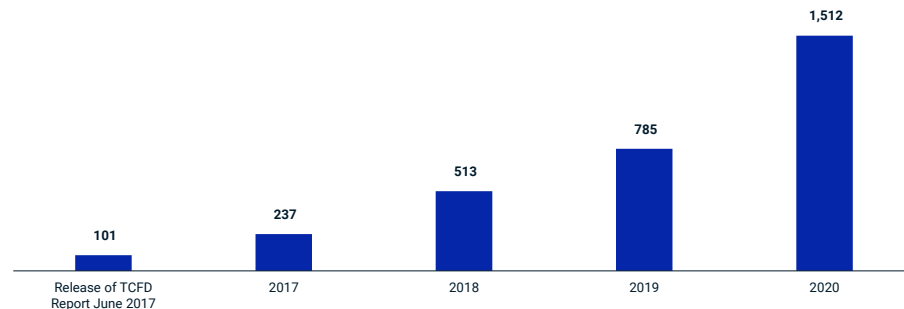
- 01 Incredible accelerating momentum for ESG driven by **growing investor interest** and **increasing regulation**
- 02 In the **epicenter of radical industry transformation** and **dramatic adoption of ESG and Climate** across the entire investment industry
- 03 Growing competitive advantage with Triple Crown investments focused on key areas of growth: **ESG indexes, Climate** and **ESG-integration across capital markets**
- 04 **Long runway of growth** ahead with new and existing clients increasing usage across **expanding and emerging use cases and capabilities**

# Strong and Accelerating Momentum for ESG and Climate

## ETFs Linked to MSCI ESG Indexes Seeing Supercharged Growth<sup>1</sup>

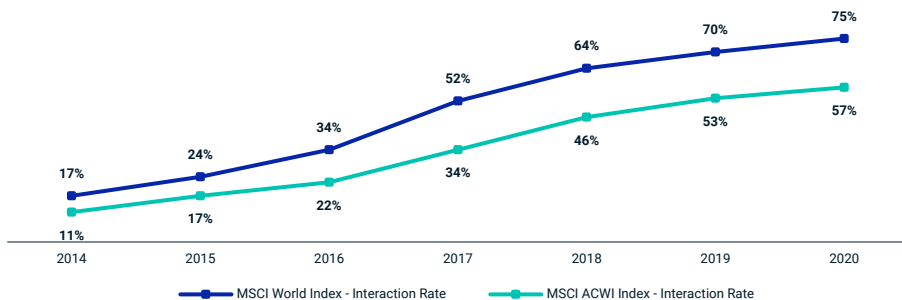


## TCFD Reporting Continues to Witness Rapid Increases<sup>2</sup>



## MSCI's Corporate Interactions are Scaling<sup>3</sup>

MSCI World Index vs. MSCI ACWI Index – Interaction Rate



## Accelerating Signatories of the UN PRI<sup>4</sup>



<sup>1</sup> Internal sources; <sup>2</sup> Source: Task Force on Climate-related Financial Disclosures (TCFD) status reports <https://www.fsb-tcfid.org/about/>;

<sup>3</sup> Corporate Interaction : volume and percentage represent the companies that have reached out to us in any given year, for any reason – this can be feedback on our data and research, questions about methodology, contact updates, etc. <sup>4</sup> Source Principles for Responsible Investment (PRI) : <https://www.unpri.org/pri/about-the-pri>.

# Preparing and Positioning Ourselves for a Radically Different Future

## Omnipresence of ESG and Climate across Portfolios and Asset Classes

### ESG

- **Third dimension** of portfolio management alongside return and risk; expected ESG and climate outcomes will be systematically described for each mandate
- Clients will have to **opt out of ESG default** options instead of having to ask for one today; model portfolios will be primarily constituted of predefined ESG and Climate building blocks

### CLIMATE

- Every financial institution will have a **public climate strategy** with explicit objectives and targets for emission reduction; TCFD reporting will be mandatory in most countries
- Banks will do annual **climate stress testing** exercises, covering their entire loan and trading books
- **Engagement with companies** will focus on climate strategy with emphasis on targets for emission reduction

# Systematic Adoption of Climate Targets in the Investment Process



## Future Expectations

- The COP 26 UN Climate Change Conference<sup>1</sup> to be held in Glasgow in November will lead to **several countries announcing mandatory TCFD reporting** – the UK and New Zealand have already done so
- Asset Owners, especially in the Net Zero Asset Owner Alliance, **will set target for emissions reduction<sup>2</sup> ranging from -16% to -29% for equity and corporate bond portfolios** and require systematic engagement with top emitters in their portfolio
- Central Banks, through the Network for Greening the Financial System (NGFS), will **define and require climate stress tests** to be run by the banks under their oversight

**Building Future Proof Capabilities to Service Increasingly Complex Regulation and Reporting**

# An ESG Pioneer and Market Leader

## Our Solutions and Competitive Edge

- **45+ years experience** in objectively measuring and modeling ESG characteristics<sup>1</sup>
- **580+ ESG experts and technologists** providing the most efficient investment signals
- **1,500+ MSCI ESG equity and fixed income indexes**<sup>2</sup>
- **Extensive set of solutions** for ESG and Climate integration
- **Deep integration across MSCI products** catering to the investment value chain



## Leadership in ESG Indexes

**#1 ESG Index Provider by Equity ETF Assets Linked to its ESG Indexes<sup>3</sup>**

**\$106B** Linked to Equity ESG Assets<sup>3</sup>  
**70%** of Equity ESG ETF Flows as of Q4'20<sup>3</sup>

## Leadership in ESG Ratings and Data

**48 of the top 50 Asset Managers** leverage MSCI ESG Research<sup>4</sup>

**1,900+** MSCI ESG Research Clients<sup>5</sup>  
Globally with Coverage of **14,800+** Issuers and **650,000+** Securities

## Leadership in Climate Indexes

**#1 Climate Index Provider by Equity Assets Linked to its Climate Indexes<sup>6</sup>**

## Leadership in Climate Data & Analytics

**Climate Data Provider to 16 of the World's Top 20 Asset Managers<sup>6</sup>**

**700+** Climate Change Metrics, Covering **10,000+** Issuers<sup>7</sup>

**Strong Growth Driven by Multiple Years of Triple Crown Investments in Creating a Comprehensive Ecosystem**

<sup>1</sup> Through MSCI legacy companies KLD, Innovent, IRRC, and GMI Ratings; <sup>2</sup> Source MSCI Inc. as of February 2021; <sup>3</sup> Data based on Refinitiv Universe as of December 2020, only primary listings, and not cross-listings; <sup>4</sup> MSCI ESG Research's solutions are used by 48 of the top 50 world's largest Asset Managers as determined by Willis Towers Watson report "The world's largest 500 asset managers, Joint study with Pensions & Investments." AUM and rankings calculated as of December 2019. Report published October 2020; <sup>5</sup> To calculate the number of clients, we use the shipping address of the ultimate customer utilizing the product, which counts affiliates, user locations or business units within a single organization as separate clients; <sup>6</sup> MSCI ESG Research's climate solutions are used by 16 of the top 20 world's largest Asset Managers as determined by Willis Towers Watson report "The world's largest 500 asset managers, Joint study with Pensions & Investments." AUM and rankings calculated as of December 2019. Report published October 2020; <sup>7</sup> Source: MSCI ESG Research as of February 2021  
<sup>8</sup> Data as of 30<sup>th</sup> September 2020, based on eVestment for Institutional funds, Morningstar for Retail funds and Refinitiv Universe for ETFs

# Competitive Strength #1: Comprehensive Solutions Backed by Unique Capabilities

## Financial Materiality<sup>1</sup>

- First ESG provider to assess companies based on industry financial materiality, dating back to 1999<sup>1</sup>
- Focus on the issues that are most relevant to a company's core business model

## Alternative data beyond corporate disclosure

- On average, 45% of the data to determine a corporate MSCI ESG Rating is derived from alternative sources<sup>2</sup>
- Leverage technology and AI to increase timeliness and precision of data collection and analysis

## Broad ESG and Climate coverage

- Broad ESG Ratings coverage with 90% of equity and fixed income market value<sup>3</sup>
- Provide consistent solutions across investment instruments

## Deep Knowledge

- Team of 250+ analysts vets, validates and transforms data into meaningful insight<sup>4</sup>
- Deep climate expertise with dedicated MSCI Climate Risk Center

## Leading Technology

- 120+ Technologists dedicated to ESG and Climate benefitting from the full power of the Microsoft partnership
- 60+ data scientists develop robust models turning unstructured data into meaningful output

## Unique Track Record<sup>5</sup>

- Extensive track record, analyzed by multiple academic studies
- Tried and tested solution

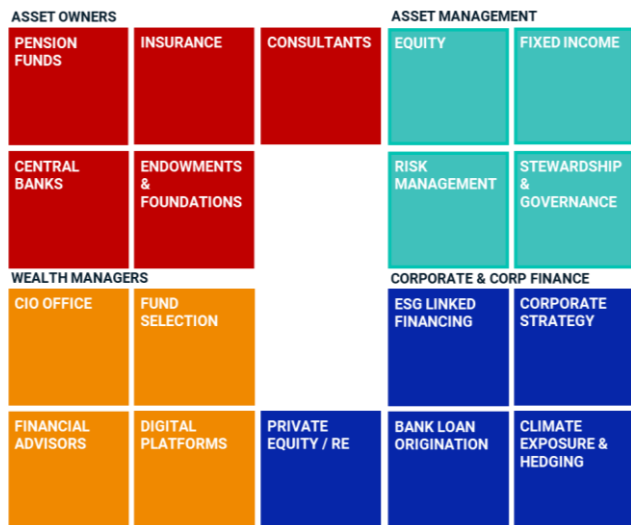
*"One way out of the dilemma of uncorrelated ratings is to use the one with the most predictive power, which they found to be MSCI ESG Ratings"<sup>6</sup>*

<sup>1</sup> Origins of MSCI ESG Ratings from 1999; Financial materiality -> ratings focus key ESG issues that could become financially material over the medium to long term <sup>2</sup> MSCI ESG Research: 2,434 constituents of the MSCI ACWI Index as of November 30, 2017; <sup>3</sup> Source: MSCI ESG Research as of as of February 2021, coverage subject to change; <sup>4</sup> Source: MSCI ESG Research as of December 2020. Includes full time employees, employees of foreign affiliates providing investment advisory services to MSCI ESG Research LLC, and global allocated staff performing non-investment advisory tasks; <sup>5</sup> Serafeim, G & Yoon, A, (2021). [Stock Price Reactions to ESG News: The Role of ESG Ratings and Disagreement](#) Harvard Business School Accounting & Management Unit; <sup>6</sup> Linda-Eling Lee's February 2021 comment on the results of the Serafeim, G & Yoon, A, (2021) paper

# Competitive Strength #2: Ecosystem / Solutions that Drive Clients' Revenues

## Expanding and Evolving Use Cases

MSCI's presence across the entire ecosystem creates a common language for all market participants



## An Illustration for Capital Markets

Using MSCI as their backbone of ESG integration allows clients to scale fast and benefit from assets flowing inside the ecosystem

### Capital Markets

- Corporate advisory and peer benchmarking
- Pre-IPO assessment
- ESG-linked lending and underwriting

### Investment Banking

- ESG in advisory
- E&S risk and due diligence in transaction analysis
- Takeover defense

### Research

- Thematic research
- Redistribution of MSCI ESG content
- Integration of MSCI content into equity, debt and ETF research

### Sales and Trading

- Derivatives: ESG in OTC or structured products
- Product creation: custom baskets and ESG overlays
- Portfolio trading: analysis / research on ESG index benchmarks

### Prime Brokerage

- ESG portfolio reporting to hedge funds
- Redistribution of ESG data to hedge funds
- ESG advisory for consulting team

MSCI Solutions Help Clients Grow their Revenue Faster and in a More Scalable Way

# Competitive Strength #3: Deep Integration of ESG & Climate across MSCI Products



## Building Differentiation by Integrating Sustainable Investing Solutions to Help Investors across the Investment Value Chain

- **ESG Research model** enhancements rolled out in Q4'20 – culmination of a 2-year consultation with many of the world's largest and most sophisticated institutional investors to further enhance quality of investment signals
- Expansion of 1,500 **equity and fixed income ESG and climate indexes** including launch of Climate Paris-Aligned Indexes
- Integration of ESG and Climate research, data and indexes into leading **multi-asset class risk and performance analytics systems** (GEM+ESG, Climate risk in Barra)
- Launch of MSCI **Real Estate Climate VaR** to measure climate-related risks for real estate assets in an investment portfolio



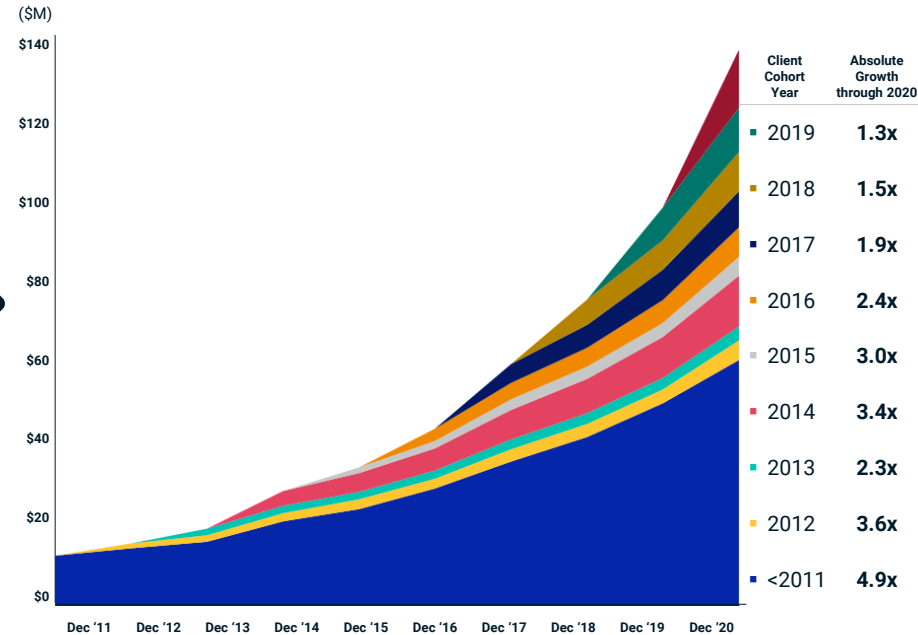
# Our Clients Ask for More, We Deliver

## “Land and Expand” Strategy Allows Incremental Wallet Share as We Cater to New Use Cases



- Drive continuous expansion of new product offerings resulting in strong growth from existing clients
- Witnessing acceleration in new parent entities signing up for our ESG products; 50% increase in 2020

## Strong Growth across ESG Research Client Cohorts<sup>1</sup>



<sup>1</sup> Details based on active ESG parent clients as on 12/31/2020. To calculate the number of parent clients, we aggregate the shipping address of the ultimate customer utilizing the product, which counts affiliates, user locations or business units within a single organization as a single parent entity. Note: Unless otherwise noted, all annual figures refer to year-end as of December 31.

# Maintain Global Leadership by Accelerating Investments across Key Opportunities

01

Protect and grow our market leadership in **sustainable investing** solutions, including **ESG ratings** and **ESG indexes**



02

Seize large, nascent opportunity in integration of **Climate** risk in portfolios and financial disclosures



03

Monetize growing **corporate** opportunity for ESG and Climate tools by building ecosystem linking investors to corporates



04

Build capabilities for adjacent and new use cases across **asset classes** and **client segments** to deliver continuous high growth



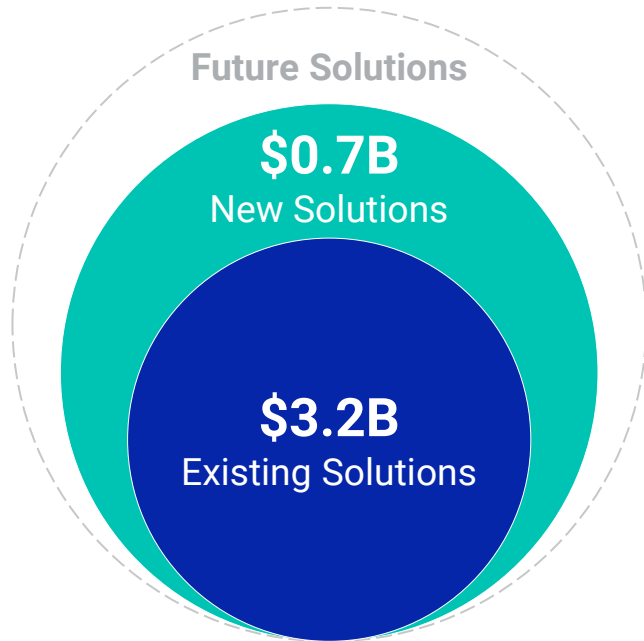
05

Embed and leverage our ESG and Climate offerings across **Index, Analytics** and **Private Assets**



# Long Runway Ahead: Growing Opportunities with Existing and New Products

MSCI Estimated Market Size for ESG Products  
is Expected to Further  
**Expand to \$3.9B Over the Near-term**



## Potential for Additional Growth

Accelerating our solutions for **new use cases**

Corporates

Bank Stress Testing

Climate

Private Assets

with an estimated market of **\$0.7B**

# Key Takeaways

01

Incredible, incremental momentum for ESG driven by **growing investor interest** and **increasing regulation**

02

Well-positioned to capitalize on radical industry transformation and **dramatic adoption of ESG** across the entire investment industry

03

Near-term investments focused on three key areas of growth: **ESG indexes, Climate** and **ESG-integration across capital markets**

04

**Long runway** ahead as we prepare for the next wave of growth from **emerging use cases** and **capabilities**



# Q&A Session

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To ask a question please use the Q&A feature located on the webcast OR email [investorrelations@msci.com](mailto:investorrelations@msci.com)

# BREAK

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# Modernizing Portfolio Management through Analytics



