

MSCI Investor Presentation

February 4, 2020

Forward-Looking Statements

- This earnings presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation, MSCI's 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," "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, 2018 filed with the Securities and Exchange Commission ("SEC") on February 22, 2019 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.

Other Information

- Percentage changes and totals in this earnings presentation may not sum due to rounding.
- Percentage changes refer to the comparable period in 2018, unless otherwise noted.
- 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 2019 and fiscal year 2019.
- 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. Approximately two-thirds 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.

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Company overview

MSCI at a glance

Who we are



7,500¹ blue-chip clients in 85+ countries (as of 12/31/2019)

- Across investment and trading spectrum
- World's most sophisticated investors use our products and services



Must-have products and services

- Across asset classes for performance and risk
- \$1.6B+ run rate as of December 31, 2019
- ~11% YoY subscription run rate growth in 4Q19



3,300 talented employees (as of 12/31/2019)

- 200 researchers
- 1,600 technologists & data scientists
- 750 coverage & marketing professionals
- Extensive knowledge of the investment process



Strong performance and inclusive culture

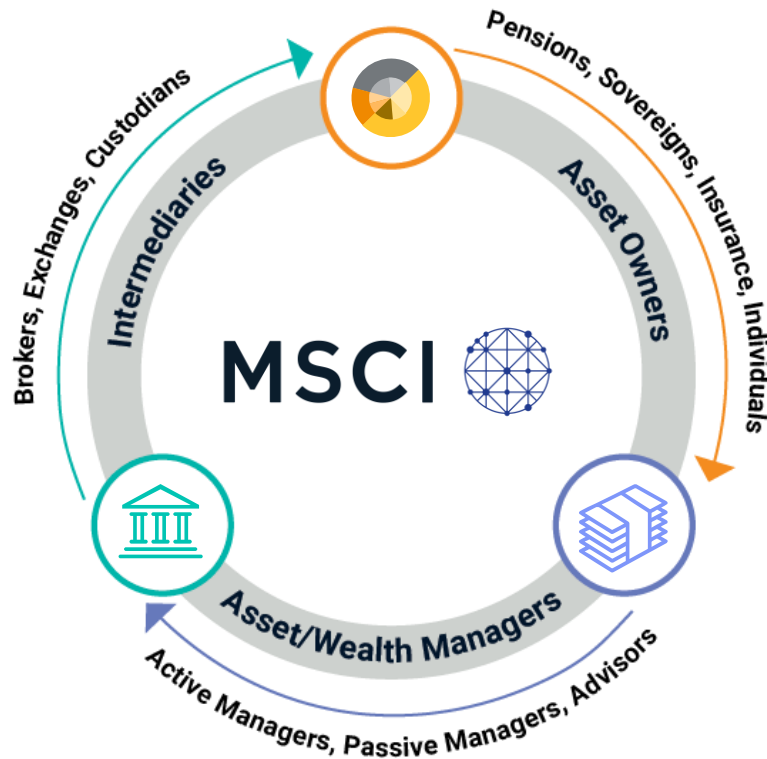
- Global, multi-cultural workforce
- Driving innovation for industry leading solutions²

What we do

Provide products and services that global investors can use to build **better portfolios** for a better world

Clients across the investment process turn to MSCI's tools to support their investment needs

Client investment process



MSCI tools to support:

- Defining investable universes
- Allocating assets sustainably
- Creating investment programs/products
- Benchmarking performance
- Understanding and managing risk and performance
- Reporting to constituents
- Complying with regulations

Solutions for the most critical investment activities

Powering better investment decisions

Client Portfolio Needs

Clients use our **Indexes** to help them build portfolios

Clients use our **Performance and Risk models and Analytics** to help them build portfolios