**JORGE MINA**  
HEAD OF ANALYTICS

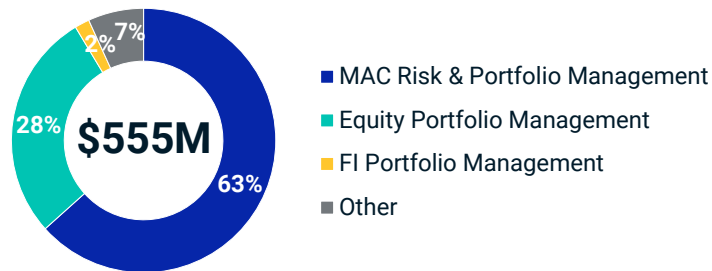
# Key Messages: Modernizing Portfolio Management through Analytics

- 01** Continue **repositioning Analytics to enable investors to build better portfolios** through portfolio management and risk management solutions
- 02** **Capitalizing on large opportunities** in equity, fixed income and multi-asset class portfolio management by **enabling clients to build portfolios in a systematic and scalable way**
- 03** **Driving growth in multi-asset class solutions** through innovation and integration of our models and analytical engines within clients' workflows
- 04** **Accelerating innovation and enabling distribution for Index, ESG and Private Assets**



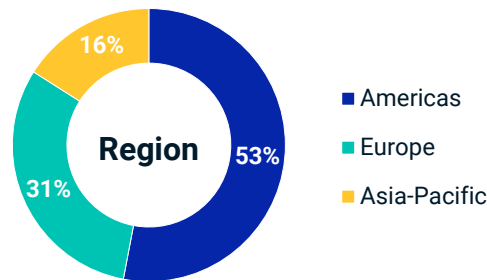
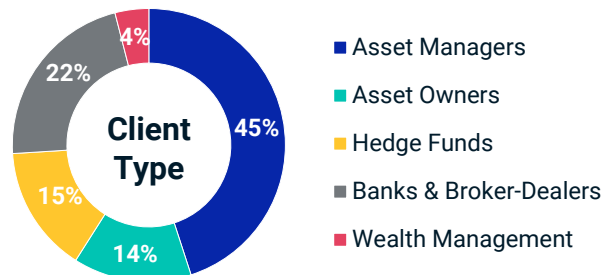
# Building Better Portfolios through Portfolio Management and Risk Management

## Analytics Run Rate<sup>1</sup>



## What Analytics Does for Clients

- **Risk Management:** manage risk of all portfolios, regulatory reporting, and client reporting
- **Portfolio Management:** build and manage portfolios in specific asset classes
- **Common components** provide **consistency for clients** and **efficiency for MSCI**



Increasing Focus on Portfolio Management

# Client Spotlights: How We Enable Our Clients

## Equity Investment Team at U.S. Public Pension

- **Manages a \$38B+ global equity portfolio** using MSCI Analytics
- **Allocates** assets across **active and indexed** strategies
- **Selects** and replaces **external managers**
- Internally **manages** a **portfolio linked to a custom multi-factor MSCI index**
- **Manages** all **active** U.S. equity **portfolios**

## Large Multi-Strategy Hedge Fund

- **Manages \$30B+ in AUM across asset classes** using MSCI Analytics
- **Identifies investment opportunities and risks** across all positions on a daily basis
- **Allocates risk capital** across various strategies using our risk and factor models
- **Builds portfolios** and measures the impact of all potential trades using our analytics
- **Provides transparency** to their investors through our reporting services



**Enabling Clients to Build and Manage Portfolios and Provide Transparency to Their Investors**

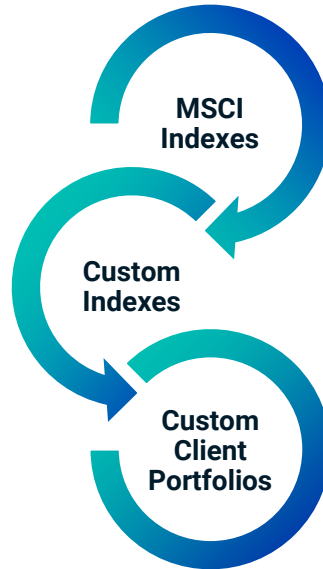
# ANALYTICS BENEFITS FROM & CONTRIBUTES TO THE INTEGRATED MSCI FRANCHISE

# Leveraging Index, ESG, and Private Assets to Differentiate Analytics

Enabling Clients to Build Portfolios  
Using Content from All Product Lines

Utilizing Standard  
Building Blocks

Delivering Flexible and Scalable  
Portfolio Management Solutions



Repositioning Analytics through Innovation in Portfolio Management

# Analytics Products and Client Relationships Contribute to the MSCI Franchise

## CROSS SELLING

- MAC risk is a **powerful entry point to embed Index, ESG, and Private Assets** deeper into clients
- Strong **executive level relationships** are **leveraged across product lines**

**74%**

of Analytics Asset Owner  
Clients Additionally  
Buy Index Products

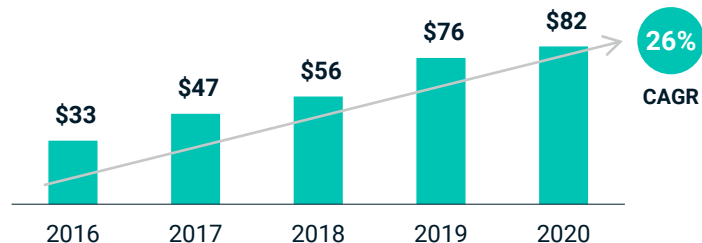
**35%**

of Analytics Asset Owner  
Clients Additionally  
Buy Index AND ESG Products

## DEVELOPING NEW PRODUCTS

- Factor, ESG/ Climate, Thematic, and Fixed Income **Indexes**
- Expansion of **ESG Fixed Income** Ratings and **Climate VaR**
- **ESG** client and regulatory **reporting**

Index Factors Run Rate



Providing Common Building Blocks for Product Innovation

# ACCELERATING GROWTH IN ANALYTICS

# Energizing Growth across Use Cases through Content and Technology



**Investors Need Tools for Every Investment Decision**

## Growth Drivers

Asset Owners

> **Increasingly using Factors** for portfolio construction and asset allocation

Asset Managers

> **Portfolio customization** through end user applications

Hedge Funds and Broker Dealers

> **Large consumers of model data** to embed into their investment processes. Eager to consume all the new content we produce

## Accelerators

Integration of **ESG and Climate** in portfolio construction

- **Client-facing applications**
- **ESG/climate/thematic** integration
- **Capabilities to customize indexes**

Content distribution through **APIs, partners and digital marketplaces**

**Broad Adoption of Factors and Portfolio Customization Driving Growth**



## Key Drivers

- **Systematic investing in fixed income is growing** as data becomes widely available and price transparency improves
- Fixed income investors **need to integrate ESG/Climate considerations**

## Key Opportunities

- **Estimated \$200M opportunity** to help **asset owners and asset managers** build fixed income portfolios
- Expansion into **insurance companies**

## 2020 Results

- **49% YoY run rate growth in 2020**
- Resulted from **cross-selling** fixed income teams of our large **multi-asset class client base**, as well as **winning new clients**

## MSCI is Offering Differentiated Solutions

Developed Closely with Clients to Solve Unmet Needs

Distributed through OMS, which Simplifies Workflows and Creates Consistency

Will be Integrated with MSCI Fixed Income Indexes and ESG/Climate Data, which are Competitive Differentiators

Investors are Demanding Innovative Solutions and Better Service

## Growth Drivers

### Multi-Asset Class Portfolio Management

- Large demand for **multi-asset solutions** from **institutional and individual** investors

### Multi-Asset Class Risk Management

- Demand** for solutions to new problems from **asset managers and asset owners**
- Need to **innovate, decrease complexity and achieve scale**

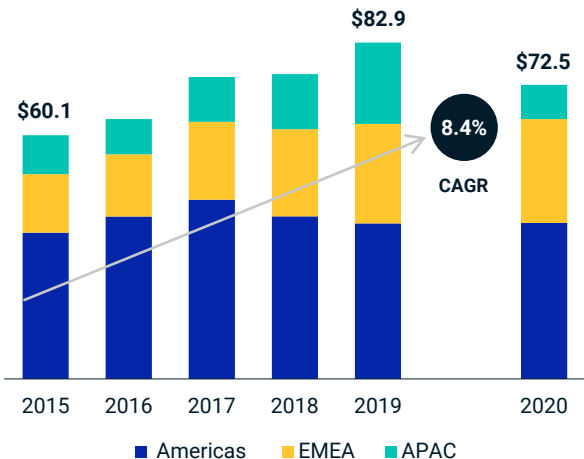
## Accelerators

- **Tools for multi-asset solution managers**
- **Asset allocation solutions for asset owners**
- **Mass portfolio personalization for wealth managers**
- Solutions for **liquidity, climate change, long horizon risk, private asset investing** and **new regulations**
- Models and analytics through **cloud-hosted APIs** and **integration with clients' infrastructure**

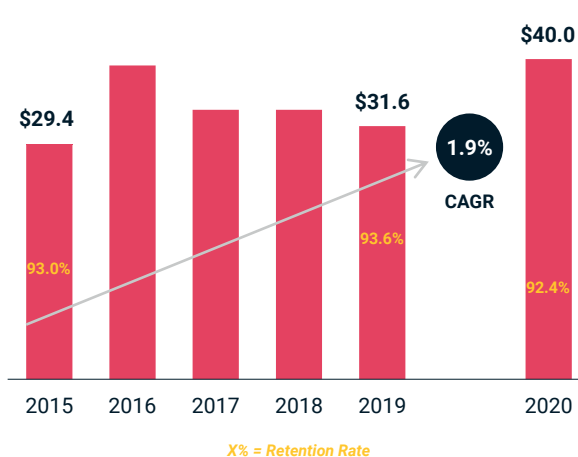
**Solving Two Critical Needs: Building MAC Portfolios and Managing Portfolios across Asset Classes**

# Solid Trends in Gross Sales and Cancels 2015-2019; 2020 Slowed Down Progress

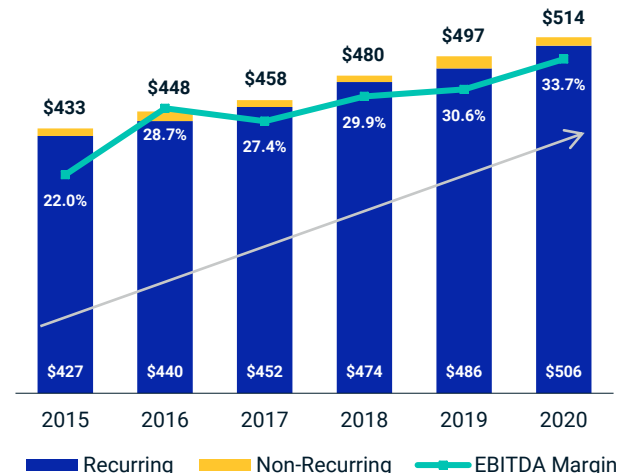
## Gross Sales (\$M)



## Cancels (\$M)



## Analytics Revenue (\$M) & EBITDA Margin (%)



- Gross sales grew at 8.4% CAGR from 2015 - 2019
- 2020: gross sales were flat in the Americas and up 4.3% in EMEA, but down 57.7% in APAC as they were first affected by the pandemic

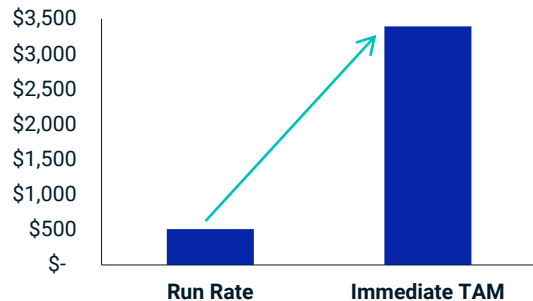
- Retention rates improved by 60bps from 2015 - 2019
- 2020: cancels were up 26.5% globally driven by a tough operating environment across client segments, particularly hedge funds

- Substantial margin expansion from 2015 - 2020 with mid-single digit revenue growth while investing in technology and strengthening our products
- EBITDA CAGR: 13% | Revenue CAGR: 3% (5% Organic<sup>1</sup>)
- 2017-2020 Organic Run Rate CAGR: 6.8%<sup>1</sup>

# Well-Positioned to Capture Near- and Long-term Opportunities

## Near-term Market Opportunity

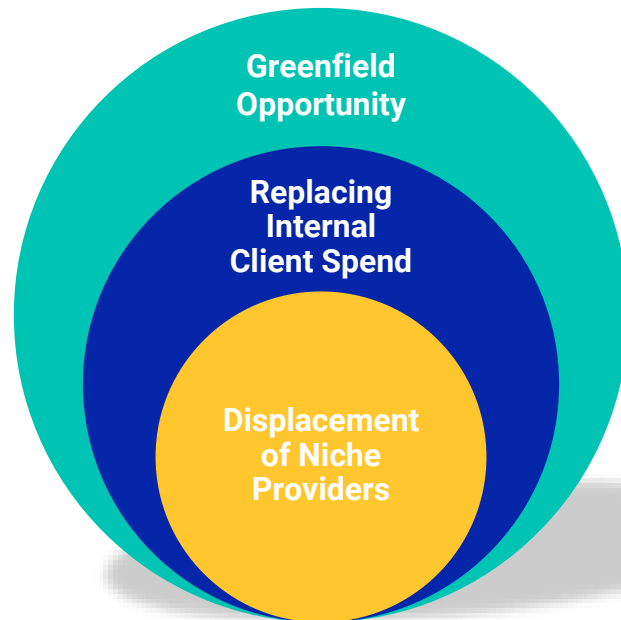
**\$3.5B**



- **\$3.5B immediate TAM** across equity, fixed income, and multi-asset class solutions
- Ample **room to grow with largest clients** and **increase penetration with mid-size clients** across all client segments
- Focus on **Asset Managers, Hedge Funds and Asset Owners across portfolio and risk management**
- While expanding rapidly with **Broker Dealers in equity portfolio management**

## Long-term Market Opportunity

**\$20B+**



<sup>1</sup> Immediate Addressable Market is determined by assuming we can capture a run rate equal to the largest client in each client size and segment category. Does not include FI Portfolio Management and MAC Solutions as is based on June run rate.

# Developing Capabilities in Key Strategic Areas for Long-term Growth

01

## Accelerate Content Innovation

- Fixed income
- ESG/Climate/Thematic integration
- Private assets



02

## Go-to-Market and Client Servicing

- Partnerships
- Account management



03

## Technology Modernization

- Cloud enabled services and APIs
- Client-facing applications
- Technology to accelerate client and partner integrations



# Key Takeaways

01

Pivoting toward portfolio management to **capitalize on growing opportunities to help investors build better portfolios**

02

Fast changing environment presents **attractive opportunities to help clients navigate complexity** through risk management solutions

03

Transforming Analytics by further **modernizing our technology architecture** to offer an **outstanding user experience to clients**

04

Integration of Analytics components within Index, ESG, and Private Assets **enabling product innovation across the firm**



# Innovating Private Asset Investing



**JAY MCNAMARA**  
PRESIDENT, BURGISS

# Key Messages: Innovating Private Asset Investing

## 01 Private Assets is a Significant Opportunity

Increased investor allocations and rise of retail investors expected to propel growth in private assets; more tools and data are required to meet investor needs

## 02 Long History in Private Asset Investing with Extensive Data

Burgiss is a leading provider in private asset investment tools, with data spanning \$11T+ of private assets

## 03 Driving Consistency and Transparency in an Opaque Market

The Burgiss platform provides **standardized and enriched analysis** across non-standard private capital data

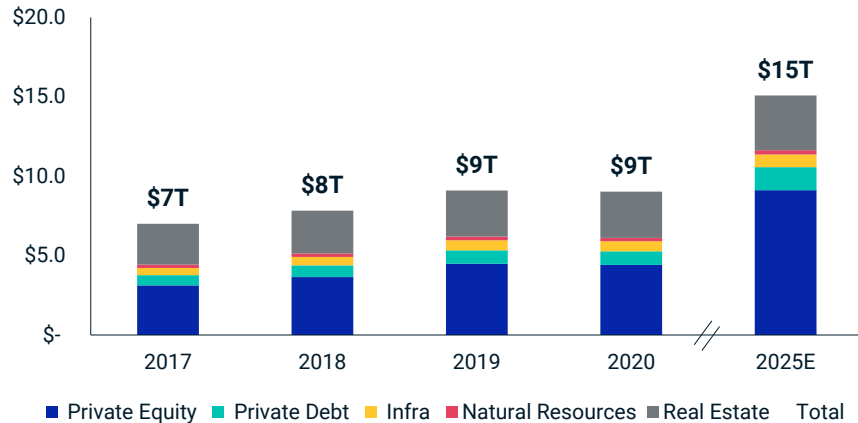
## 04 Transforming Private Asset Investing

Together with MSCI, we will enable clients to manage their **whole portfolio solution across public and private asset classes**



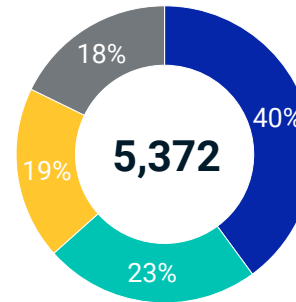
# Private Asset Markets and Investors are Growing Rapidly

## AUM Trends and Projections by Asset Class (\$T)

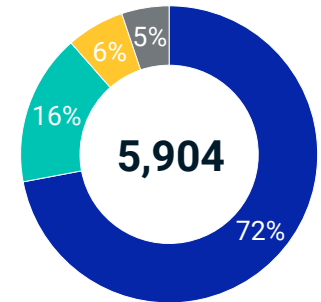


## Large Number of Market Participants

### Limited Partners (LPs)



### General Partners (GPs)



5,372

5,904

AUM

■ <\$1B ■ \$1B - \$5B ■ \$5B - \$25B ■ >\$25B

- Private asset AUM continues to experience outsized growth, driven mainly by institutional asset owners allocating higher percentages of their assets to private assets as they seek higher returns
- The rise of individual investors is expected to fuel additional growth over the long-term as private asset investment vehicles become more widely available

The Opportunity Set is Large as Private Market Investors Require More Sophisticated and Standardized Tools

# Opaque Private Markets are Primed for a Transformation



## Total Portfolio View

Institutional LPs focus on balancing public and private assets vs. traditional asset allocation



## New Structures

Growing vehicle complexity: co-investments, separate accounts, direct investments



## Retail Access

Emerging technology, changing regulations expand access to previously unqualified investors