MSCI Solutions

For Public Asset Classes

Equity and Fixed Income Indexes

Factor Models and Analytics

ESG Ratings and Research

Performance and Risk Analytics

Content Enabling Platform

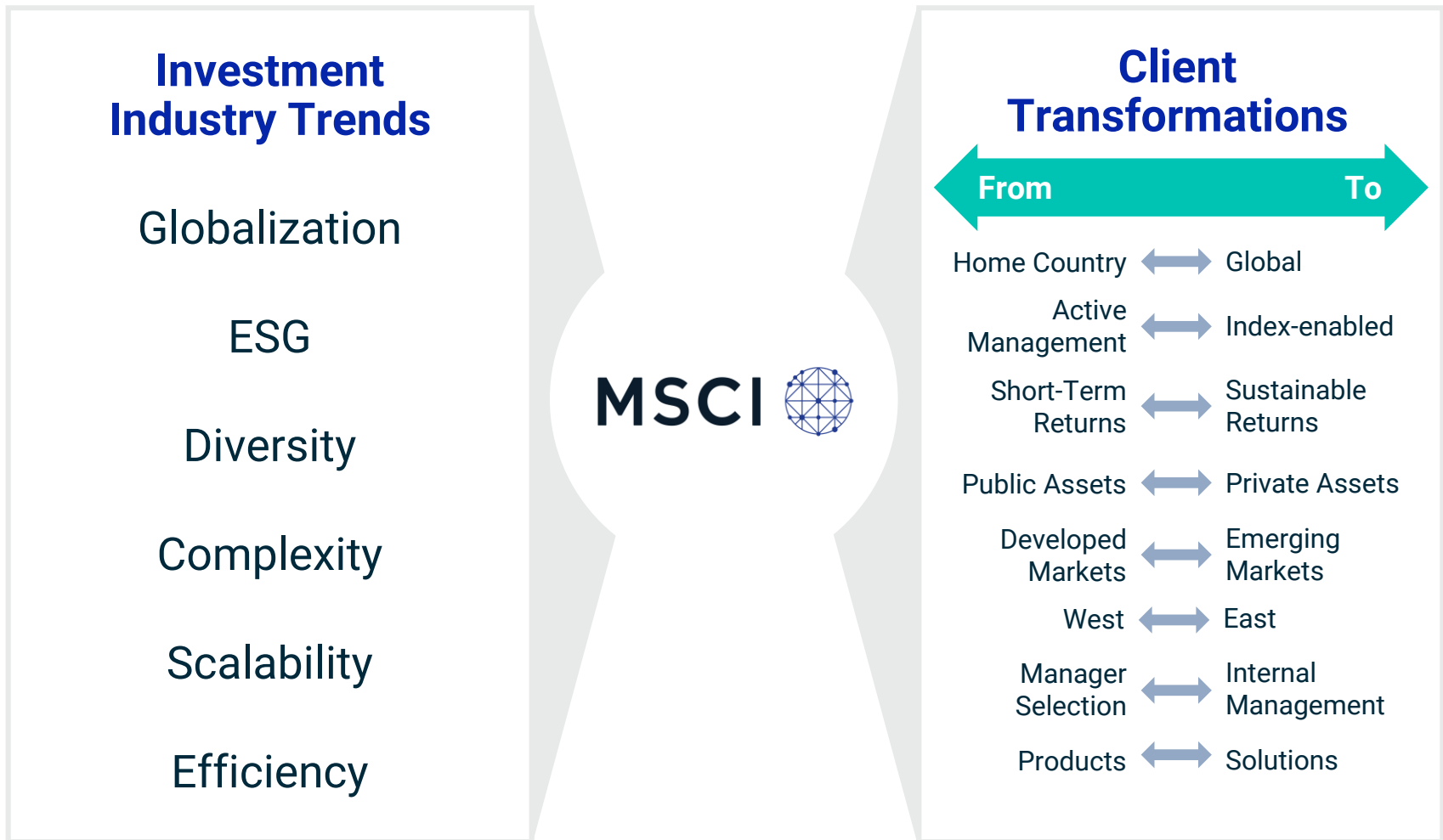
For Private Asset Classes

Real Estate Benchmarks

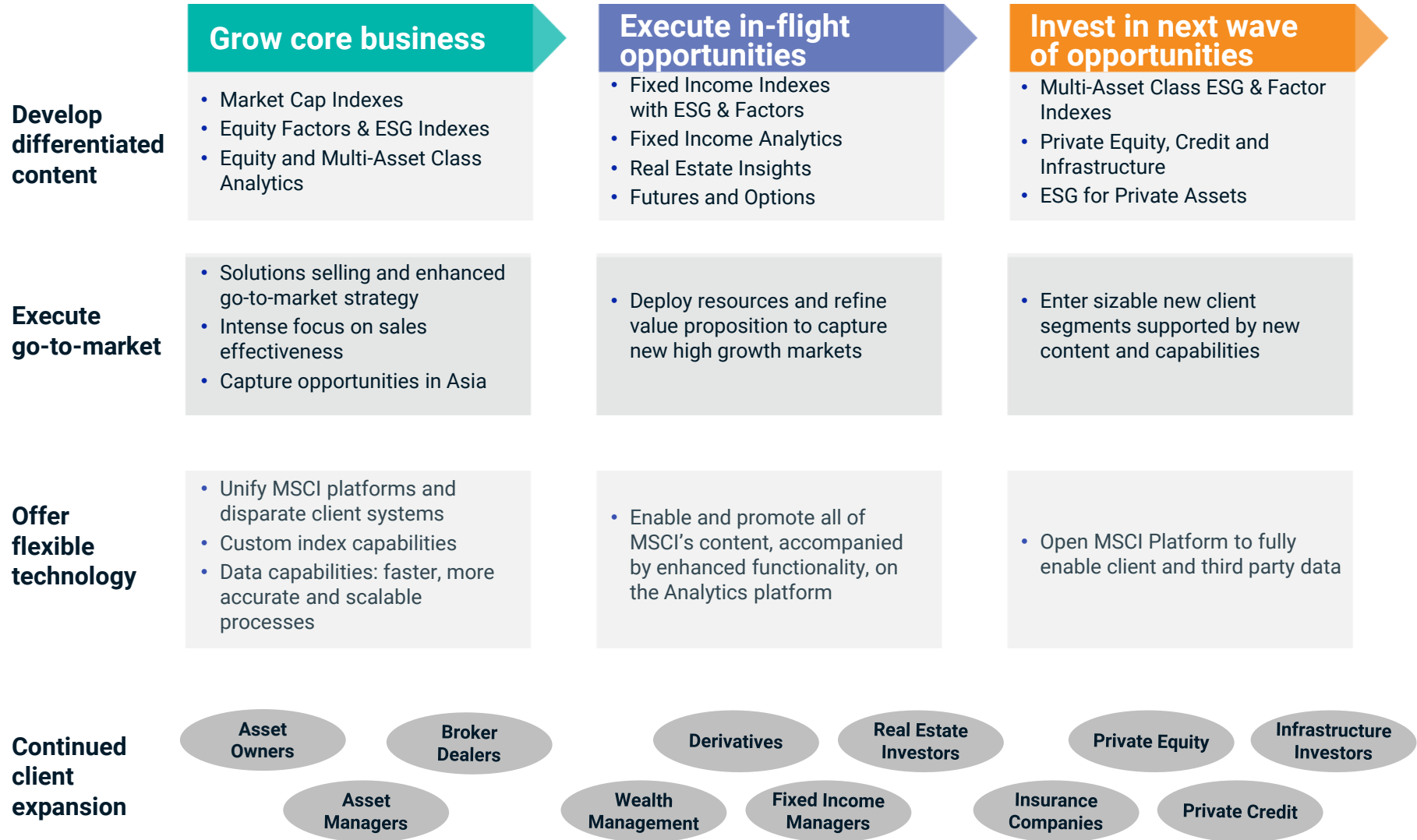
Real Estate Performance Attribution

Private Equity, Real Estate and Private Credit Models and Risk Analytics

Helping clients adapt to a transforming industry



Key pillars of our strategy to drive long-term growth



How and why we win

1

Differentiated value proposition with actionable client solutions, unique content and flexible technology

2

Delivering actionable solutions to our clients that help them build portfolios driven by our holistic approach

3

Research-driven content and insights underlying products and services to help power better investment decisions

4

Delivering next generation platform and technology to fully unlock value of MSCI content and help clients operate more efficiently

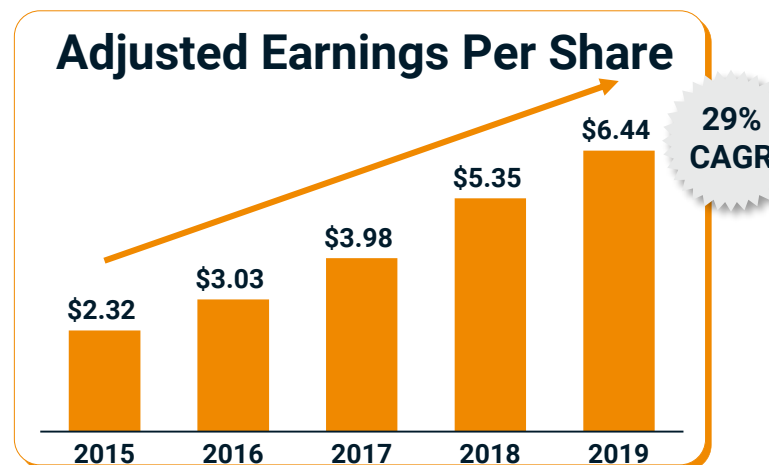
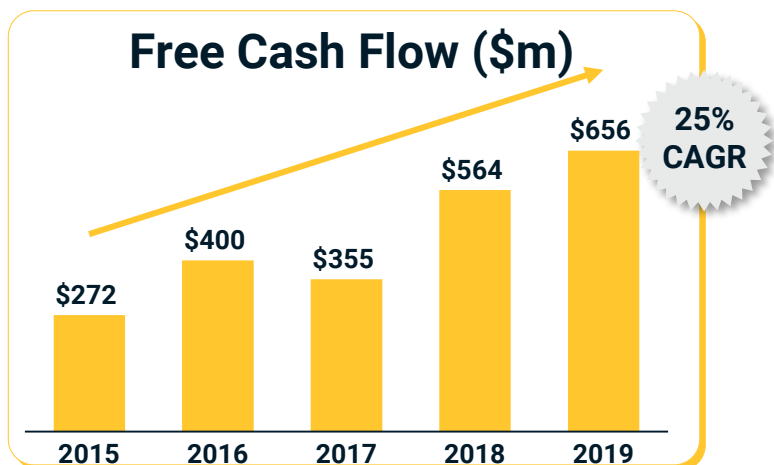
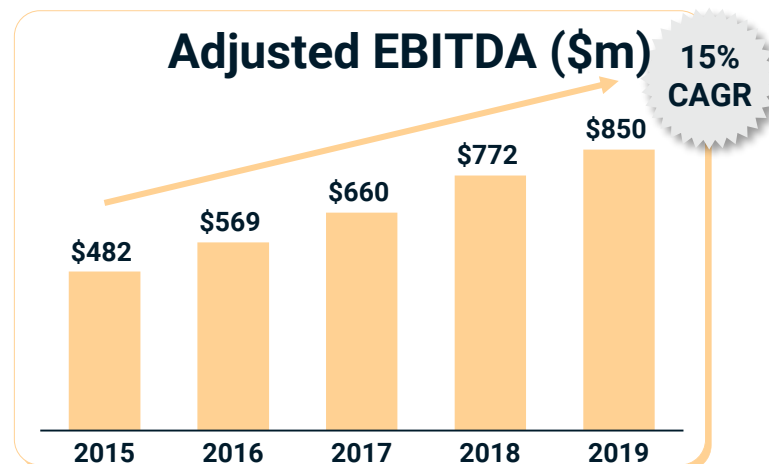
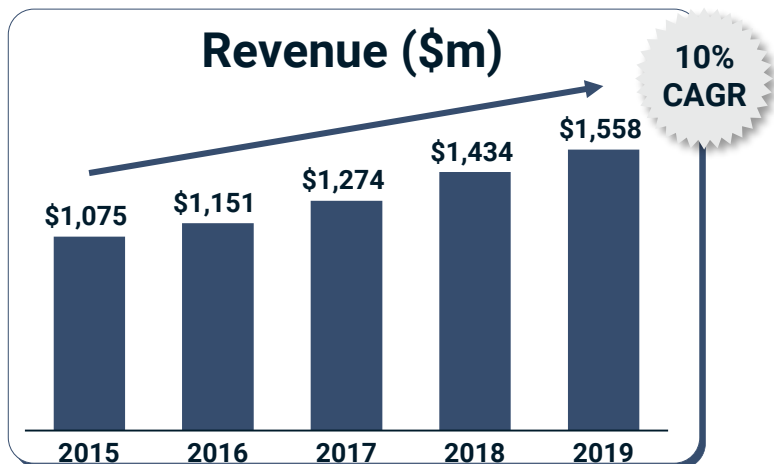
5

Well positioned as an all-weather franchise with a proven track record while continuing to innovate and increase the quality of execution

Financial review

Delivering growth across key metrics

Financial discipline and rigor underpinned by culture of performance and accountability



Robust financial model

		FY 2015-2019	4Q19
RECURRING REVENUE & HIGH RETENTION	Recurring, Visible Revenue Model	Recurring revenues ¹ ~97% annually	Recurring revenues ¹ >96%
	Strong Historical Retention Rates	>92% annually	92.9%
OPERATIONAL EFFICIENCY	Scalable Cost Structure	Adjusted EBITDA margin / Operating margin 54.6% / 48.5% (2019) 44.8% / 37.6% (2015)	Adjusted EBITDA margin / Operating margin 54.2% / 49.0%
	Tax Structure in line with Operating Footprint	Adjusted tax rate 17.6% (2019) 34.2% (2015)	Adjusted tax rate 16.2%
ATTRACTIVE CASH DYNAMICS	High Cash Generation	Free Cash Flow ("FCF") / Operating cash flow \$655.8m / \$709.5m (2019) \$256.8m / \$306.0m (2015)	FCF / Operating cash flow \$225.2m / \$243.6m

Capital and liquidity

(US\$ in millions)

Capital Position (As of 12/31/2019)

Total Cash	\$1,507
Total Debt	\$3,072
Net Debt	\$1,565
Total Debt / Adj. EBITDA	3.6x
Net Debt / Adj. EBITDA	1.8x

Continued Capital Discipline

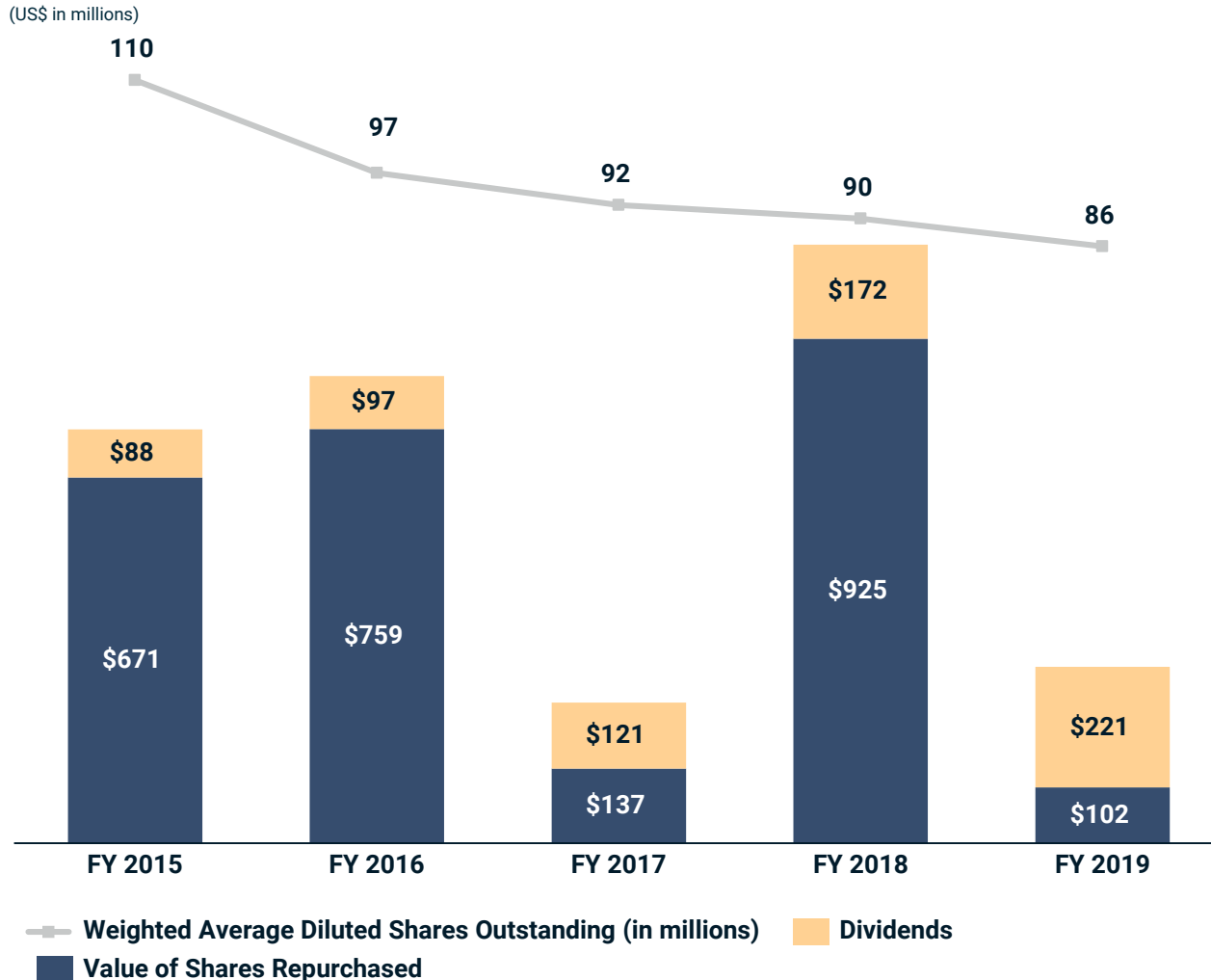
Return of Capital

- No repurchases in 4Q19, total of \$102.1 million of shares repurchased in 2019 at average price of \$147.97
- \$1.46 billion of remaining repurchase authorization as of Dec. 31, 2019
- \$221 million in common stock dividends paid in 2019

Excess Cash

- Triple-Crown framework to evaluate internal opportunities and MP&A (mergers, partnerships and acquisitions)
- Issued \$1 billion of debt at 4.000% coupon in Nov. 2019, and used \$500 million of the proceeds to partially refinance our 2024 Notes (of which \$300 million is remaining as of Jan. 30, 2020)
- Strong balance sheet provides optionality
- Disciplined and consistent approach to deployment