## ESG and Climate in Focus

Becoming mainstream, with outsized impact for long-horizon private investing



## Search for Returns

LPs turn to private assets for differentiated risk-return profiles



## Expanding Opportunity Set

Greater dry powder and competition driving growth in emerging markets and niche specializations



## Market Infrastructure

Secondary exchanges and broader FinTech ecosystem gaining traction



## Transparency

Improved GP client service to meet growing demands from LPs and regulators

**Innovation Driving Improved Transparency, Standards and Capabilities**

**BURGISS DELIVERS ESSENTIAL DATA AND  
SOLUTIONS TO HELP INVESTORS BUILD BETTER  
PRIVATE CAPITAL PORTFOLIOS**

# Burgiss: Leading the Evolution of Private Capital Investing

Founded in **1987**

**Global, market-leading provider** of data and analytics solutions for investors of private capital

~**400** Specialists

**Focused on private capital** investments across the globe

**1,000+** Institutional Clients

Clients include pension funds, sovereign wealth funds, endowments, foundations and family offices from **32 countries**

**\$11T+** in Private Asset Data

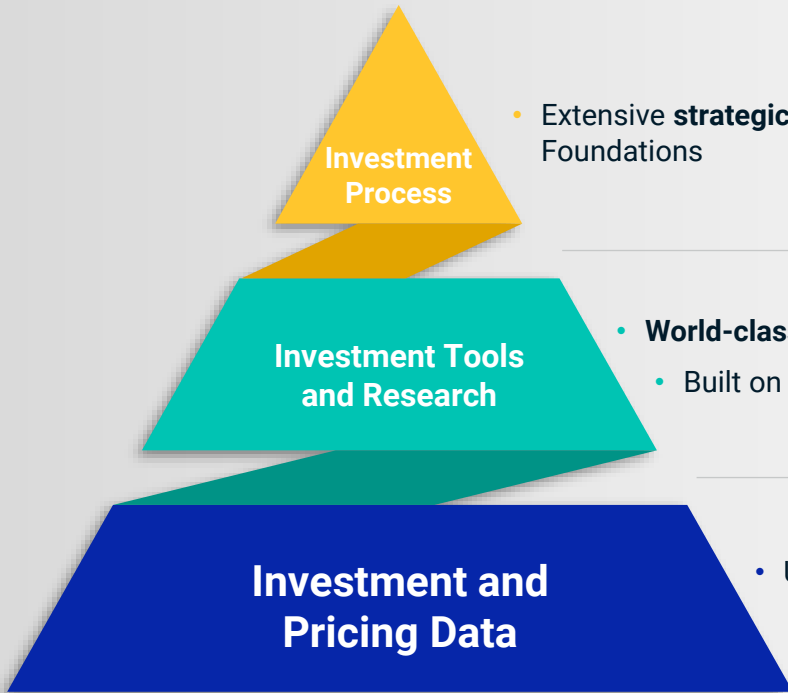
**Sourced without bias from LPs, and covers 10,500+ funds** of PE and VC, RE, private debt, infrastructure, natural resources and other private assets

**Robust Data and Tools**

**Leading portfolio management, analytics and benchmarks**, powered by fund and holding-level data

**Uniquely Positioned to Capitalize on the Opportunity**

# Strong Foundation to Enable Clients to Make Better Investment Decisions



- Extensive **strategic relationships** with global Pensions, Sovereign Wealth Funds, Endowments and Foundations
- **World-class tools** to build, optimize and manage investments
  - Built on **base of strong data** and leveraging **core analytical capabilities**
- Unique access to **30+ years of proprietary investment and pricing data**
  - **Data is a required foundation** for supporting clients with investment decisions

**Building on \$11T of Assets and Decades of Expertise**

# Data, Data, Data – One of the Largest Global Private Asset Databases

Private Asset Category	# of Funds	Committed Capital (\$B)	Total Market Coverage (\$B)
Private Equity	6,796	\$4,762	\$7,323
Private Real Assets	2,034	\$1,566	\$1,900
Private Debt	1,082	\$944	\$1,167
Generalist + Other	765	\$568	\$690
<b>Total Private Capital</b>	<b>10,677</b>	<b>\$7,840</b>	<b>\$11,080</b>

## Burgiss has

- **Deep coverage** across asset classes, fund sizes, investment vehicles and vintages, spanning more than 150 countries
- **Full holdings transparency**, accumulated through 4M+ documents, including fundamentals, cash flows and capital structure
- **Data sourced** through private disclosure by general partners

Driving Transparency in an Opaque Market

# Burgiss: A Leading Investment Decision Tool Provider to Private Asset Investors

## Portfolio Management Platform

Purpose-built platform to allow investment, risk and operations teams to manage, measure and report on their portfolio of private capital commitments



- Measure and monitor exposures and existing managers
- Identify sources of return and value creation
- Cash flow and liquidity management
- IBOR<sup>1</sup> data service helps relieve investors with the administration of their funds



## Manager Transparency

Allows clients to monitor their managers and look at their portfolios with a bottom-up view based on the underlying portfolio companies and entities

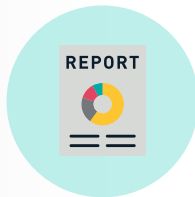


- Understand direct and indirect ownership and performance across entire portfolio
- Measure bottom-up exposure to geography and industry
- Identify drivers of value
- Monitor manager investment activity



## Manager Universe Data

Gives clients context for performance, exposure and cash flows at the portfolio, fund and now underlying holding levels; provides context for both pre- and post- investment activity



- Leverages largest research-quality performance data universe of private capital funds
- Benchmark managers and portfolios
- Due diligence and research
- Asset allocation
- Support capital raising and investor relations

# Enhancing Burgiss' Long-term Growth Strategy

## Go-to-Market

- **Expand distribution and client engagement** through new investment hires and a revamped engagement model
- Upgrade Burgiss' marketing organization to **expand media footprint and brand perception**
- **Drive best practices** related to sales governance, organizational design and sales incentive plans
- Utilize MSCI's senior relationships to **generate leads**

## Research and Product

- **Enhance market-oriented analysis** with increased frequency of research briefs, blog posts and webinars
- **Deliver new analytics** to respond to client demand
- Additional **data capture and enrichment**

## Operating Discipline

- **Strengthen talent** through upgraded recruiting and training initiatives
- Develop plans to **strengthen the link between compensation and performance**
- **Develop key operating metrics** in order to measure progress

**Increased Discipline and Focus to Accelerate Growth**



# MSCI ACQUIRED A 40% STAKE IN BURGISS TO TRANSFORM PRIVATE ASSET INVESTING

# A Powerful Partnership Between Highly Complementary Franchises



- Leading investment decision support tool provider to the private asset space
- Deep and robust research-quality private capital data set, with myriad opportunities to develop innovative content
- Unique data collection capability
- Strong credibility among private investment teams
- Strength with asset owners including pensions, endowments and foundations
- Global reach with strong U.S. franchise

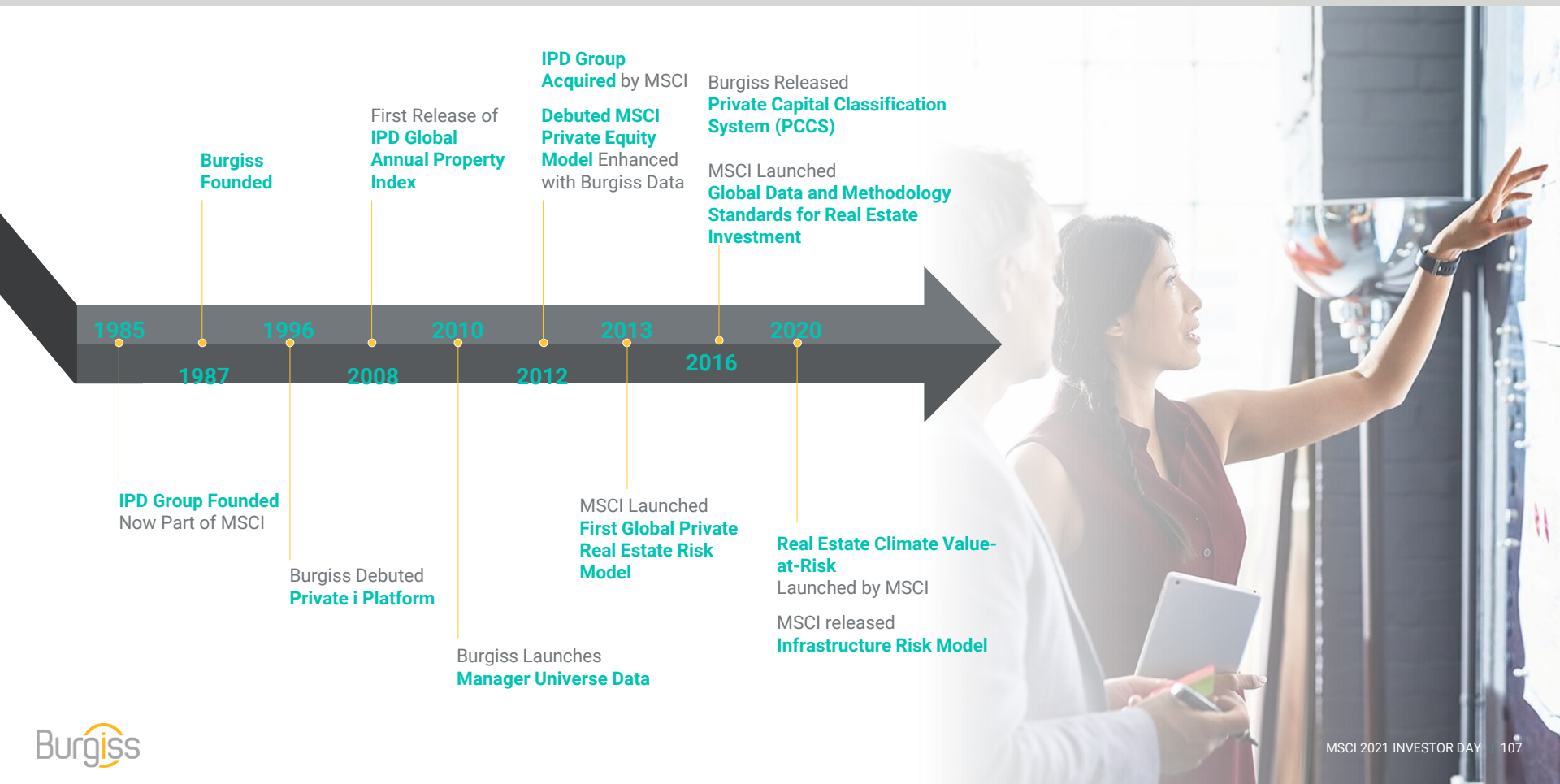
**Strategically Aligned**  
**Strong Cultural Fit**  
**Prepared to Accelerate Innovation**  
**Positioned to Drive Distribution and Adoption**



- Leading investment decision tool provider across asset classes
- Market standard frameworks and must-have content to the investment space across the total portfolio
- Large research team, developing cutting-edge content and tools
- Industrialized data factory capturing, cleansing and organizing standard and alternative data sets
- Deep relationships and credibility with the investment teams of the world's largest investors, particularly pensions and sovereign wealth funds

**Enable Clients to Build and Manage Differentiated Portfolios**

# Both Burgiss and MSCI Have a Deep, Long-standing History in Private Assets



# Robust Next Wave of Contemplated Coordinated Solutions

## Indexes

- Holistic suite of private capital indexes
- Multi-asset class (public + private) indexes



## Analytics

- Risk management standards
- Manager research / fund selection tools
- Evaluated pricing service
- Fundraising tools to understand investor base



## ESG and Climate

- Investment due diligence tools and analytics
- Investor and regulatory reporting
- Tools to engage with portfolio companies
- Private company and fund-level ESG assessments



**Burgiss and MSCI Partnership Expected to Transform Private Market Investing**

# Key Takeaways

01

## Private Assets is a Significant Opportunity

**Increased investor allocations and rise of retail investors** will propel growth in private assets; more tools and data are required to meet investor needs

---

02

## Long History in Private Asset Investing with Extensive Data

**Burgiss is a leading provider** in private asset investment tools, with data spanning \$11T+ of private assets

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03

## Driving Consistency and Transparency in an Opaque Market

The Burgiss platform provides **standardized and enriched analysis** across non-standard private capital data

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04

## Transforming Private Asset Investing

Together with MSCI, we will enable clients to manage their **whole portfolio solution across public and private asset classes**

# Reimagining the Investment Process



**PETER ZANGARI**

GLOBAL HEAD OF RESEARCH & PRODUCT DEVELOPMENT

# Key Messages: Reimagining the Investment Process

- 01** RPD is a large team of industry experts that **design and create content underpinning MSCI's competitive advantage**
- 02** To create that content, **RPD leverages an extensive** network of clients, academics and partners
- 03** Our **network and research platform has allowed MSCI** to quickly enter new spaces to **solve increasingly complex and mission-critical problems** for clients related to fixed income, Climate, ESG and private asset classes
- 04** Leading technology and data science **driving scale, productivity and quality of research**

# Enabling Clients to Build Better Portfolios through the RPD Process

## Understanding the Investment Process

Researchers are practitioners with experience from some of the world's leading financial institutions

## Translate Understanding to Algorithms and Models

Solve investment problems through cutting-edge research techniques to enable clients to build better portfolios

## Merge with Data and Technology

Operationalize algorithms and models by merging them with the highest quality data sources and scalable technology





# Developing Solutions for Clients to Address Three Primary Use Cases

## 1 Portfolio Management

- Portfolio construction
- Incorporate ESG, Climate, factor and other considerations
- Engage client portfolio management teams on use of MSCI content

## 2 Understanding Performance

- Performance attribution is central to understanding performance
- MSCI factors and ESG data enable the explanation of performance
- New, emerging themes critical for understanding performance

## 3 Pricing and Risk

- Managing risk at the enterprise and portfolio management level
- Pricing analytics key for evaluating derivatives and private assets
- Demand for stress testing and scenario analysis continues to grow

# Research and Product Development at MSCI



## 220+ Trained Team with an Intrapreneurial Culture

across a global footprint split roughly evenly between Americas, EMEA and APAC regions



## Expert Knowledge

most researchers possess PhDs or other advanced degrees in finance, economics or other sciences such as physics; team also has expert knowledge of investment process and client use cases



## Deeply Technical Skillsets

include artificial intelligence (AI), machine learning (ML) and natural language processing (NLP)

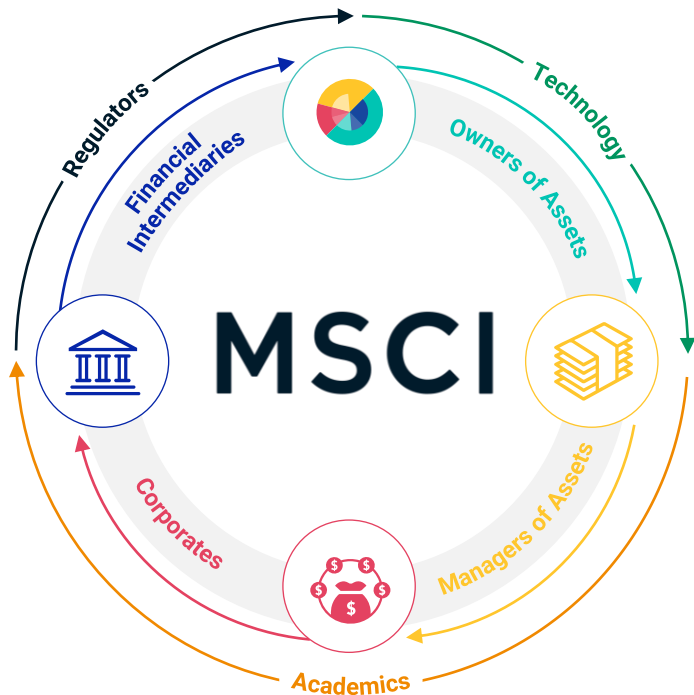


## Client-centric Focus

delivers best-in-class investment solutions and thought leadership

# Network Distinguishes Our Research and Product Development

## Leveraging the Network



## – Combination and Interaction of

- ✓ **Extensive client engagement** around investment practices, trends and client needs
- ✓ **Data science platform**
  - Engine behind idea generation and content creation
  - Rapidly develop research and evaluate ideas
  - Prototype products
  - Strengthen client engagement
  - Reduce time to market
- ✓ **Engagement with academics, regulators and partners** to cultivate broad and deep expert knowledge of investment process and client use cases
- ✓ **Client solutions and development of industry standards** spanning index, risk, ESG, Climate and private assets

# Content Innovation Engine to Quickly Address Current and New Categories



## Equity Investing

- Suite of factors built from alternative data and machine learning (factor lab)
- Incorporation of ESG and Climate data in risk modeling
- Research on portfolio construction
- Similarity scores to define peer groups

## MAC Investing

- Multi-asset class (MAC) model framework
  - Total portfolio management / macro model
- NEW** Enhanced private assets

## Sustainability & Thematics

- ESG ratings model
- NEW** Climate risk models and lead client engagement
- NEW** Company, industry and thematic research

## Fixed Income

- NEW** Fixed income factor ESG and Climate indexes
- NEW** Enhanced fixed income factor models
- NEW** Mortgage analytics

# 2020 Client Engagement with MSCI Research and Product Development

449

Posts and Publications  
Related to Research Content

180% Increase YoY

20%+

YoY Average Increase in  
Readership of Research  
Papers and Blog<sup>1</sup>

## Most Read Blog

The screenshot shows the MSCI website interface. At the top, there is a navigation bar with 'MSCI' logo, 'Our Clients', 'Our Solutions', 'Research & Insights | Events', and 'Who We Are'. A search bar is on the right. Below the navigation, a breadcrumb trail reads 'HOME → RESEARCH & EVENTS → BLOG → THE CORONAVIRUS EPIDEMIC: IMPLICATIONS FOR MARKETS'. The main content area features a profile picture of Zhen Wei, Executive Director, MSCI Research, and the title 'The coronavirus epidemic: Implications for markets'. The date is 'Feb 12, 2020' and the author is 'WEI Zhen | WANG Jun | VERBRAKEN Thomas'. The article includes a large image of a woman wearing a face mask and a list of bullet points discussing the economic and market impacts of coronavirus.

~18K Views

7K+ Downloads

## Most Downloaded Paper

The image shows the cover of an MSCI ESG Research paper. The title is '2020 ESG trends to watch'. Below the title, the authors are listed as 'Linda-Eling Lee, Meggin Thwing-Eastman, Ric Marshall' and the date is 'January 2020'. The MSCI logo is in the top left corner, and 'MSCI ESG RESEARCH, LLC' is in the top right corner.

# Use Case: Portfolio Management – Custom Indexing

## BACKGROUND

Broad client demand seeking an investment opportunity that reflects risk and ESG considerations through index replication

## CLIENT EXAMPLE



## SOLUTION OPPORTUNITY

*Enable clients to achieve their goals by leveraging research expertise*

- ✓ Increasing market share in customized index space
- ✓ Seamless ability to address new regulations in space
- ✓ Integration across multiple research domains such as ESG, equity factors and risk modeling

# Use Case: Pricing and Risk – Liquidity

## BACKGROUND

Liquidity regulatory reporting requirements creates significant opportunities for MSCI especially as we continue to make inroads into the fixed income front office space

## CLIENT EXAMPLE



## SOLUTION OPPORTUNITY

*Expanding footprint in front-office fixed income risk and analytics*

- ✓ Addressed timely regulatory requirement
- ✓ Displaced established competitor
- ✓ Proof MSCI has moved beyond our beachhead in fixed income front office

# Use Case: Creating a Standard in ESG and Climate

## BACKGROUND

Enabling clients across a range of segments to incorporate ESG and Climate into their investment processes

## CLIENT EXAMPLE



## SOLUTION OPPORTUNITY

*Expanding to become an industry standard by leveraging technology*

- ✓ Engaged with government agencies; established standard ESG practices across region
- ✓ Responded to agency's three ESG-related papers
- ✓ Opportunity to become standard with the downstream regulated entities



# Advances in Research-based Client Engagement: What We're Working On

Available Now on MSCI.com

## Insights Gallery

### Rapid Deployment of Research Insights



On the Horizon

### Rapid Prototype Development to Share with Clients

- 1 Uncover / evaluate insights through data science platform
- 2 Publish research
- 3 Generate research notebooks for clients
- 4 Create interactive charts for clients
- 5 Craft product prototype to address use cases

Speed at Which an Idea Becomes a Client Experience has Increased Dramatically

# Key Takeaways

01

Research and Product Development (RPD) is the **content innovation engine of MSCI**

02

To create that content, RPD **leverages an industry-leading network** of clients, academics and partners

03

Our network and research platform has allowed MSCI to **quickly enter new spaces to solve increasingly complex and mission-critical problems** for clients related to fixed income, Climate, ESG and private asset classes

04

**Leading technology and data science** driving scale, productivity and quality of research



# Revolutionizing the Investment World through Data & Technology



**JIGAR THAKKAR**

CHIEF TECHNOLOGY OFFICER & HEAD OF ENGINEERING

# Key Messages: Revolutionizing the Investment World through Data & Technology

- 01 Today, MSCI offers clients **mission-critical data and technology capabilities** focused on quality, reliability and scale
- 02 To power the next wave of growth, we will transform all MSCI data and technology capabilities to **deliver on our vision of Investment Solutions as a Service**
- 03 **The first four Investment Solutions as a Service offerings will be available in 2021** with many more to follow
- 04 Our vision and new offerings as a service are developed in **deep collaboration with Microsoft**

# Foundation of the Investment Industry

## MSCI is a Bedrock of the Investment Industry with Three Primary Capabilities Today

1

### MODELS

Next generation capabilities in quantitative investment research

2

### DATA

Source, manage, curate and distribute high-quality data

3

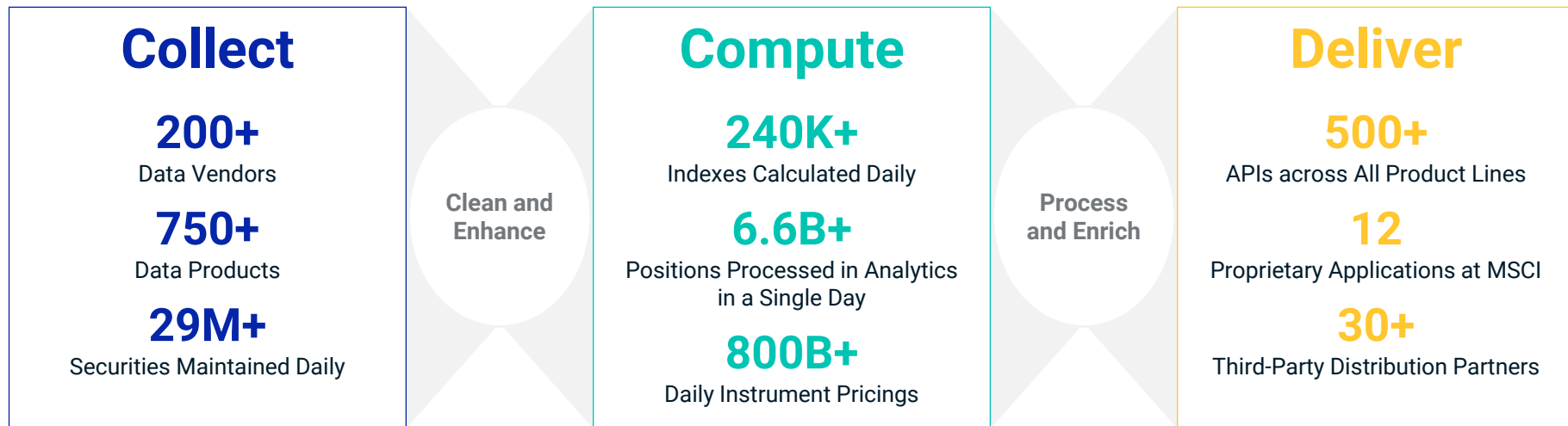
### TECHNOLOGY

Capabilities to support investment process including portfolio construction and risk management

**MSCI: Powering Better Investment Decisions**

# MSCI Data and Technology Today

Proven Ability to Handle Complex, Integrated and High-volume Workflows with Flexible and Scalable Solutions for Client's Today



To Stay Ahead of Client Demands, MSCI Will Deliver Everything We Do "As a Service"

# Deep and High-Quality Data across MSCI Ecosystem

## DATA QUALITY

**99.98%**

Equity Data

**99.97%**

FIMAC<sup>1</sup> Data

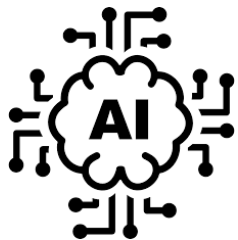
**99.91%**

Business Activity Data

**99.16%**

Production Data

Data Quality Achieved  
through Cutting-edge  
Technology



Leveraging AI throughout  
Data Production Lifecycle

Apply AI-based anomaly detection throughout  
data life cycle from

- ✓ **Input data** from vendors and other sources
- ✓ **Derived data** created by MSCI
- ✓ **Output data** distributed to clients

**Harnessing the Power of Advanced Technologies**

# Delivering on Vision of MSCI Investment Solutions as a Service

Advancing the Investment Industry with Hyper Scale of the Cloud and Cutting-edge Technologies to Solve Unique Challenges and Empower Clients to Build Better Portfolios

## SEAMLESS ACCESS

New and Unique Sources of Data, Models and Technology

## RAPID ONBOARDING

Consumption, Metering, Billing and Servicing

## CLIENT CUSTOMIZATION

Personalization, and Data Transparency

## MODERN CLIENT EXPERIENCE

Integrated Products and Services



# Launching New Services in 2021 to Transform the Investment Industry



## Investment Solutions as a Service

### ESG Solutions as a Service

New ESG and Climate  
Application



### Index Solutions as a Service

MSCI Customized Index  
Application



### Data Management Solutions as a Service

MSCI Data Lake and  
MSCI Data Explorer



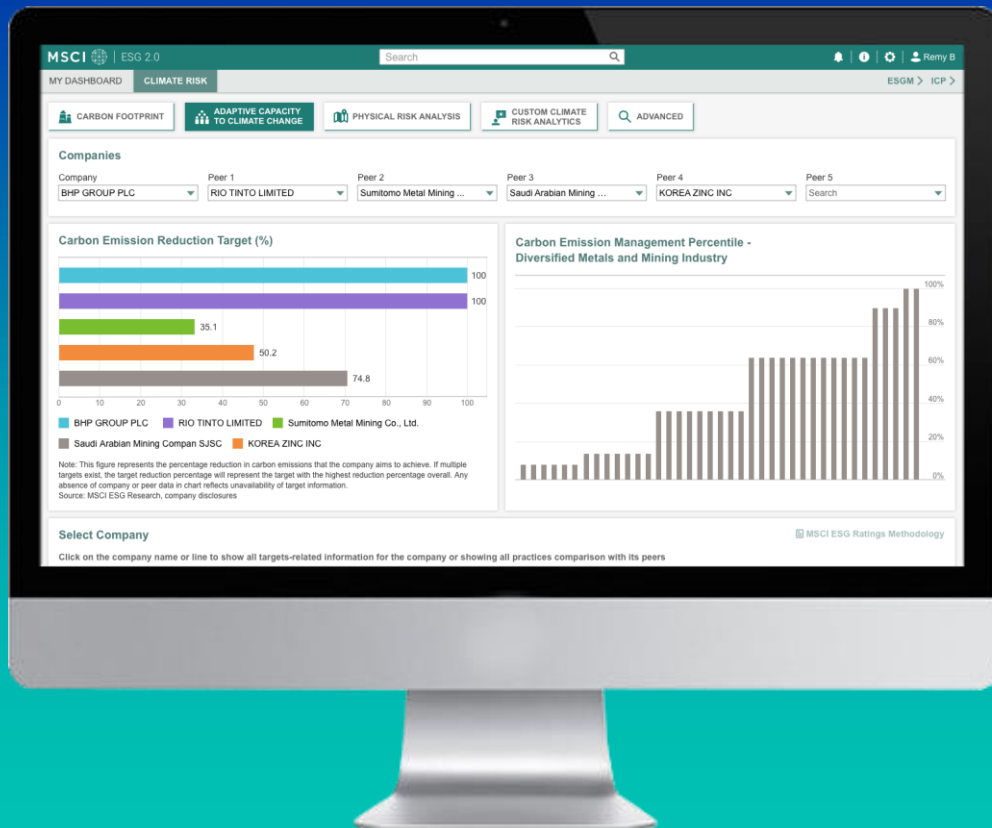
### Investment Analytics Solutions as a Service

MSCI Developer Portal  
MSCI APIs



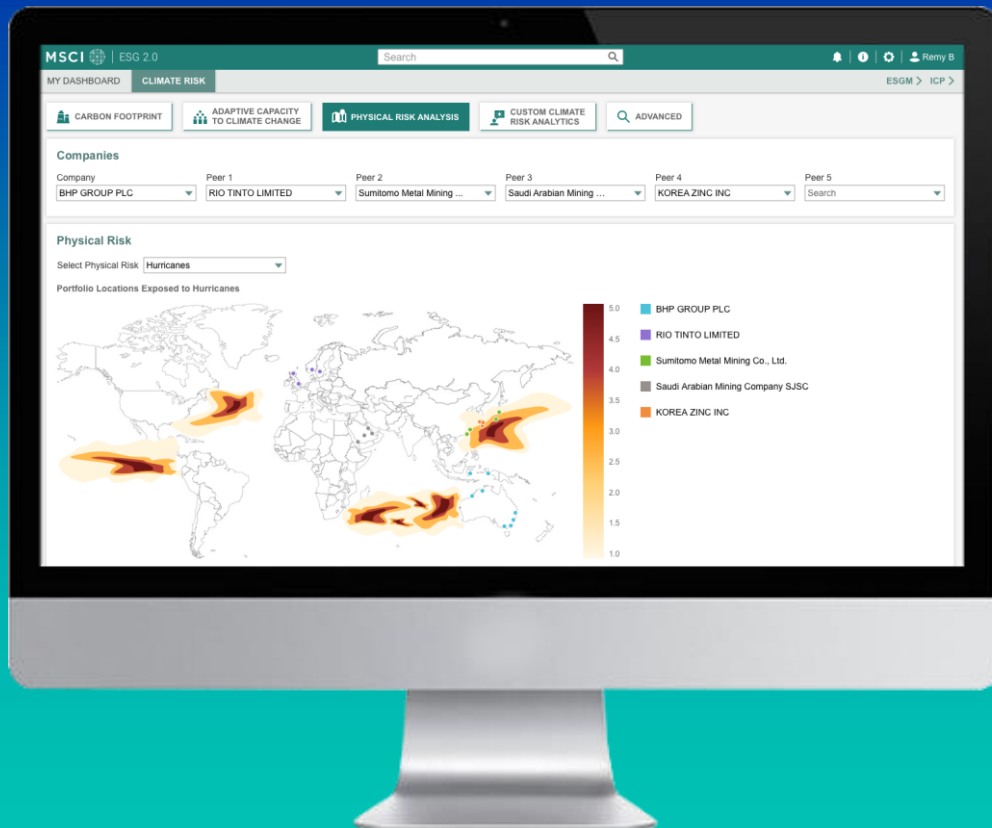
Running on the MSCI Investment Cloud Powered by Microsoft Azure

# Launching ESG as a Service with Advanced Climate Analytics



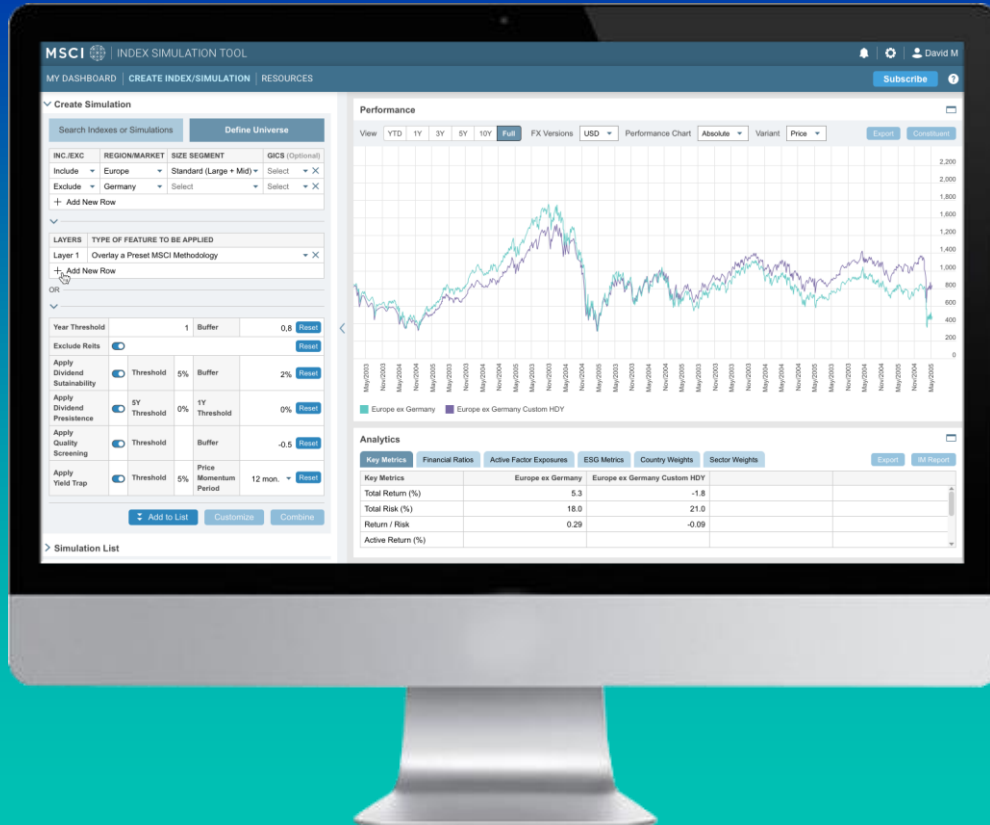
1. ESG and Climate analytics in the cloud, developed with Microsoft
2. Democratizing 4,000+ data points underlying all ESG solutions
3. Modern user experience new application, APIs and data
4. Intuitive experience tailored for peer comparisons with deep analysis and insights on climate and risk assessment of a company

# Intuitive User Experience Blended with World's Leading ESG and Climate Analytics



1. Compare and drill down important climate metrics across companies or industries
2. Ability to create custom reports and visualizations
3. Modern search experience
4. Built on Azure PowerBI platform and mapping services

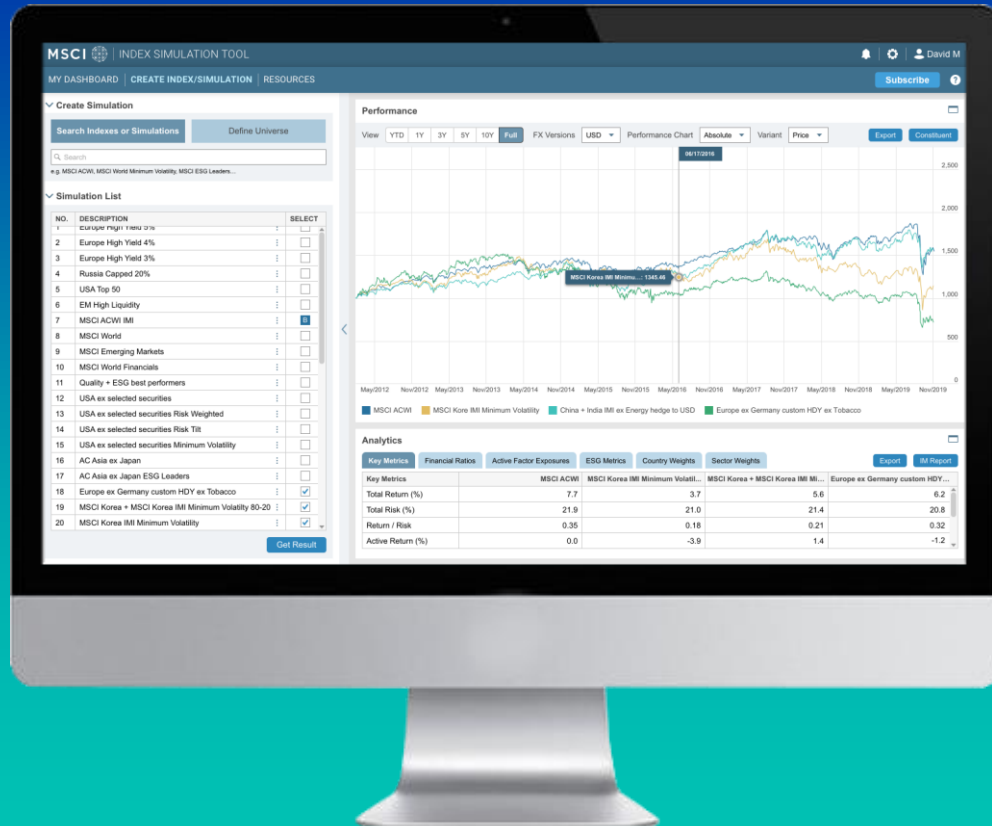
# Launching Indexing as a Service Powering Millions of Indexes