▶ Growing dividend and opportunistic share repurchase



Return of Capital Approach

Opportunistic Repurchases Driven by: Availability of Cash, Market Volatility

Meaningful & Sustainable Dividend Per Share: Target of 40%-50% of Adjusted EPS

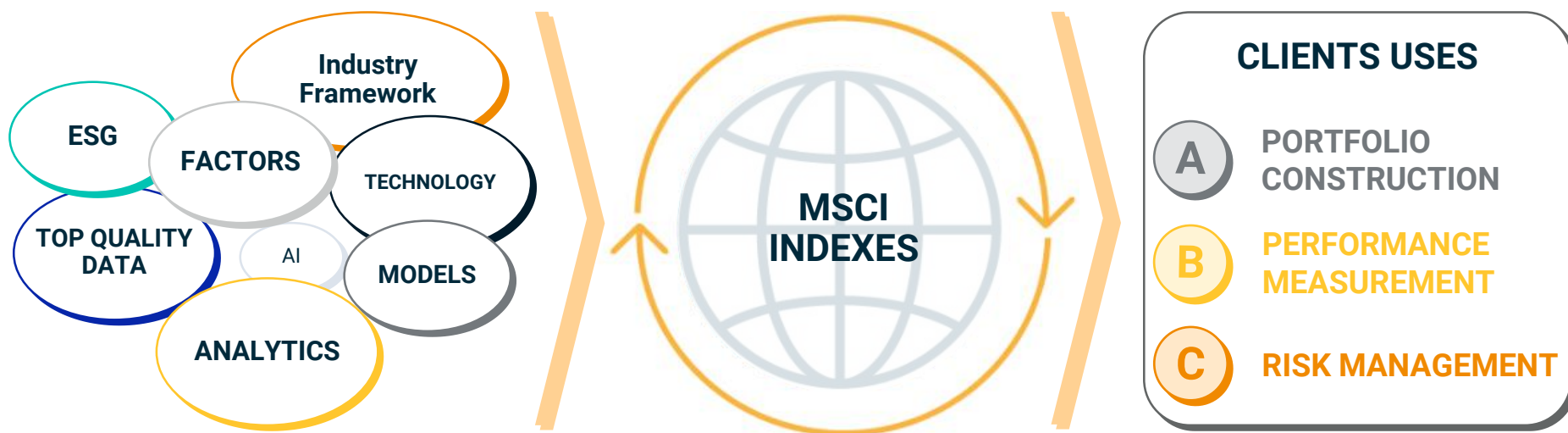
Long-Term targets

	Revenue Growth Rate (ex. ABF)	Adj. EBITDA Expense Growth Rate	Adj. EBITDA Growth Rate	Adj. EBITDA Margin %
Index	Low Double Digit	High Single Digit		
Analytics	High Single Digit to Low Double Digit	Mid to High Single Digit		
ESG	Mid Twenties	Low to Mid Teens		
Real Estate	Mid Teens			
MSCI	Low Double Digit	High Single Digit		

Segment highlights

Index products overview

- We harness first class content from across our firm to develop MSCI Indexes
- Clients use our solutions across three core investment functions



Tools to empower portfolio construction, performance and risk management

Our strengths

- Market leading quality
- Track record of innovation
- Global framework
- Strong brand
- Proven execution

Well positioned for growth

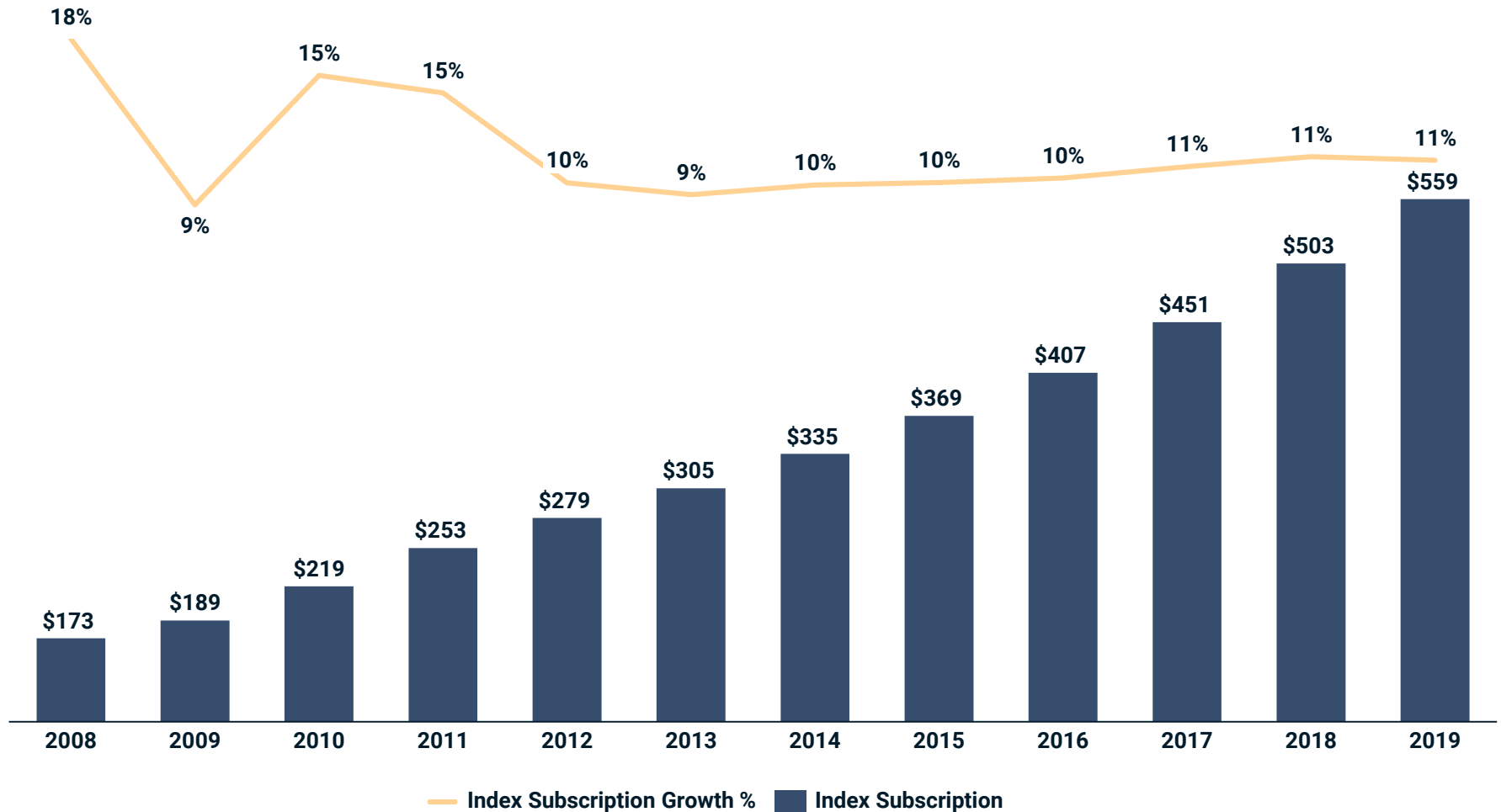
- Global investing
- Multi-currency index derivatives
- ESG and Factor adoption
- New client segments

Index segment run rate fundamentals

	Subscription Run Rate (\$559M as of 4Q19)	Asset-Based Fee Run Rate (\$396M as of 4Q19)
Products/ Content	<ul style="list-style-type: none"> Market Cap Weighted Factor & ESG Custom & Specialized 	<ul style="list-style-type: none"> ETFs Non-ETFs Futures & Options
Pricing Model	<ul style="list-style-type: none"> License fees 	<ul style="list-style-type: none"> ETFs – basis point fees on AUM Non-ETFs – basis point fees on AUM Futures & Options – fees on contract volumes traded
Volume Trend	<ul style="list-style-type: none"> ~2/3 of subscription run rate growth has come from new clients and upsells to existing clients 	<ul style="list-style-type: none"> Increased adoption over time given ongoing trend towards Index-enabled investing and product launches Subject to market fluctuations
Retention	<ul style="list-style-type: none"> 95.7% in 2019 	<ul style="list-style-type: none"> N/A
Overall	Solid Base of Recurring Revenue	