## The Power of the MSCI Index Platform at your Fingertips...

1. Hyper scale, deep customization, speed and depth of analytics
2. One-click from ideation to production, delivered to your systems with our MSCI APIs
3. Fast back-testing scenarios to fine-tune indexes in a tight feedback loop
4. Minutes from hypotheses to a new index using our best of breed research and methodologies

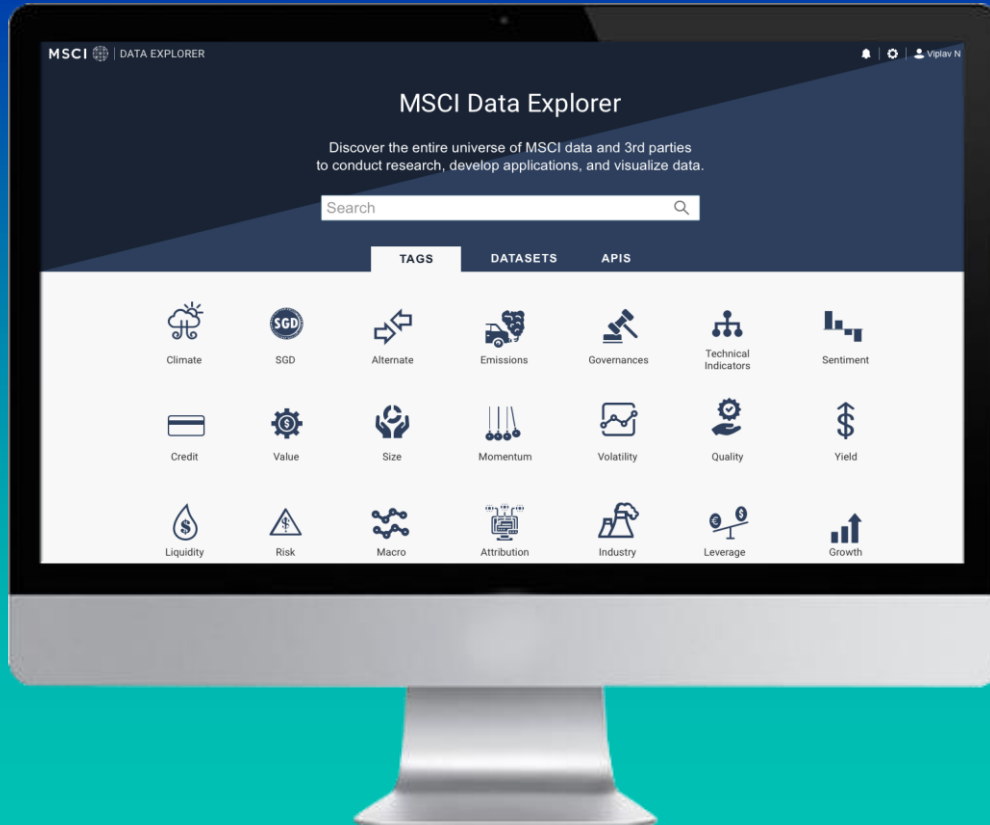
# A Seamless Index Construction Experience for Better Financial Products



## ...Solving for the Mass Customization of Our Industry

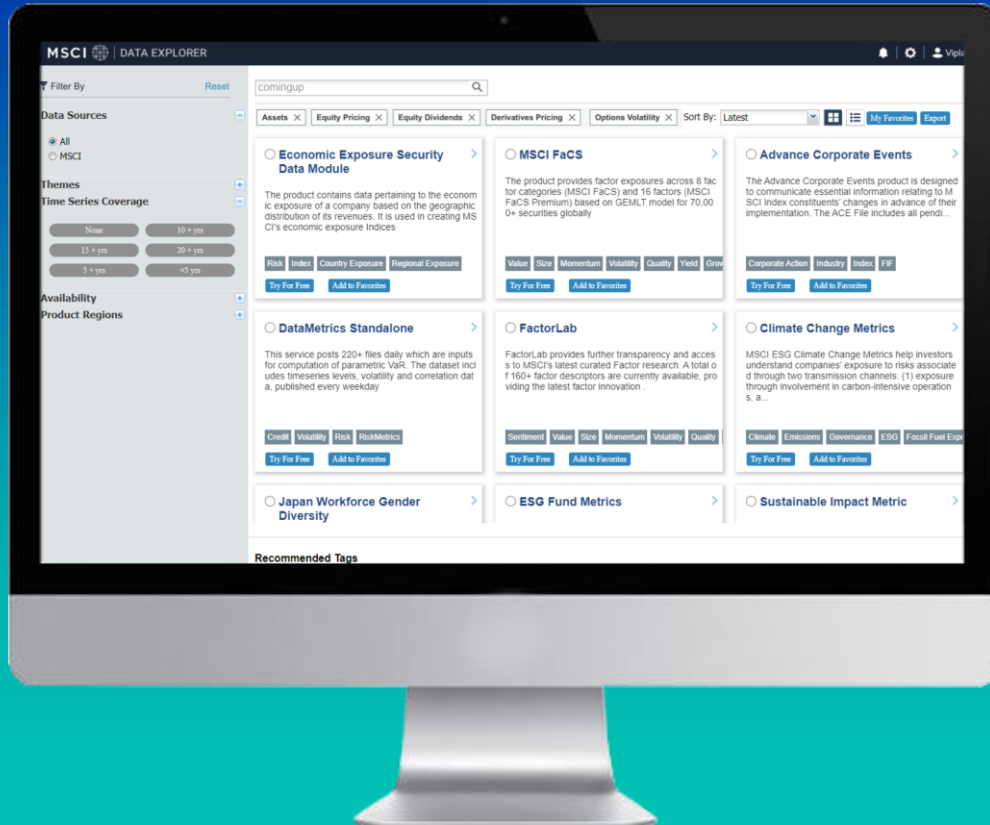
1. Over 50 years of MSCI experience and IP for your index construction process
2. Create, back-test, customize, order, productionize and receive daily delivery with best quality industry standards of the industry
3. Our platform is your platform with direct access to the full depth and breadth of MSCI's Index Research
4. Compare personalized Index performance with standard benchmarks and analytics to build better products

# Launching MSCI Data Explorer and MSCI Data Lake



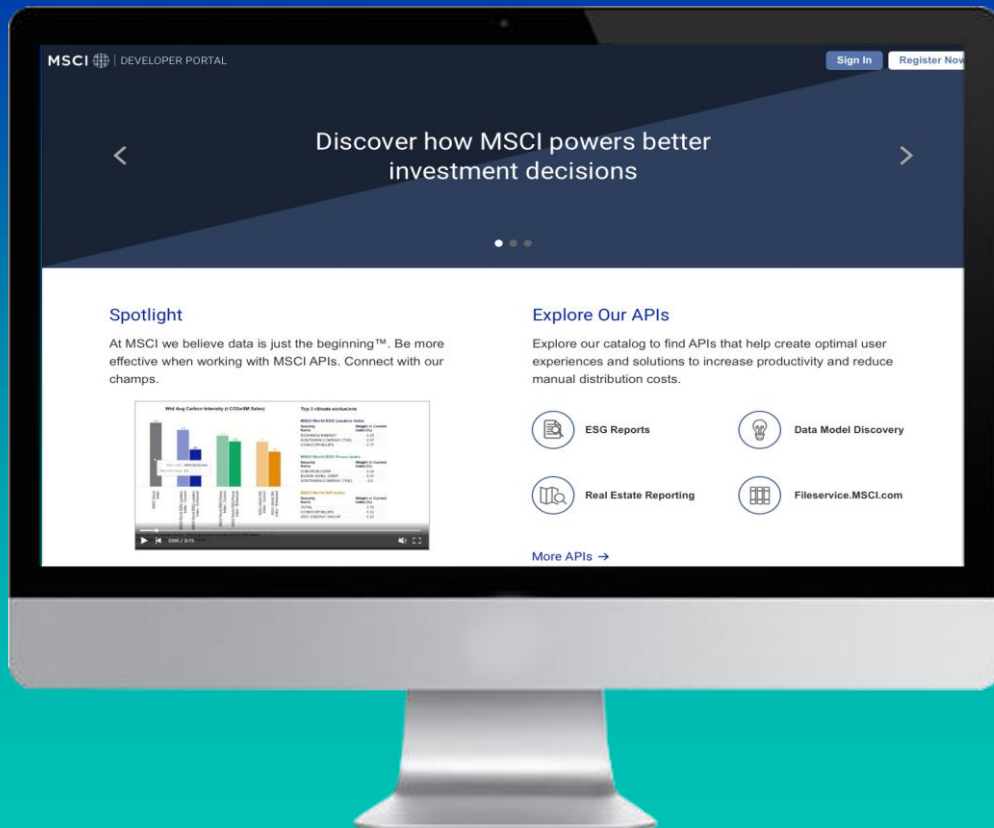
1. Rich and extensive datasets at your fingertips
2. Curated by hundreds of data scientists, analysts and quantitative researchers and leading technologists
3. Easy access to search, explore, test, purchase and integrate datasets
4. Expose MSCI data that powers our Index, ESG, Analytics and Real Estate products

# Democratizing 50 Years of MSCI Data, Models and IP



1. One-stop and open access to MSCI's unique repository of curated, proprietary or partners' datasets
2. Modern search experience to easily find data with previews, trials and extensive documentation
3. Includes multiple levels of core datasets such as entity, company, instrument, country and market
4. Augmented with new datasets such as extensive asset location data, interest rate curves, single security analytics and volatility surfaces

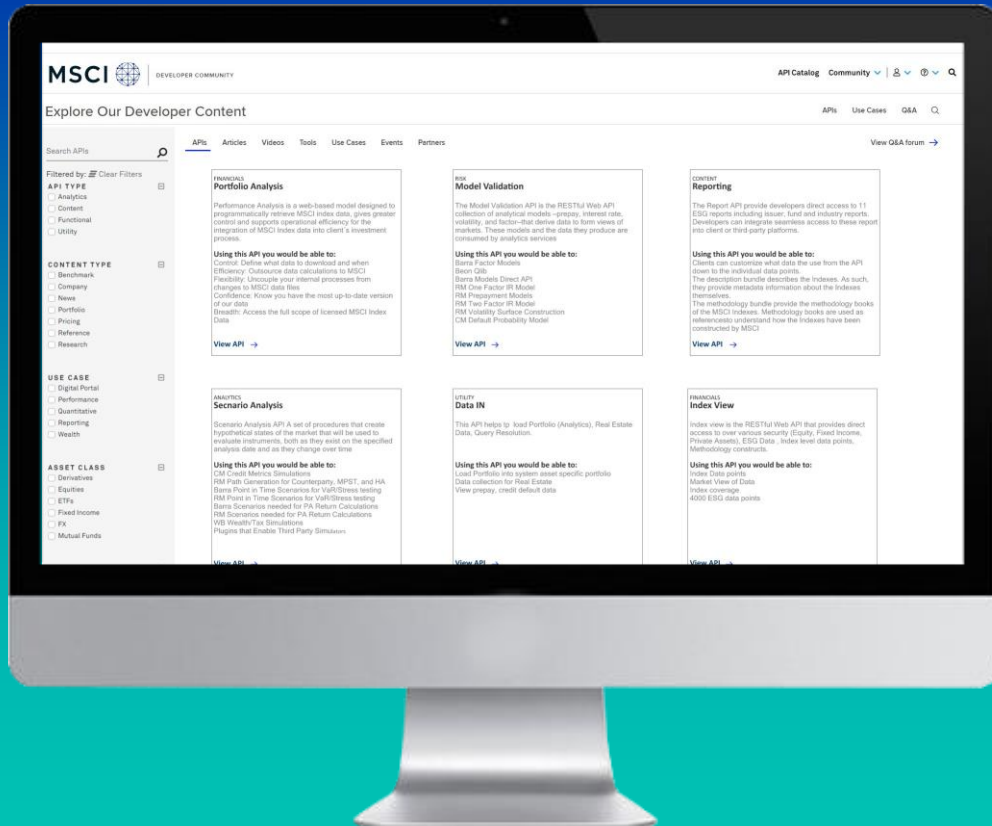
# Launching MSCI Developer Portal and APIs: Open Investment Architecture



1. Direct access to MSCI's Analytics services for risk, performance, ESG, Real Estate, Index
2. Modern Developer Portal to explore our APIs and open architecture through samples, documentation and a built-in sandbox to test new innovative ideas
3. Create your own investment applications or easily integrate your system with our open SaaS architecture
4. Scalable and secure across full range of use cases



# One Stop for Everything MSCI for Developers and Researchers



1. Fine-grained access to broad suite of services across Analytics, Index, ESG and Real Estate
2. Modular components make it easy to integrate and build new MSCI products, develop new partnerships or deeply integrate with a customer's system
3. Enable deeper insights into our customer's usage and intent
4. Evolve our "as a Service" offerings to enable a tier with usage-based pricing, leading to new avenues of growth

# Key Takeaways

01

Today, MSCI offers clients **mission-critical data and technology capabilities** focused on quality, reliability and scale

02

To power the next wave of growth, we will convert our data and technology capabilities to **deliver MSCI “as a Service”**

03

**The first four “as a service” offerings will be available in 2021** with many more to follow

04

Powering MSCI Investment Solutions as a Service in deep collaboration with **Microsoft**



# Powering Compounding Returns



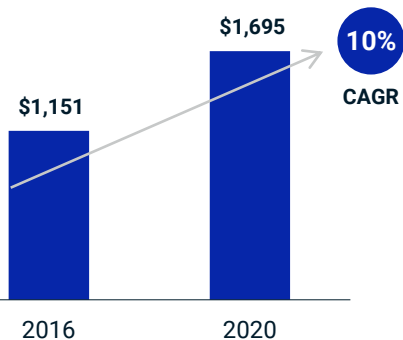
**ANDY WIECHMANN**  
CHIEF FINANCIAL OFFICER

# Key Messages: Powering Compounding Returns

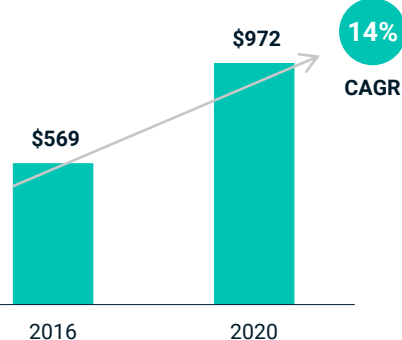
- 01 Extending exceptional track record of **financial execution and value creation**
- 02 Executing disciplined capital allocation strategy **focused on Triple Crown opportunities** to drive sustainable and significant long-term growth
- 03 New 2021 effective tax rate guidance; reaffirming all other guidance for 2021, and refining long term targets to **capitalize on the massive opportunities through enhanced investment**

# Exceptional Track Record of Financial Execution

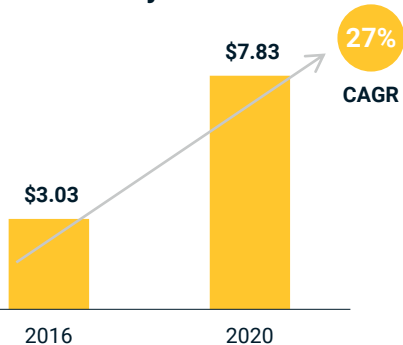
Revenue (\$M)



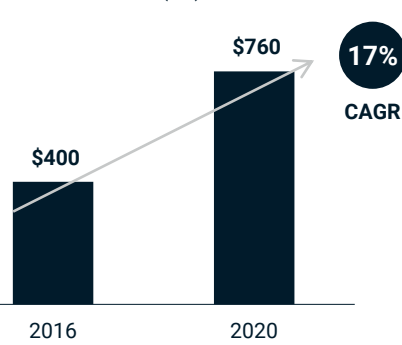
Adj. EBITDA (\$M)



Adj. EPS



FCF (\$M)



MSCI Total Shareholder Return

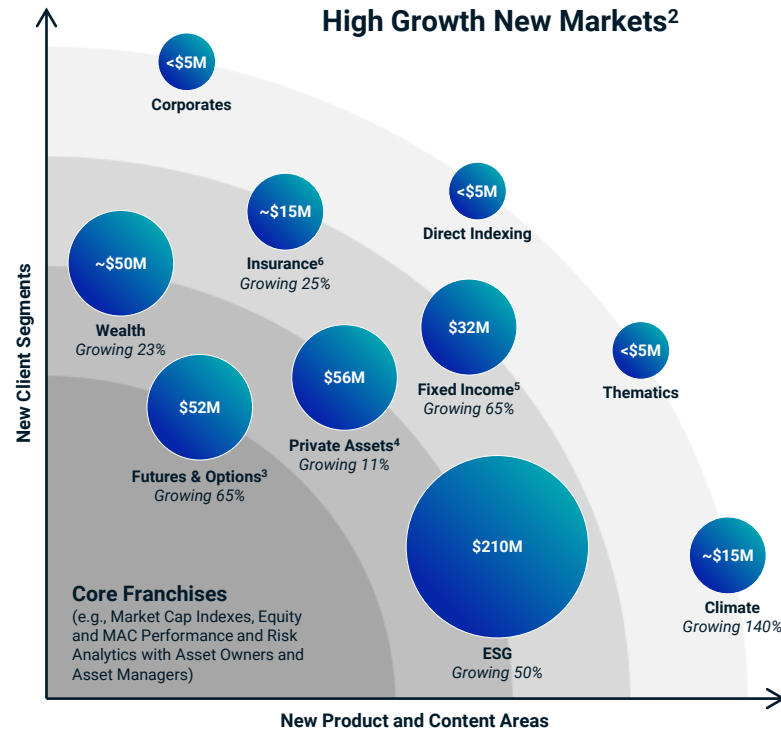


# Rapidly Adding New Layers of Growth in Enormous Addressable Markets

## Index for Every Portfolio



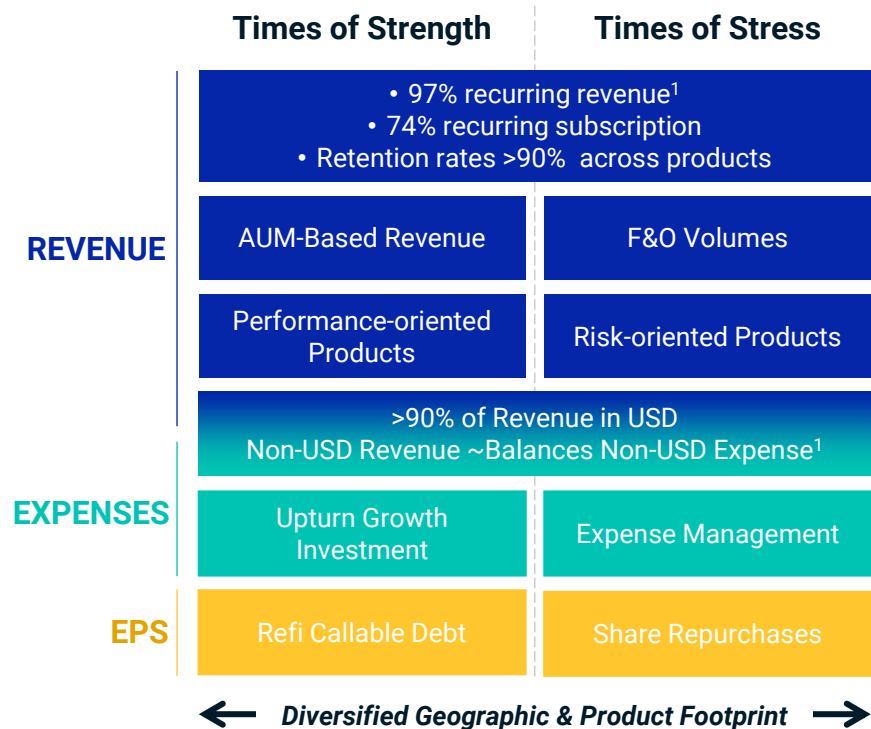
## Tools for Every Investment Decision



## An Index for Every Portfolio and Tools for Every Investment Decision

<sup>1</sup> Based on Company assumptions and multiple third-party reports; <sup>2</sup> Dollar figures represent run rate as of 12/31/2020; <sup>3</sup> Listed only; <sup>4</sup> Excluding Burgiss; <sup>5</sup> Excludes Analytics ERP Benefits. Run Rate totals may include overlap between different client segments. <sup>6</sup> Excludes amounts from Asset Manager and Asset Owner affiliates of Insurance companies.

# Positioned to Succeed in All Markets



## Upturn / Downturn Investing Levers

		Approx. Annual Impact of 10% Flex <sup>2</sup>
Upturn Priorities	<b>Self-Adjusting</b> Metric-based Annual Incentives Plans	+/- \$10M
	<b>Pacing of Investments</b> Reprioritization, Pace of Hiring Headcount Optimization	+/- \$15M
Downturn Priorities	<b>Mostly Discretionary</b> Discretionary Bonus Pools	+/- \$15M
	T&E	
	Training	
	Professional Fees Marketing Delayed Hiring	

# EXECUTING DISCIPLINED CAPITAL ALLOCATION STRATEGY



# Owner-Operator Culture with Extreme Capital Allocation Discipline

## Performance Culture with OneMSCI Mindset

### Significant MSCI Ownership

2.4M shares held by management<sup>1</sup> and Board of Directors

### Shareholder Alignment

LTIP tied to share price performance

### Performance-driven Compensation

Annual cash bonus directly tied to key financial and operating metrics

## Capital Allocation Grounded in Value Creation

- 1 Optimize Capital Structure**
  - Lower cost of capital
  - Optimize equity returns
  - Preserve flexibility
- 2 Maximize Organic Investment**
  - Triple Crown process to optimize returns on organic investments
- 3 Discipline of Capital Return**
  - Steady and growing return of cash through dividend
  - Meaningful returns while preserving capital
- 4 Opportunistically Repurchase Shares and Pursue Strategic MP&A Accelerators**
  - Rigorous process ground in maximizing returns

### Policy / Result

**3.0x – 3.5x Gross Debt / LTM EBITDA**

**~\$160M of Annual Expenditures in Change the Business**

**Quarterly Dividend 40% - 50% of Adj. EPS**

**>\$3.9B of Repurchases with Average IRR >40%**  
*(Since 2012)*

# Strong and Flexible Balance Sheet

## Total Cash<sup>1</sup> and Debt<sup>2</sup> (\$M, 12/31/2020)

Total Cash **\$1,301**

Total Debt **\$3,367**

Net Debt **\$2,066**

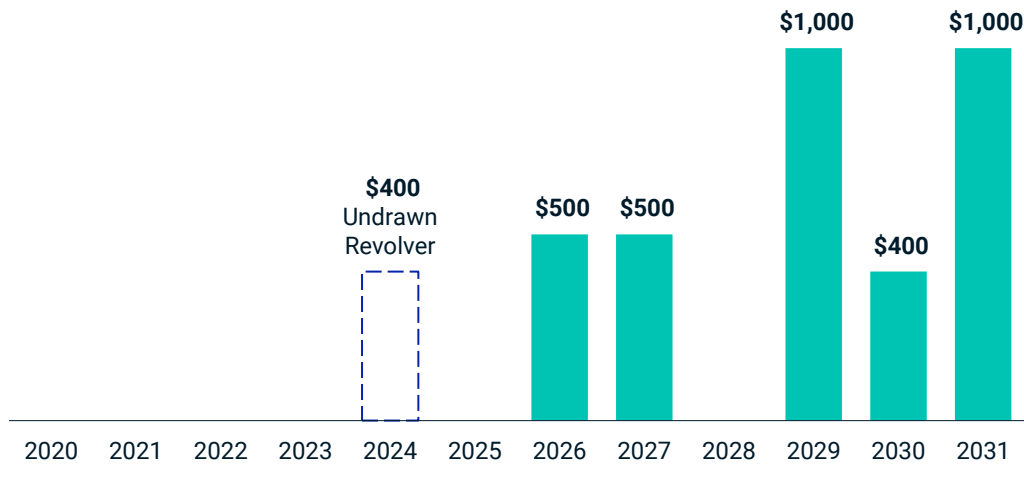
Total Debt/ TTM<sup>3</sup> Adj. EBITDA **3.5x**

Net Debt/ TTM<sup>3</sup> EBITDA **2.1x**

**3.0x – 3.5x**

Target Leverage Ratio  
(Total Debt/Adj. EBITDA)

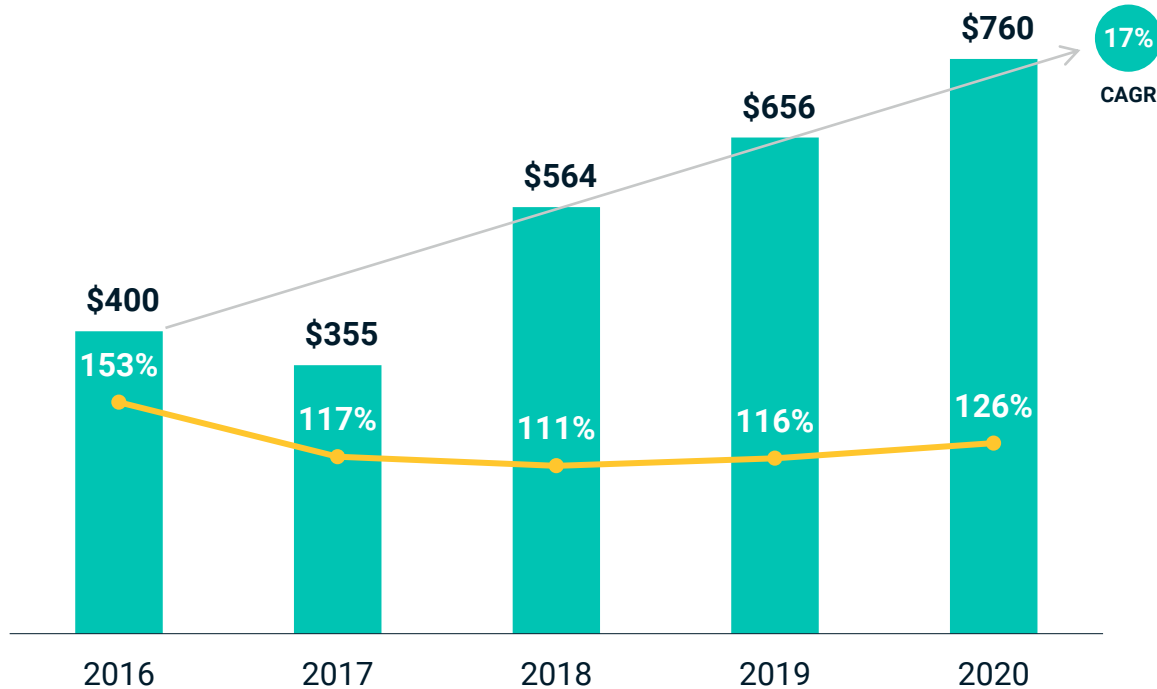
## Debt Maturity Schedule (\$M)



- Strong balance sheet provides optionality; next maturity not until 2026
- No interest rate exposure (entirely fixed rate debt)
- Remaining capital returned to shareholders through dividends and opportunistic share repurchases

# Intense Focus on Free Cash Flow as Engine for Value Creation

## FCF (\$M) & FCF / NI Conversion (%)

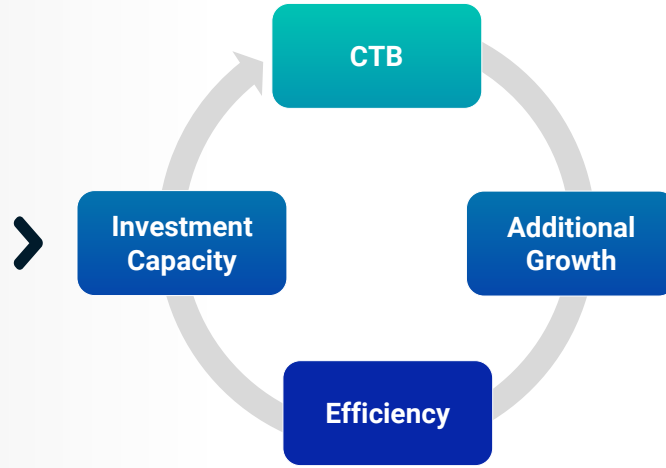
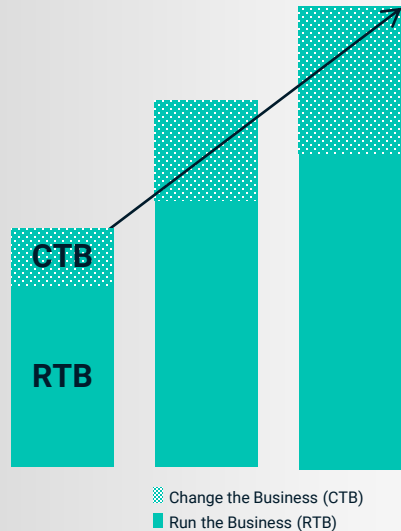


## Commentary

- Strong track record of cash conversion >100%, driven by robust operating model
- Proactive working capital management across collections and payables
- Intense focus on expense management
- Attractive client payment terms
- Cash flows enable flexibility and funding of growth initiatives

# Capitalizing on Highly Attractive Investment Opportunities

## Internal Capital Allocation



## Internal Capital Allocation Priorities

- Maximize Change the Business investments
- Create additional investment capacity by driving efficiencies
- Ensure effective execution

## Triple Crown Criteria for CTB

Rigorous metric-driven approach to allocate capital across different business areas



### High Returns

Projects must have a high return (ROI)



### Quick Payback <3 Years

Earlier payback preferred



### Strong Valuation

Prefer investments with greater impact to MSCI's valuation (segment multiple) with a particular focus on sustainability

# Highly Strategic Change the Business Investments Driving Growth

## 2021 CTB Investment Profile: ~\$160M

### Efficiencies

\$25M (~15%)

Cost avoidance, repurposing and productivity gains. Examples:

- Cloud migration
- Streamline technology development
- Data process improvements

### Enhancements

\$90M (~55%)

Expand existing products and capabilities to accelerate growth. Examples:

- Innovative Factors, ESG & Thematic Indexes
- ESG securities coverage expansion
- Expanding Futures and options

### New Growth

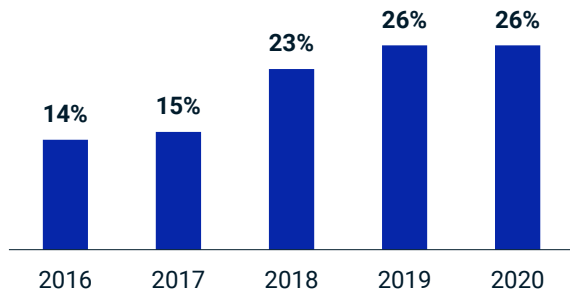
\$45M (~30%)

Drive new business capabilities through new products and services. Examples:

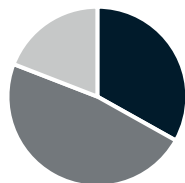
- Index 2.0 platform and infrastructure
- Climate and corporates client segments
- Fixed income Indexes and ESG

### ROIC

Owner-operator Culture Fosters Intense Focus on ROIC and Value Creation



### 2021 Investments



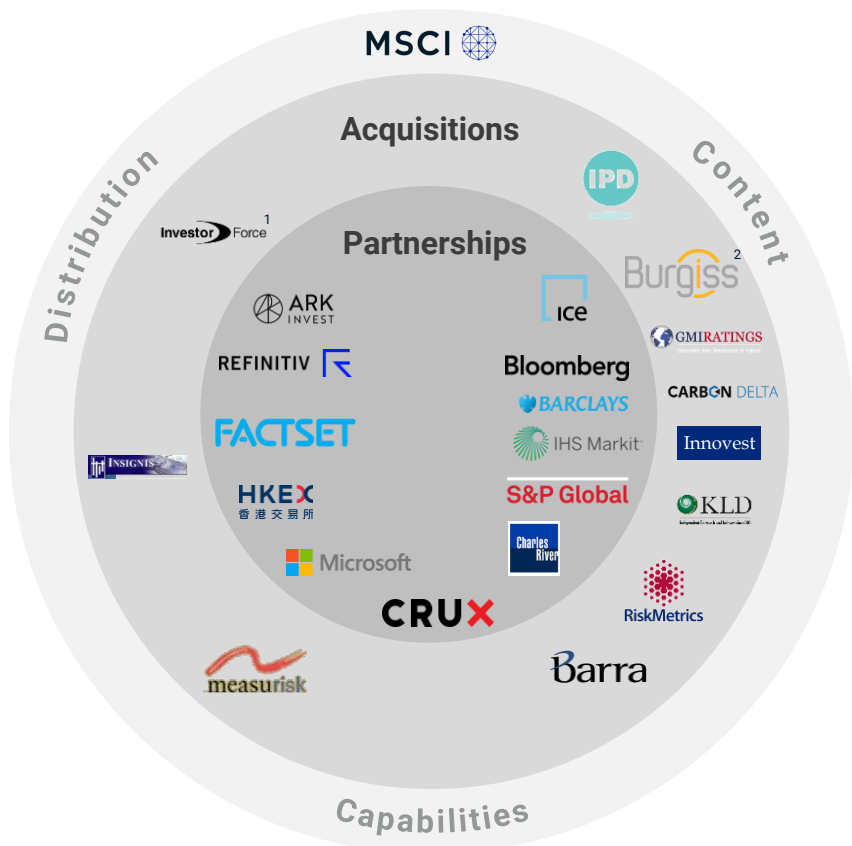
- Client Solutions
- Content
- Technology

### 2021 New Growth Investments






- New Growth
- Enhancing Existing
- Efficiencies
- Index Platform
- Analytics Platform
- Client Segments
- Other
- Fixed Income
- ESG & Climate
- Private Assets

# MP&A is a Powerful Accelerator and Value Creator



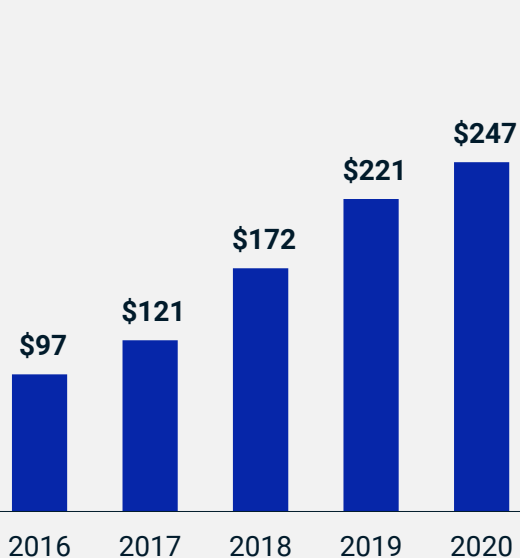
Target + MSCI  = Unlocked Value

	Content / Capability	Outcome
<b>Acquisitions</b>		
 KLD 2010  RiskMetrics  Innovest	<ul style="list-style-type: none"> <li>• MAC performance and risk</li> <li>• ESG research</li> </ul>	<ul style="list-style-type: none"> <li>• MAC capability</li> <li>• Foundation of ESG franchise</li> </ul>
 GMRATINGS 2014	<ul style="list-style-type: none"> <li>• Governance research and data</li> </ul>	<ul style="list-style-type: none"> <li>• “G” pillar of ESG offering</li> </ul>
 INSIGNIS 2015	<ul style="list-style-type: none"> <li>• Client data aggregation</li> </ul>	<ul style="list-style-type: none"> <li>• Streamlined client onboarding</li> <li>• Expanded data mgmt. service</li> </ul>
 CARBGN DELTA 2019	<ul style="list-style-type: none"> <li>• CVaR</li> </ul>	<ul style="list-style-type: none"> <li>• Rapid growth across MSCI clients</li> </ul>
<b>Partnerships</b>		
 Bloomberg  BARCLAYS Since 2012	<ul style="list-style-type: none"> <li>• Leading fixed income indexes</li> </ul>	<ul style="list-style-type: none"> <li>• More than doubled to \$17B of AUM YoY</li> </ul>
 IHS Markt Since 2016	<ul style="list-style-type: none"> <li>• Liquidity data</li> <li>• Leading credit indexes</li> <li>• Order management</li> </ul>	<ul style="list-style-type: none"> <li>• Strong growth for liquidity analytics</li> <li>• Launched family of ESG indices</li> </ul>