Resilient Index subscription franchise

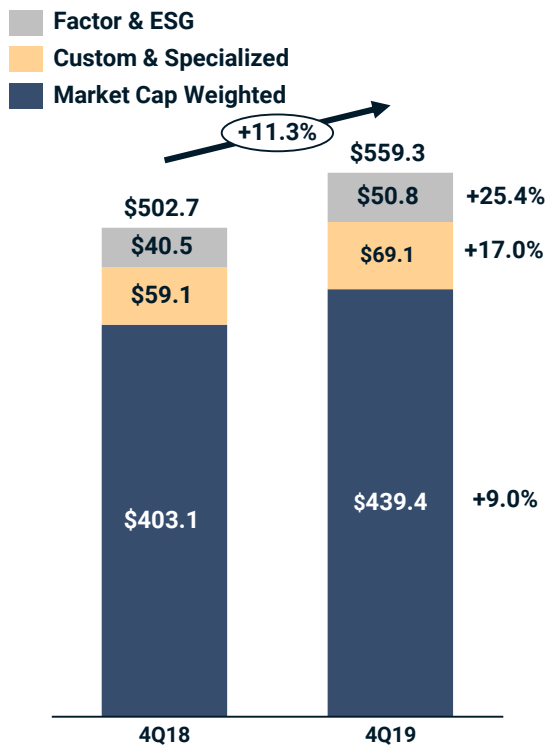
Index Subscription Run Rate (\$m) Growth



Index subscription at a glance

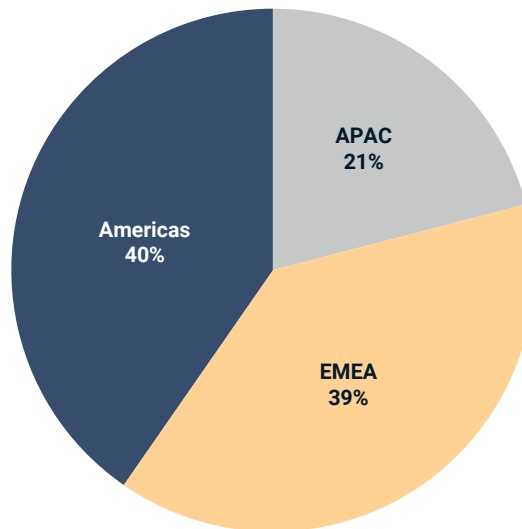
Asset managers, asset owners, broker-dealers and wealth managers globally use our solutions for portfolio construction, performance and risk management

Index Subscription Run Rate ex. ABF

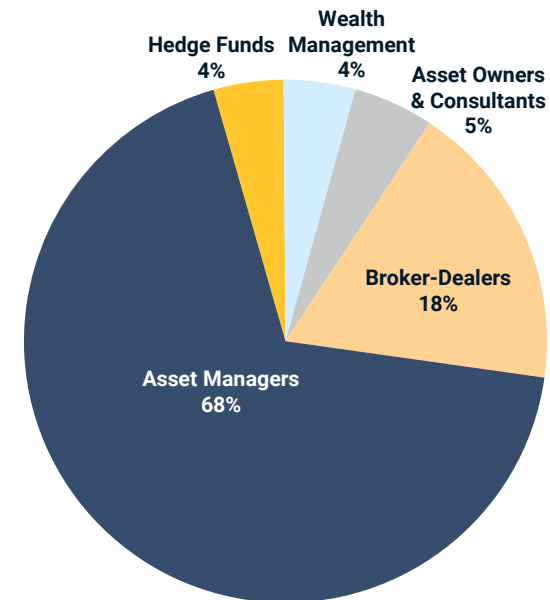


Index Subscription Run Rate ex. ABF as of 12/31/2019 by Geography and Client Base

Broad Footprint



Client Base



Analytics products overview

- We serve the portfolio construction, performance and risk management needs of investors across their entire organizations



INVESTMENT TEAMS

WHAT

Asset allocation, portfolio construction, performance attribution and risk management

WHO

CIOs, PMs and quantitative research analysts

PRODUCT AND OPERATIONS TEAMS

WHAT

Enterprise risk management, performance attribution, and regulatory reporting

WHO

CROs, CTOs, COOs, risk managers and compliance officers

MARKETING AND DISTRIBUTION TEAMS

WHAT

Investor reporting and digital delivery of content to articulate unique value propositions

WHO

IR teams and heads of sales and distribution

Capabilities across **data, models, analytics and technology** allow us to serve a very broad set of use cases

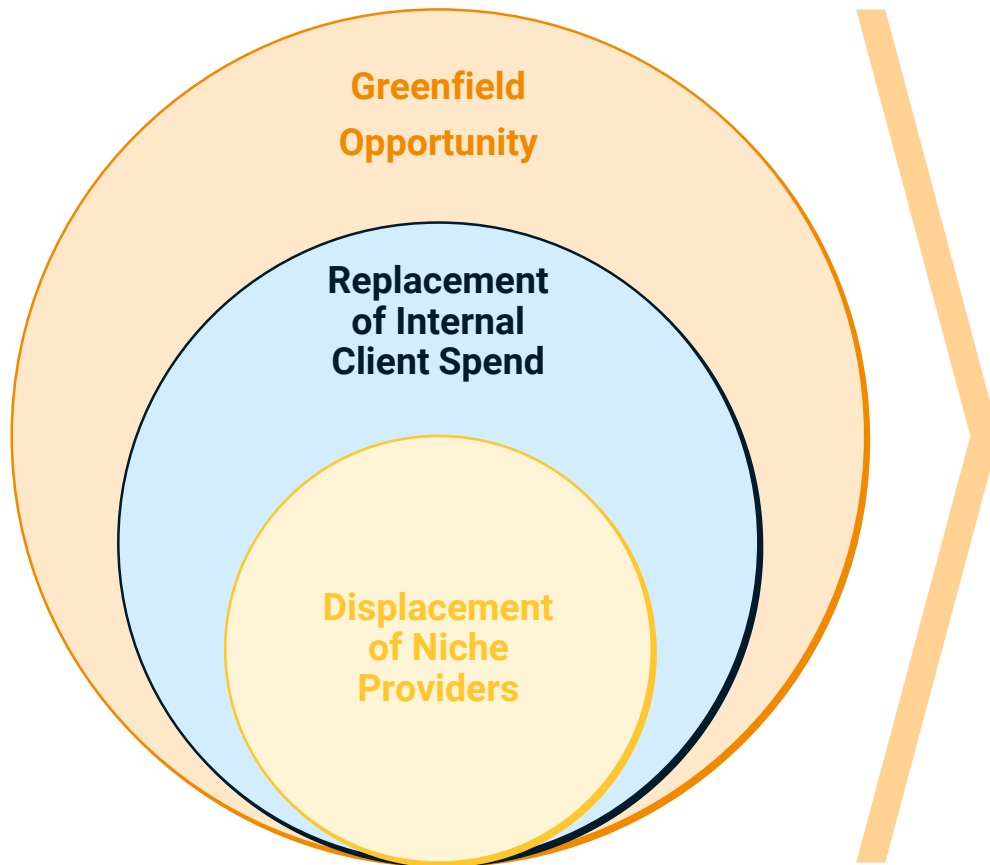
Investing in a next generation technology platform, research-driven content, and services to deliver enterprise solutions and capture wallet share

Well positioned to continue to deliver growth, with \$20B+ Total Addressable Market (TAM) opportunity¹ globally

CIOs = Chief Investment Officers; PMs = Portfolio Managers; CROs = Chief Risk Officers; CTOs = Chief Technology Officers; COOs = Chief Operating Officers and IR = Investor Relations

¹Number based on company estimates.