<sup>1</sup> InvestorForce divested in October 2018; <sup>2</sup> MSCI acquired an equity method investment Burgiss in January 2020

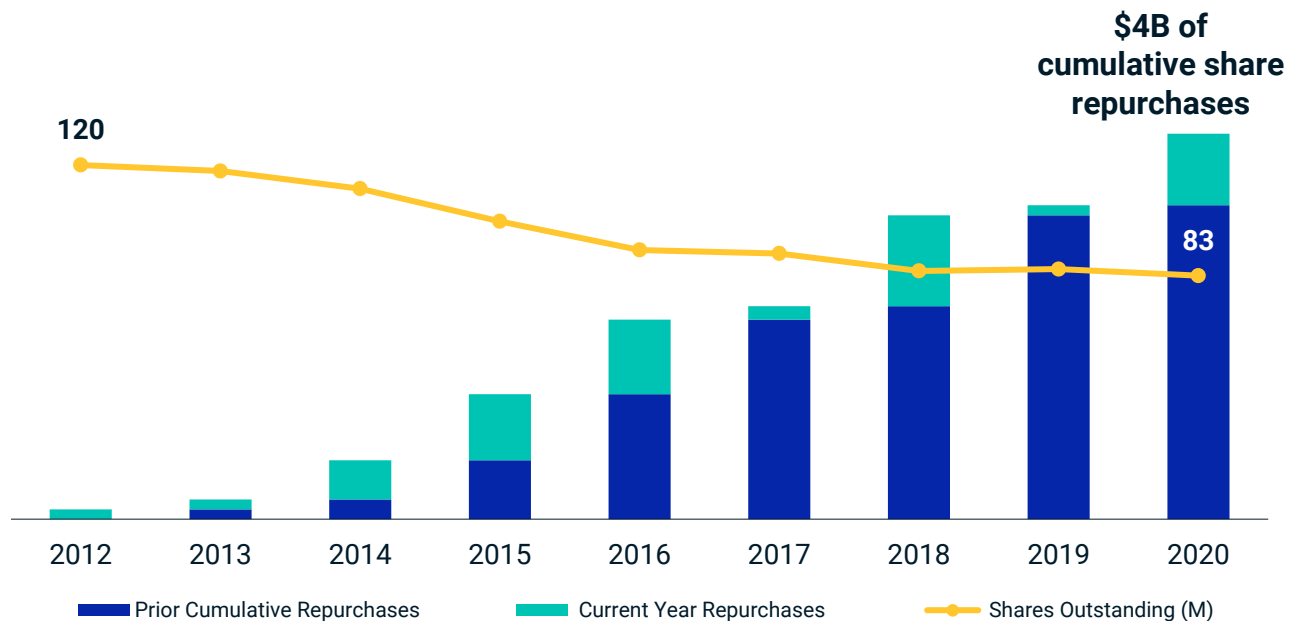
# Extreme Capital Allocation Discipline Optimizes Returns on Excess Capital

## Dividends (\$M)



- Meaningful dividend with strong historical growth
- Payout target of 40% – 50% of Adj. EPS

## Share Repurchases (\$M, Except Period-end Shares)



**Opportunistic Share Repurchases** Capitalizes on Attractive Values and Volatility

**>40% IRR** on \$4B of Share Repurchases since 2012

# CAPITALIZING ON MASSIVE OPPORTUNITIES THROUGH ENHANCED INVESTMENT



# New 2021 Effective Tax Rate Guidance: Reaffirming All Other Guidance for 2021

METRIC	RANGE
Operating Expense	\$870M – \$895M
Adj. EBITDA Expense	\$780M – \$800M
Interest Expense <sup>1</sup>	~\$150M
D&A Expense	\$90M – \$95M
Effective Tax Rate	16% - 19% (vs. 17.5% – 20.5% prior)
Capital Expenditures	\$50M – \$60M
Net Cash for Operating Activities	\$845M – \$885M
Free Cash Flow	\$785M – \$835M

## COMMENTARY

- Trending towards high end of expense guidance given YTD increases in AUM
- Expect seasonally high Q1 expenses

# Updated Long-term Targets

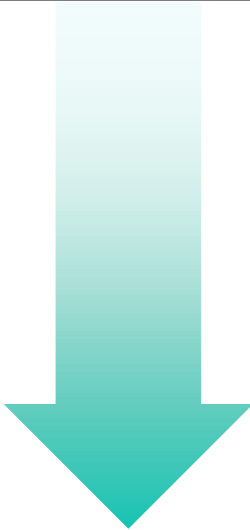
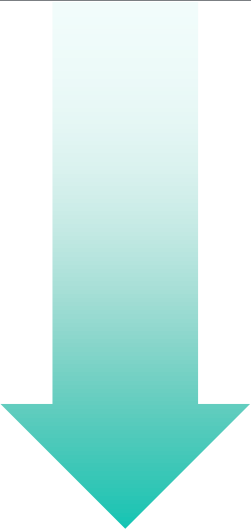
Index

Analytics

ESG & Climate

Real Estate

MSCI

	Revenue Growth Rate <sup>1</sup>	Adj. EBITDA Expense Growth Rate	Adj. EBITDA Growth Rate	Adj. EBITDA Margin %
	Low Double Digit	Low Double Digit		
	High Single Digit	Mid Single Digit		
	Mid to High 20s	Mid to High 20s		
	Mid Teens	Low Double Digit		
	Low Double Digit	<b>High Single Digit to Low Double Digit</b>	<b>Low to Mid Teens</b>	<b>High 50s</b>

# Key Takeaways

01

**Extending exceptional track record of financial execution and value creation**

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02

**Executing disciplined capital allocation strategy**

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03

**Capitalizing on the massive opportunities**



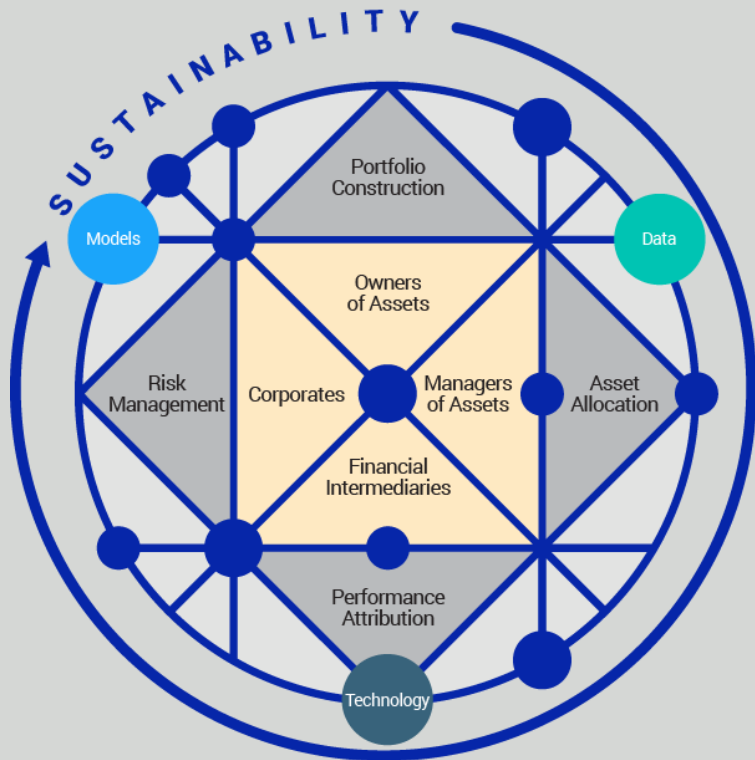
# Invest in MSCI · Change the World



**HENRY FERNANDEZ**

CHAIRMAN & CHIEF EXECUTIVE OFFICER

# Invest in MSCI · Change the World



01

**Extremely well-positioned** to help investors navigate a complex and transforming investment world

02

**Powerful capabilities and solutions** to meet investors' needs to build better portfolios for a better world

03

The **people, culture and track record** to execute well and deliver compounding returns

04

**Invest in MSCI · Change the World**

# Q&A Session

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To ask a question please use the Q&A feature located on the webcast OR email [investorrelations@msci.com](mailto:investorrelations@msci.com)

# Presenter Biographies

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# Speaker Biographies



## HENRY FERNANDEZ

### Chairman & Chief Executive Officer

As MSCI's Chairman and Chief Executive Officer, Henry Fernandez has led the firm for over two decades to its position today as a premier provider of indexes and portfolio construction and risk management tools, as well as Environmental, Social and Governance (ESG) data and research. MSCI is an S&P 500 company that is listed on the NYSE. It has revenues of over USD 1.6 billion and a market cap of over USD 30 billion. In 2019, Mr. Fernandez was one of 30 CEOs named in Barron's list of the World's Best CEOs.

Headquartered in New York, and with offices in more than 30 cities across more than 20 countries, MSCI is a central connecting point for the global investment industry. MSCI's clients are the world's largest investors, including pension funds, sovereign wealth funds, asset managers, mutual funds, ETF providers, hedge funds, and banks. The firm has pursued a successful growth strategy, both organically and through the acquisition of market-leading brands such as Barra and RiskMetrics, and by developing an integrated set of industry-standard offerings to meet the rapidly-changing needs of sophisticated global investors.

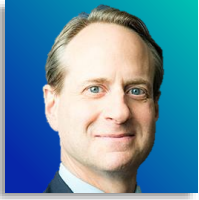
Prior to becoming CEO, Mr. Fernandez was a Managing Director at Morgan Stanley, where he worked in emerging markets business strategy, equity derivatives sales and trading, mergers and acquisitions, mortgage-backed securities and corporate finance. Prior to Morgan Stanley, he was President of private equity firm HispaniMedia, Inc. He also founded Ferco Partners, Inc., a private equity investment firm in Mexico and from 1976 to 1979 he was a diplomat in the Nicaraguan Embassy in Washington, DC.

Mr. Fernandez serves on the boards of directors/trustees of Royalty Pharma plc, Stanford University, King Abdullah University of Science and Technology, the Hoover Institution, the Memorial Sloan-Kettering Cancer Center, the Foreign Policy Association, and Catholic Charities of the Archdiocese of New York. Previously, he served on the boards of trustees at Georgetown University, The Trinity School, The Browning School, MexDer (Mexican Derivatives Exchange) and was Chair of the Advisory Council at the Stanford University Graduate School of Business.

Mr. Fernandez holds a Bachelor of Arts degree in Economics from Georgetown University, an MBA from Stanford University, and pursued doctoral studies in Economics at Princeton University. He was born in Mexico and grew up in Nicaragua. He lives in New York City with his wife and three children.



# Speaker Biographies



## **BAER PETTIT**

### **President & Chief Operating Officer**

Baer Pettit, as President and Chief Operating Officer of MSCI, oversees the company's day-to-day operations and leads MSCI's business functions, including client coverage, marketing, product management, research and product development, technology, data services and operations. He has been President since October 2017. Baer is the executive leader of the company's innovation initiative and serves as a member of MSCI's Executive Committee.

Baer joined MSCI in January 2000 as Head of European Client Coverage. From 2001 he was Global Head of Client Coverage and became Global Head of Marketing in 2006 through to 2012. From 2011 he was Global Head of Index, becoming Global Head of Products and Chief Operating Officer in 2015.

Prior to MSCI, Baer spent eight years at Bloomberg L.P., as Head of Bloomberg's European sales organization, where he ran their sales organization in France, Scandinavia and the U.K. Before this, Baer worked in Equity Derivatives at Barclays De Zoete Wedd and Morgan Stanley Asset Management.

Baer is both a U.S. and U.K. national and speaks French, German and some Dutch. He holds a Master of Arts degree in History from Trinity College, Cambridge University and a Master of Science degree from the School of Foreign Service at Georgetown University

# Speaker Biographies



## ANDY WIECHMANN

### Chief Financial Officer

As Chief Financial Officer, Andy C. Wiechmann, leads the company's global finance and investor relations functions, and partners with the heads of the Company's product lines and key functions to drive efficient financial management of the Company. He is a member of MSCI's Executive Committee.

Andy Wiechmann previously served as Chief Strategy Officer from May 2019 to October 2020, Head of Strategy and Corporate Development from July 2012 to March 2019, as Head of Investor Relations from December 2017 to March 2019 and Head of Financial Planning & Analysis from July 2015 to December 2017. In these roles, he has played an integral role in driving MSCI's most important strategic growth initiatives, overseeing M&A and partnership activities and managing the firm's capital structure, including helping to establish the leverage and dividend policies and overseeing share repurchase and financing activities.

While Andy formally joined MSCI in 2012, he has been a member of the MSCI family since 2006; beginning with his work on various potential acquisitions as well as MSCI's IPO while an investment banker at Morgan Stanley. Over the years, he has been a key member of our finance organization, performing numerous responsibilities and providing significant contributions to our ongoing transformation.

Prior to joining MSCI in 2012, Mr. Wiechmann was an investment banker at Morgan Stanley where he executed M&A and capital markets transactions for financial technology and specialty finance companies.

Mr. Wiechmann holds Bachelor of Arts degrees in Physics and Economics from Hamilton College

# Speaker Biographies



## DIANA TIDD

### Head of Index & Chief Responsibility Officer

Diana Tidd, as Head of Index, is responsible for all aspects of product management and business strategy for the MSCI indexes. Diana is a member of MSCI's Executive Committee. Diana joined MSCI in 1999. During her tenure, Diana has served in a variety of roles, including Head of Americas Client Coverage for six years. More recently, she was appointed MSCI's Chief Responsibility Officer, where Diana coordinates MSCI's Environmental, Social and Governance (ESG) strategy and activities. Diana is also chairperson of MSCI's Index Risk and Regulatory Committee and is an advisor to the Executive Diversity Council and the Employer Brand Council at MSCI. Diana co-founded in 2013, and now advises, MSCI's global Women's Leadership Forum. She was previously on the Company's 401K Committee.

Prior to MSCI, Diana worked at Brown Brothers Harriman & Co., for five years where she had roles in the Risk and European teams, before becoming Head of the Asia Team, in BBH's global custody division. Diana started her career in the Trust and Estates division of the Private Bank at Bankers Trust Co.

Mrs. Tidd serves on the Board of Directors of Women in ETFs US and of West Africa Village Education (WAVE). Diana previously served as Co-President of Women in ETFs (WE) for 2017 and 2018. In 2016, Diana was named by Money Management Executive as one of the Top Women in Asset Management.

Diana graduated with a Bachelor of Arts degree in Political Science from Colgate University and received a Master's degree in Latin American Studies from Stanford University.

# Speaker Biographies



## REMY BRIAND

### Head of ESG & Climate

Remy Briand, as Head of ESG & Climate, is responsible for MSCI's ESG (environmental, social and governance) ratings products. He is a member of the firm's Executive Committee.

Remy Briand has been leading MSCI ESG Research since its creation in 2010. Remy also served until February 2017 as global head of research for MSCI where he led a team of 150 researchers designing indexes, analytics and risk models for institutional investors. As head of index research for 10 years, he managed the expansion of the MSCI Global Indexes to cover 80 developed, emerging and frontier markets. He also initiated and led the development of MSCI's market-leading factor indexes.

Mr. Briand joined MSCI in 2001 from Credit Lyonnais Asset Management, where he was equity portfolio manager and head of research. He began his career as a private equity analyst at Credit Lyonnais.

Over his 27-year career as an investor, researcher and business leader, Remy has gained unique insights on topics such as global investing, emerging markets, sustainable investment and financial innovation. He regularly shares his views at industry conferences and with financial news media.

Remy holds a Master of Science degree in Computer Sciences from INSA (Lyon) and an MBA from HEC (Paris).

# Speaker Biographies



## **JORGE MINA** **Head of Analytics**

Jorge Mina, as Head of Analytics, is responsible for MSCI's equity and multi-asset class risk and portfolio management products. He is a member of the firm's Executive Committee. Jorge is also Chair of MSCI's Executive Diversity Council.

Prior to his current role, Jorge served as Head of Analytics for the Americas since 2015. He joined MSCI in 2010, following MSCI's acquisition of RiskMetrics and served as a managing director of Risk Management Analytics from 2010 to 2015. Prior to joining MSCI, Jorge was a founding member at RiskMetrics Group where he served in a variety of roles, including co-head of the RiskMetrics Business and Head of Research.

Jorge holds a Bachelor of Arts degree in Actuarial Sciences from the Instituto Tecnológico Autónomo de México and a Master's in Financial Mathematics from the University of Chicago.



## **ALVISE MUNARI** **Global Head of Client Coverage**

Alvis Munari is the Global Head of Client Coverage at MSCI. He is responsible for overseeing MSCI's sales, client relationship management and client service teams globally. He is also a member of MSCI's Executive Committee as well as Chairman of the EMEA region. Prior to his current role, he served as the Head of Client Coverage for EMEA since 2015.

Before joining MSCI, Alvis worked at Morgan Stanley on the sell-side, as Global Head of Equity Derivatives sales and Financial Engineering. He has also held senior positions at Merrill Lynch and Goldman Sachs.

Alvis holds a DPhil. in Mathematics from Oxford University and an undergraduate degree in Economics and Mathematics from the London School of Economics. He was also a post-doctoral fellow in the mathematical laboratories at the École Polytechnique.

# Speaker Biographies



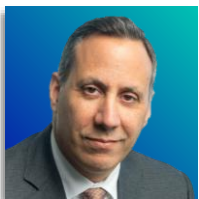
## JIGAR THAKKAR

### Chief Technology Officer & Head Of Engineering

Mr. Thakkar has served as Chief Technology Officer and Head of Engineering since July 2018. In this role, he is responsible for overseeing the company's engineering technology services, development and data science operations.

Prior to joining MSCI, he served as Corporate Vice President at Microsoft from 2017 to 2018, leading software engineering for Microsoft Teams and Skype for Business. Prior to that, he served as a Partner Director of Engineering from 2012 to 2017. During his 19-year tenure at Microsoft, he built large-scale products and served in various leadership positions within the Office 365, Dynamics CRM, Bing, Windows and MSN divisions.

He holds a Master of Science in Electrical Engineering from the University of Southern California and a Bachelor of Science in Electronics Engineering from the Maharaja Sayajirao University of Baroda in India.



## PETER ZANGARI

### Global Head of Research & Product Development

Peter Zangari, as Global Head of Research and Product Development, sets MSCI's research agenda and drives integration of research into MSCI's products and services to deliver innovative solutions to investment problems. He is a member of the Executive Committee.

Prior to this, Peter served as Head of Analytics at MSCI, responsible for its equity and multi-asset class risk and portfolio management products, and was Head of Equity Portfolio Management Analytics before that. Prior to joining MSCI, Peter held progressively senior-level positions at Goldman Sachs, most recently as the Head of Risk and a member of the leadership team for the Quantitative Investment Strategies ("QIS") business of Goldman Sachs Asset Management ("GSAM"). Prior to joining QIS, Peter was responsible for building out and managing GSAM's proprietary equity risk and attribution platform.

Peter began his career at JP Morgan in the RiskMetrics and company-wide Risk groups, where he conducted extensive research in the areas of market and credit risk. He is one of the original members of RiskMetrics and his work in this area has been widely published.

Peter has a Bachelor of Arts degree in Economics from Fordham University and a PhD in economics, with a specialization in applied Econometrics and Computational Statistics, from Rutgers University.

# Speaker Biographies



## **JAY MCNAMARA** **President, Burgiss**

As President and Global Head of Client Coverage, Jay McNamara is responsible for overseeing sales, marketing, client service and relationship management and leading Burgiss' overall strategy for business development.

Before joining Burgiss in 2020, Jay was the Head of Real Estate at MSCI, where he was responsible for all aspects of product management and business strategy for the MSCI Real Estate product line. Prior to that, Jay was Head of Americas Client Coverage and Global Head of Asset Owners and Investment Consultant Coverage. He was also a member of MSCI's Firm-wide Executive Committee.

Prior to MSCI, Jay held a series of sales and relationship management roles at Brown Brothers Harriman & Co. in Boston, Hong Kong SAR and New York.

Jay holds a Bachelor of Arts degree in Economics and Political Science from the College of the Holy Cross.

Previously he served as Chairman of the Explore Schools' Board of Trustees, a network of high-performing public charter schools in Central Brooklyn.

# Speaker Biographies



## SALLI SCHWARTZ

### Head of Investor Relations and Treasurer

As Head of Investor Relations and Treasurer, Salli oversees MSCI's relationships with its equity and debt investors, sell-side analysts, rating agencies and partner banks, and executes the company's financing, cash management and capital allocation activities. Salli serves as a member of MSCI's Corporate Responsibility Committee, Enterprise Risk Oversight Committee and Investment Committee.

Prior to MSCI, Salli spent over 12 years with Moody's Corporation, most recently as Global Head of Strategic Capital Management and Treasurer. She previously served as Treasurer and as Global Head of Investor Relations and Communications, as well as on Moody's Corporate Development team. Prior to joining Moody's, Ms. Schwartz held positions in corporate strategy, corporate treasury and financial planning & analysis with Citigroup. She has also held investment banking and merchant banking positions with Legg Mason.

Salli previously served as a board director and chair of the Audit Committee of the National Academy Foundation (NAF), a non-profit organization. Ms. Schwartz has an MBA from Cornell University and a Bachelor of Arts degree from the University of Pennsylvania, both with distinction.



# Appendix

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# Use of Non-GAAP Financial Measures

MSCI has presented supplemental non-GAAP financial measures as part of this presentation. Reconciliations are provided in the following slides that reconcile each non-GAAP financial measure with the most comparable GAAP measure. The non-GAAP financial measures presented in this earnings presentation should not be considered as alternative measures for the most directly comparable GAAP financial measures. The non-GAAP financial measures presented in this earnings presentation are used by management to monitor the financial performance of the business, inform business decision-making and forecast future results.

"Adjusted EBITDA" is defined as net income before (1) provision for income taxes, (2) other expense (income), net, (3) depreciation and amortization of property, equipment and leasehold improvements, (4) amortization of intangible assets and, at times, (5) certain other transactions or adjustments, including the impact related to the vesting of the multi-year restricted stock units subject to performance payout adjustments granted in 2016 (the "Multi-Year PSUs").

"Adjusted EBITDA expenses" is defined as operating expenses less depreciation and amortization of property, equipment and leasehold improvements and amortization of intangible assets and, at times, certain other transactions or adjustments, including the impact related to the vesting of the Multi-Year PSUs.

"Adjusted net income" and "adjusted EPS" are defined as net income and diluted EPS, respectively, before the after-tax impact of the amortization of acquired intangible assets, including the amortization of the basis difference between the cost of the equity method investment and MSCI's share of the net assets of the investee at historical carrying value, the impact of divestitures, the impact of adjustments for the Tax Cuts and Jobs Act that was enacted on December 22, 2017 ("Tax Reform"), except for certain amounts associated with active tax planning implemented as a result of Tax Reform, and, at times, certain other transactions or adjustments, including the impact related to the vesting of the Multi-Year PSUs and costs associated with debt extinguishment.

"Adjusted tax rate" is defined as the effective tax rate excluding the impact of Tax Reform adjustments (except for certain amounts associated with active tax planning implemented as a result of Tax Reform) and the impact related to the vesting of the Multi-Year PSUs.

"Capex" is defined as capital expenditures plus capitalized software development costs.

"Free cash flow" is defined as net cash provided by operating activities, less Capex.

"Organic operating revenue growth" is defined as operating revenue growth compared to the prior year period excluding the impact of acquired businesses, divested businesses and foreign currency exchange rate fluctuations.

Asset-based fees ex-FX does not adjust for the impact from foreign currency exchange rate fluctuations on the underlying AUM.

We believe adjusted EBITDA and adjusted EBITDA expenses are meaningful measures of the operating performance of MSCI because they adjust for significant one-time, unusual or non-recurring items as well as eliminate the accounting effects of certain capital spending and acquisitions that do not directly affect what management considers to be our ongoing operating performance in the period.

We believe adjusted net income and adjusted EPS are meaningful measures of the performance of MSCI because they adjust for the after-tax impact of significant one-time, unusual or non-recurring items as well as eliminate the impact of any transactions that do not directly affect what management considers to be our ongoing operating performance in the period. We also exclude the after-tax impact of the amortization of acquired intangible assets and amortization of the basis difference between the cost of the equity method investment and MSCI's share of the net assets of the investee at historical carrying value, as these non-cash amounts are significantly impacted by the timing and size of each acquisition and therefore not meaningful to the ongoing operating performance in the period.

We believe that adjusted tax rate is useful to investors because it increases the comparability of period-to-period results by adjusting for the estimated net impact of Tax Reform and the impact related to the vesting of the Multi-Year PSUs.

We believe that free cash flow is useful to investors because it relates the operating cash flow of MSCI to the capital that is spent to continue and improve business operations, such as investment in MSCI's existing products. Further, free cash flow indicates our ability to strengthen MSCI's balance sheet, repay our debt obligations, pay cash dividends and repurchase shares of our common stock.

We believe organic operating revenue growth is a meaningful measure of the operating performance of MSCI because it adjusts for the impact of foreign currency exchange rate fluctuations and excludes the impact of operating revenues attributable to acquired and divested businesses for the comparable prior year period, providing insight into our ongoing operating performance for the period(s) presented.

We believe that the non-GAAP financial measures presented in this earnings presentation facilitate meaningful period-to-period comparisons and provide a baseline for the evaluation of future results.

Adjusted EBITDA expenses, adjusted EBITDA, adjusted net income, adjusted EPS, adjusted tax rate, Capex, free cash flow and organic operating revenue growth are not defined in the same manner by all companies and may not be comparable to similarly-titled non-GAAP financial measures of other companies. These measures can differ significantly from company to company depending on, among other things, long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. Accordingly, the Company's computation of these measures may not be comparable to similarly-titled measures computed by other companies.

# Use of Operating Metrics

MSCI has presented supplemental key operating metrics as part of this presentation, including Retention Rate, Run Rate, subscription sales, subscription cancellations and non-recurring sales.

Retention Rate is an important metric because subscription cancellations decrease our Run Rate and ultimately our operating revenues over time. The annual Retention Rate represents the retained subscription Run Rate (subscription Run Rate at the beginning of the fiscal year less actual cancels during the year) as a percentage of the subscription Run Rate at the beginning of the fiscal year. The Retention Rate for a non-annual period is calculated by annualizing the cancellations for which we have received a notice of termination or for which we believe there is an intention not to renew during the non-annual period, and we believe that such notice or intention evidences the client's final decision to terminate or not renew the applicable agreement, even though such notice is not effective until a later date. This annualized cancellation figure is then divided by the subscription Run Rate at the beginning of the fiscal year to calculate a cancellation rate. This cancellation rate is then subtracted from 100% to derive the annualized Retention Rate for the period. Retention Rate is computed by operating segment on a product/service-by-product/service basis. In general, if a client reduces the number of products or services to which it subscribes within a segment, or switches between products or services within a segment, we treat it as a cancellation for purposes of calculating our Retention Rate except in the case of a product or service switch that management considers to be a replacement product or service. In those replacement cases, only the net change to the client subscription, if a decrease, is reported as a cancel. In the Analytics and the ESG operating segments, substantially all product or service switches are treated as replacement products or services and netted in this manner, while in our Index and Real Estate operating segments, product or service switches that are treated as replacement products or services and receive netting treatment occur only in certain limited instances. In addition, we treat any reduction in fees resulting from a down-sale of the same product or service as a cancellation to the extent of the reduction. We do not calculate Retention Rate for that portion of our Run Rate attributable to assets in index-linked investment products or futures and options contracts, in each case, linked to our indexes.

Run Rate estimates at a particular point in time the annualized value of the recurring revenues under our client license agreements ("Client Contracts") for the next 12 months, assuming all Client Contracts that come up for renewal are renewed and assuming then-current currency exchange rates, subject to the adjustments and exclusions described below. For any Client Contract where fees are linked to an investment product's assets or trading volume/fees, the Run Rate calculation reflects, for ETFs, the market value on the last trading day of the period, for futures and options, the most recent quarterly volumes and/or reported exchange fees, and for other non-ETF products, the most recent client-reported assets. Run Rate does not include fees associated with "one-time" and other non-recurring transactions. In addition, we add to Run Rate the annualized fee value of recurring new sales, whether to existing or new clients, when we execute Client Contracts, even though the license start date, and associated revenue recognition, may not be effective until a later date. We remove from Run Rate the annualized fee value associated with products or services under any Client Contract with respect to which we have received a notice of termination or non-renewal during the period and have determined that such notice evidences the client's final decision to terminate or not renew the applicable products or services, even though such notice is not effective until a later date.

"Organic subscription Run Rate growth" is defined as the period over period Run Rate growth, excluding the impact of changes in foreign currency and the first year impact of any acquisitions. It is also adjusted for divestitures. Changes in foreign currency are calculated by applying the currency exchange rate from the comparable prior period to current period foreign currency denominated Run Rate.

Sales represents the annualized value of products and services clients commit to purchase from MSCI and will result in additional operating revenues. Non-recurring sales represent the actual value of the customer agreements entered into during the period and are not a component of Run Rate. New recurring subscription sales represent additional selling activities, such as new customer agreements, additions to existing agreements or increases in price that occurred during the period and are additions to Run Rate. Subscription cancellations reflect client activities during the period, such as discontinuing products and services and/or reductions in price, resulting in reductions to Run Rate. Net new recurring subscription sales represent the amount of new recurring subscription sales net of subscription cancellations during the period, which reflects the net impact to Run Rate during the period.

Total gross sales represent the sum of new recurring subscription sales and non-recurring sales. Total net sales represent the total gross sales net of the impact from subscription cancellations.

# Reconciliation of Adjusted EBITDA to Net Income (Unaudited)

In thousands	Year Ended				
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Index adjusted EBITDA	\$ 766,493	\$ 670,188	\$ 607,853	\$ 522,241	\$ 431,478
Analytics adjusted EBITDA	172,924	152,113	143,645	125,624	128,507
All Other adjusted EBITDA	32,093	28,198	20,935	11,892	9,472
<b>Consolidated adjusted EBITDA</b>	<b>971,510</b>	<b>850,499</b>	<b>772,433</b>	<b>659,757</b>	<b>569,457</b>
Multi-Year PSU payroll tax expense	—	15,389	—	—	—
Amortization of intangible assets	56,941	49,410	54,189	44,547	47,033
Depreciation and amortization of property, equipment and leasehold improvements	29,805	29,999	31,346	35,440	34,320
<b>Operating income</b>	<b>884,764</b>	<b>755,701</b>	<b>686,898</b>	<b>579,770</b>	<b>488,104</b>
Other expense (income), net	198,539	152,383	57,002	112,871	102,166
Provision for income taxes	84,403	39,670	122,011	162,927	125,083
<b>Net income</b>	<b>\$ 601,822</b>	<b>\$ 563,648</b>	<b>\$ 507,885</b>	<b>\$ 303,972</b>	<b>\$ 260,855</b>

# Reconciliation of Adjusted EBITDA Expenses to Operating Expenses *(UNAUDITED)*

<u>In thousands</u>	<u>Full Year 2021 Outlook (1)</u>
Index adjusted EBITDA expenses	
Analytics adjusted EBITDA expenses	
All Other adjusted EBITDA expenses	
<b>Consolidated adjusted EBITDA expenses</b>	<u><b>\$780,000 - \$800,000</b></u>
Multi-Year PSU payroll tax expense	
Amortization of intangible assets	
Depreciation and amortization of property, equipment and leasehold improvements	\$90,000 - \$95,000
<b>Total operating expenses</b>	<u><b>\$870,000 - \$895,000</b></u>

<sup>1</sup>We have not provided a line-item reconciliation for adjusted EBITDA expenses to total operating expenses for this future period because we do not provide guidance on the individual reconciling items between total operating expenses and adjusted EBITDA expenses.

# Reconciliation of Diluted EPS to Adjusted EPS (Unaudited)

In thousands, except per share data	Year Ended				
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net income	\$ 601,822	\$ 563,648	\$ 507,885	\$ 303,972	\$ 260,855
Plus: Amortization of acquired intangible assets and equity method investment basis difference	37,413	34,773	43,981	39,157	47,033
Plus: Multi-Year PSU payroll tax expense	—	15,389	—	—	—
Less: Discrete excess tax benefit related to Multi-Year PSU vesting	—	(66,581)	—	—	—
Plus: Debt extinguishment costs associated with the 2024 and 2025 Senior Notes Redemptions	44,930	16,794	—	—	—
Less: Gain on sale of Alacra (not tax effected)	—	—	—	(771)	—
Less: Gain on sale of FEA (not tax effected)	—	—	(10,646)	—	—
Less: Gain on sale of InvestorForce	—	—	(46,595)	—	—
Less: Valuation Allowance released related to InvestorForce disposition	—	—	(7,758)	—	—
Less: Tax Reform adjustments	(6,256)	—	(8,272)	34,500	—
Less: Income tax effect	(16,490)	(13,226)	1,678	(10,772)	(15,243)
<b>Adjusted net income</b>	<b>\$ 661,419</b>	<b>\$ 550,797</b>	<b>\$ 480,273</b>	<b>\$ 366,086</b>	<b>\$ 292,645</b>
Diluted EPS	\$ 7.12	\$ 6.59	\$ 5.66	\$ 3.31	\$ 2.70
Plus: Amortization of acquired intangible assets and equity method investment basis difference	0.44	0.41	0.49	0.43	0.49
Plus: Multi-Year PSU payroll tax expense	—	0.18	—	—	—
Less: Discrete excess tax benefit related to Multi-Year PSU vesting	—	(0.78)	—	—	—
Plus: Debt extinguishment costs associated with the 2024 and 2025 Senior Notes Redemptions	0.53	0.20	—	—	—
Less: Gain on sale of Alacra (not tax effected)	—	—	—	(0.01)	—
Less: Gain on sale of FEA (not tax effected)	—	—	(0.12)	—	—
Less: Gain on sale of InvestorForce	—	—	(0.52)	—	—
Less: Valuation Allowance released related to InvestorForce disposition	—	—	(0.09)	—	—
Plus: Tax Reform adjustments	(0.07)	—	(0.09)	0.38	—
Less: Income tax effect	(0.19)	(0.16)	0.02	(0.13)	(0.16)
<b>Adjusted EPS</b>	<b>\$ 7.83</b>	<b>\$ 6.44</b>	<b>\$ 5.35</b>	<b>\$ 3.98</b>	<b>\$ 3.03</b>

# Reconciliation of Net Cash Provided by Operating Activities to FCF (Unaudited)

In thousands	Year Ended				
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net cash provided by operating activities	\$ 811,109	\$ 709,523	\$ 612,762	\$ 404,158	\$ 442,363
Capital expenditures	(21,826)	(29,116)	(30,257)	(33,177)	(32,284)
Capitalized software development costs	(29,149)	(24,654)	(18,704)	(15,640)	(10,344)
Capex	(50,975)	(53,770)	(48,961)	(48,817)	(42,628)
<b>Free cash flow</b>	<b>\$ 760,134</b>	<b>\$ 655,753</b>	<b>\$ 563,801</b>	<b>\$ 355,341</b>	<b>\$ 399,735</b>
<b>Net Income</b>	<b>\$ 601,822</b>	<b>\$ 563,648</b>	<b>\$ 507,885</b>	<b>\$ 303,972</b>	<b>\$ 260,855</b>

## Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

In thousands	Full Year 2021 Outlook (1)
Net cash provided by operating activities	\$845,000 - \$885,000
Capital expenditures	
Capitalized software development costs	
Capex	(\$60,000 - \$50,000)
<b>Free cash flow</b>	<b>\$785,000 - \$835,000</b>

(1) We have not provided a line-item reconciliation for free cash flow to net cash from operating activities for this future period because we do not provide guidance on the individual reconciling items between net cash from operating activities and free cash flow.