Analytics strongly positioned to capitalize on a large opportunity \$20B+ in TAM¹ globally



• **Greenfield Opportunities**

- Investment innovation (e.g., factor investing, ESG)
- Regulation (e.g., liquidity)
- Increasing adoption of best practices and technology (e.g., asset owners becoming more sophisticated)

• **Replacement of Internal Client Spend**

- Internal software developments
- Outsourcing through managed services

• **Displacement of Niche Providers**

- Offerings across single asset classes (e.g., equity only)
- Narrow products to specific problems (e.g., performance attribution only)

Winners Will Provide Flexible and Integrated Solutions Across Asset Classes

Clients use MSCI's Analytics content and technology to help them build portfolios

SOLUTIONS

INPUT DATA

Client Data



Market Data

CONTENT

Portfolio Construction, Performance and Risk

Calculation Engines

Pricing

Risk

Performance

Optimization

Models

Equity

Fixed
Income

MAC

Private
Assets

ENABLING TECHNOLOGY

*Distribution /
Delivery*

Interactive
Applications

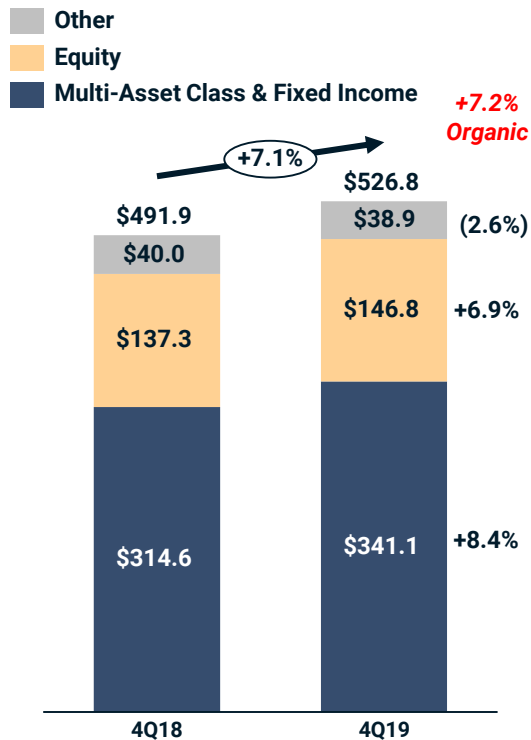
APIs

Reporting
Solutions

Analytics segment at a glance

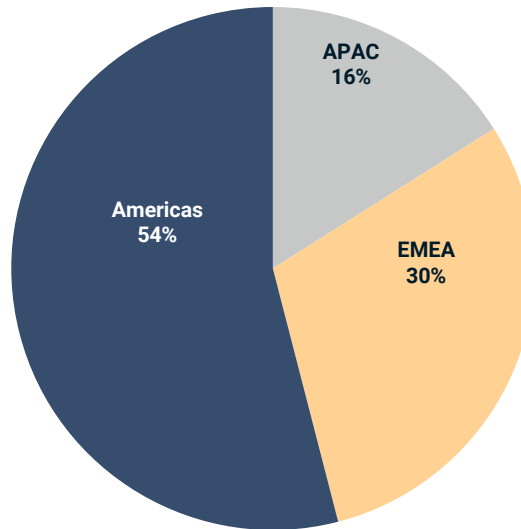
Extensively used by asset owners, asset managers and intermediaries globally to solve a broad range of investment problems

Analytics Segment Run Rate

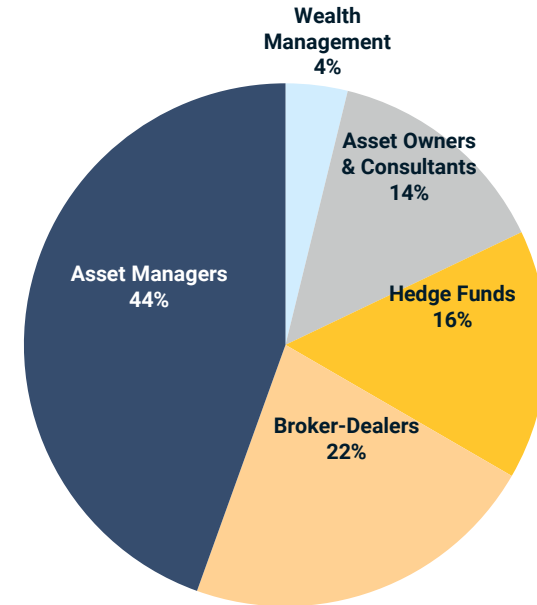


Analytics Segment Run Rate as of 12/31/2019 by Geography and Client Base

Global Footprint

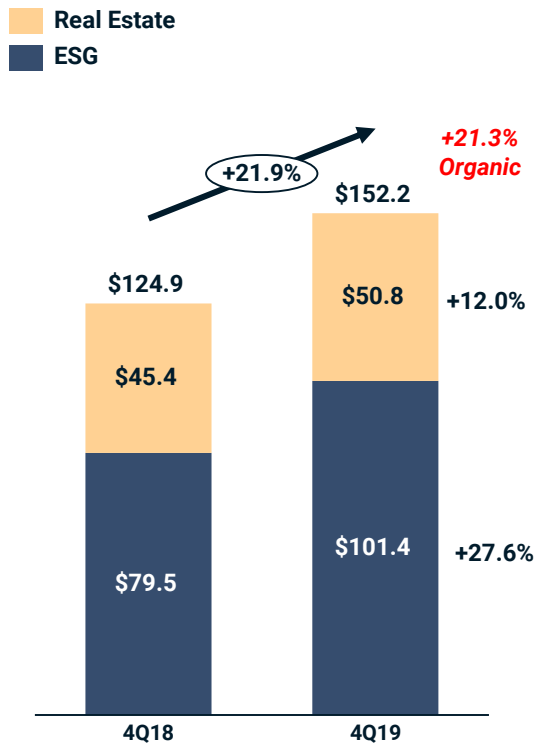


Diverse Client Base



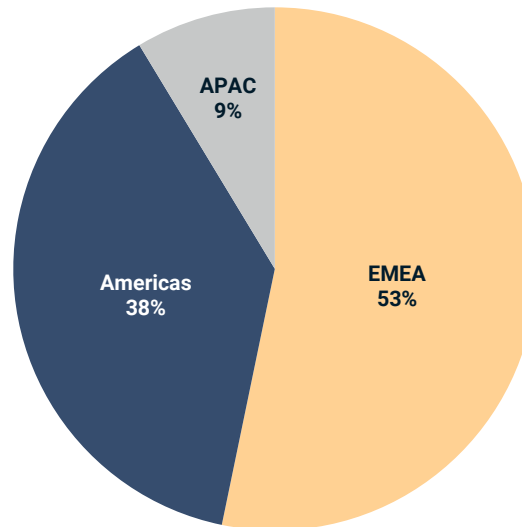
▶ All Other Segment (ESG & Real Estate) at a glance

All Other Segment Run Rate
(ESG and Real Estate)

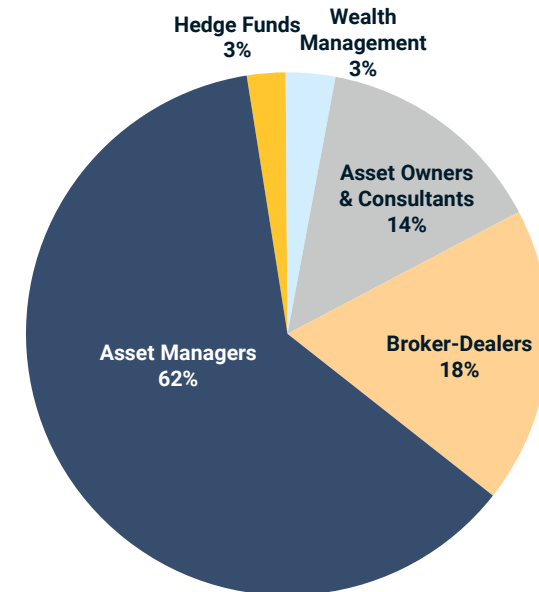


All Other Segment Run Rate as of 12/31/2019
by Geography and Client Base

Global Footprint



Diverse Client Base



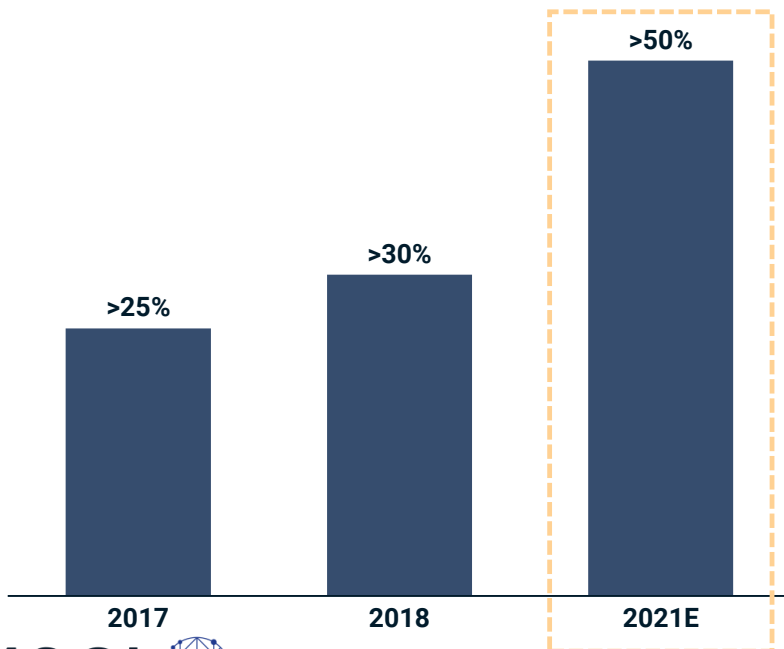
ESG Increasingly part of investment decisions

TWO GROWTH DRIVERS

1 New Clients
Penetration rate still low at 30%

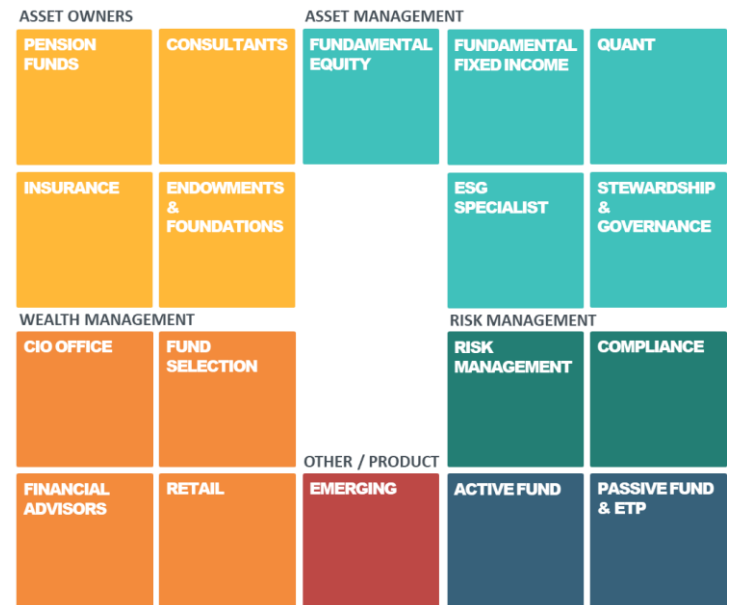
- We expect revenue growth to be driven by increased penetration of asset managers globally

Large Asset Manager (>\$20B) Ratings Penetration



2 New Use Cases
Most Clients Have Two, Leading Clients Have 4 or 5

- We expect our clients will expand the number of use cases within their organization as they scale up ESG integration efforts leading to upsell opportunities



ESG products overview

- MSCI's Ratings, Indexes and Analytics solutions enable ESG integration throughout the investment process

 **A LEADER IN ESG RATINGS & RESEARCH¹**

 **INNOVATIVE EQUITY & FIXED INCOME INDEXES FOR VARIOUS ESG APPROACHES**

 **A MARKET-LEADING RISK ANALYTICS PLATFORM & A MARKET LEADER IN ESG REPORTING**

INTEGRATING ESG ACROSS ENTIRE INVESTMENT PROCESS



Extensive insights on ESG
attributes of investments and
tools to help build portfolios

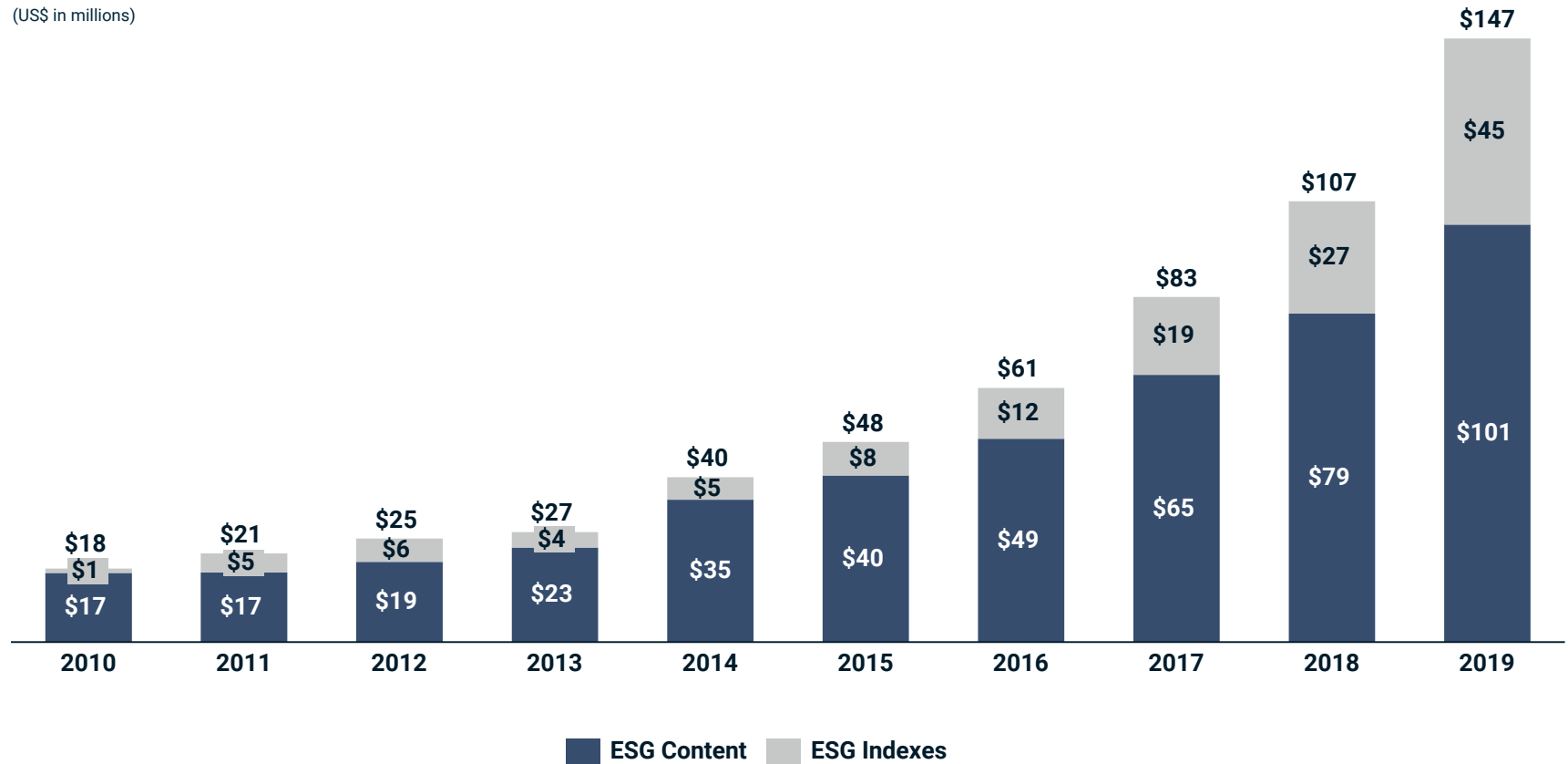
**High quality and deep data,
broad coverage of securities
and wide client adoption**
continues to differentiate MSCI

¹ESG Ratings & Research are provided by MSCI ESG Research LLC. MSCI ESG Indexes and Analytics utilize information from, but are not provided by, MSCI ESG Research LLC.

ESG: Robust growth across ESG Content and ESG Indexes

MSCI's ESG Content and ESG Index Run Rate¹

(US\$ in millions)



¹ESG Content includes ESG segment run rate, and ESG Indexes includes ESG related index subscription and asset-based fees run rate. ESG Content is provided by MSCI ESG Research LLC.

Real Estate product overview

- Provide insights by leveraging one of the most extensive private real estate databases in the world

Collect Lease, Asset and Portfolio Data + Validate and Aggregate + Standardized Data Input to Products and Indexes

Enterprise Analytics

- Single integrated market information, analytics and risk platform

Global Intel

- One of the most extensive private real estate databases in the world
- Data contributed by clients

Indexes & Benchmarks

- Single, global framework
- Asset or fund level
- Customizable benchmarks

Research

- Leverages our unique database and analytics capabilities
- Provides actionable insights

Provide Insights by Leveraging Private Real Estate Databases

STANDARD INDEXES

MEASURES

CUSTOMIZED INDEXES

A leading provider of real estate investment support tools, delivering critical business intelligence at both asset and fund levels to institutional investors and real estate owners, managers and brokers worldwide

Global coverage of real estate with investment support tools and analytics for private real estate assets worldwide

Move from local franchises to global and expand model into other private asset classes

Appendix

Reconciliation of Adjusted EBITDA to Net Income

(UNAUDITED)

In thousands	Three Months	Year Ended				
	Ended	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,
	2019	2019	2018	2017	2016	2015
Index adjusted EBITDA	\$ 176,382	\$ 670,188	\$ 607,853	\$ 522,241	\$ 431,478	\$ 392,987
Analytics adjusted EBITDA	38,847	152,113	143,645	125,624	128,507	95,468
All Other adjusted EBITDA	4,978	28,198	20,935	11,892	9,472	(6,758)
Consolidated adjusted EBITDA	220,207	850,499	772,433	659,757	569,457	481,697
Multi-Year PSU payroll tax expense	—	15,389	—	—	—	—
Amortization of intangible assets	13,243	49,410	54,189	44,547	47,033	46,910
Depreciation and amortization of property, equipment and leasehold improvements	7,535	29,999	31,346	35,440	34,320	30,889
Operating income	199,429	755,701	686,898	579,770	488,104	403,898
Other expense (income), net	52,896	152,383	57,002	112,871	102,166	54,344
Provision for income taxes	23,750	39,670	122,011	162,927	125,083	119,516
Net income	\$ 122,783	\$ 563,648	\$ 507,885	\$ 303,972	\$ 260,855	\$ 223,648

Reconciliation of Net Income to Adjusted Net Income *(UNAUDITED)*

In thousands, except per share data	Year Ended				
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net income	\$ 563,648	\$ 507,885	\$ 303,972	\$ 260,855	\$ 223,648
Less: Income (loss) from discontinued operations, net of income taxes	—	—	—	—	(6,390)
Income from continuing operations	563,648	507,885	303,972	260,855	230,038
Plus: Amortization of acquired intangible assets	34,773	43,981	39,157	47,033	46,910
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 Senior Notes Redemption	16,794	—	—	—	—
Less: Gain on sale of Alacra (not-tax effected)	—	—	(771)	—	(6,300)
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	—	(8,272)	34,500	—	—
Less: Income tax effect	(13,226)	1,678	(10,772)	(15,243)	(16,039)
Adjusted net income	\$ 550,797	\$ 480,273	\$ 366,086	\$ 292,645	\$ 254,609

Reconciliation of Diluted EPS to Adjusted EPS

(UNAUDITED)

In thousands, except per share data	Year Ended				
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Diluted EPS	\$ 6.59	\$ 5.66	\$ 3.31	\$ 2.70	\$ 2.03
Less: Earnings per diluted common share from discontinued operations	—	—	—	—	(0.06)
Earnings per diluted common share from continuing operations	\$ 6.59	\$ 5.66	\$ 3.31	\$ 2.70	\$ 2.09
Plus: Amortization of acquired intangible assets	0.41	0.49	0.43	0.49	0.43
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 Senior Notes Redemption	0.20	—	—	—	—
Less: Gain on sale of Alacra (not-tax effected)	—	—	(0.01)	—	(0.06)
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	—	(0.09)	0.38	—	—
Less: Income tax effect	(0.16)	0.02	(0.13)	(0.16)	(0.14)
Adjusted EPS	\$ 6.44	\$ 5.35	\$ 3.98	\$ 3.03	\$ 2.32

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow *(UNAUDITED)*

In thousands	Three Months Ended	Twelve Months Ended				
	Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net cash provided by operating activities	\$ 243,643	\$ 709,523	\$ 612,762	\$ 404,158	\$ 442,363	\$ 321,247
Capital expenditures	(11,900)	(29,116)	(30,257)	(33,177)	(32,284)	(40,652)
Capitalized software development costs	(6,568)	(24,654)	(18,704)	(15,640)	(10,344)	(8,500)
Capex	(18,468)	(53,770)	(48,961)	(48,817)	(42,628)	(49,152)
Free cash flow	\$ 225,175	\$ 655,753	\$ 563,801	\$ 355,341	\$ 399,735	\$ 272,095
Net Income	\$ 122,783	\$ 563,648	\$ 507,885	\$ 303,972	\$ 260,855	\$ 223,648

Reconciliation of Effective Tax Rate to Adjusted Tax Rate *(UNAUDITED)*

	Three Months	Year Ended				
	Ended	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,
	2019	2019	2018	2017	2016	2015
Effective tax rate	16.2%	6.6%	19.4%	34.9%	32.4%	34.2%
Tax Reform impact on effective tax rate	—%	—%	1.3%	(7.4%)	—%	—%
Multi-Year PSU impact on effective tax rate	—%	11.0%	—%	—%	—%	—%
Adjusted tax rate	<u>16.2%</u>	<u>17.6%</u>	<u>20.7%</u>	<u>27.5%</u>	<u>32.4%</u>	<u>34.2%</u>

Use of Non-GAAP Financial Measures

- MSCI has presented supplemental non-GAAP financial measures as part of this earnings presentation. Reconciliations are provided in slides 34-37 that reconcile each non-GAAP financial measure with the most comparable GAAP measure. The non-GAAP financial measures presented in this earnings release should not be considered as alternative measures for the most directly comparable GAAP financial measures. The non-GAAP financial measures presented in this earnings release 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 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, 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 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 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 core 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 core 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 core operating performance for the period(s) presented.
- We believe that the non-GAAP financial measures presented in this earnings release 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 earnings presentation, including Run Rate, subscription sales and cancellations, non-recurring sales and Retention Rate.
- 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 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 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.