

## JEFFERIES 2014 GLOBAL TECHNOLOGY, MEDIA & TELECOM CONFERENCE



Chip Merritt – VP Investor Relations

May 7, 2014

McGraw Hill Financial



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

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This presentation includes adjusted financial measures that are derived from the Company's continuing operations. This non-GAAP information is provided in order to allow investors to make meaningful comparisons of the Company's operating performance between periods and to view the Company's business from the same perspective as Company management.

The Company's earnings release dated April 29, 2014 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP.

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## “Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995



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

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

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

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

## A Leading Provider of Ratings, Benchmarks, Analytics & Research



<b>STANDARD &amp; POOR'S RATINGS SERVICES</b>	Leading rating agency
<b>S&amp;P CAPITAL IQ</b>	Premier provider of high quality data, analytical tools and ratings information
<b>S&amp;P DOW JONES INDICES</b>	Foremost index provider
<b>PLATTS</b>	Principal provider of commodity price assessments and information
<b>J.D. POWER</b>	Primary quality benchmark provider with deep auto expertise
<b>CRISIL</b> <small>A STANDARD &amp; POOR'S COMPANY</small>	Leading Indian rating agency, analytics and knowledge process outsourcing



## A Truly Global Company



~17,000 Employees

29 Countries

94 Global Offices

### North America

Headcount	5,900
Revenue	\$ 3.1B

### EMEA

Headcount	1,800
Revenue	\$ 1.2B

### Asia Pacific

Headcount	8,800
Revenue	\$ 0.5B

### Latin America

Headcount	500
Revenue	\$ 0.1B

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## Growth and Value Plan Delivered Great Returns

	2011*	2013	Change
Revenue (\$M)	\$6,246	\$4,875	-22%
Adjusted Operating Profit (\$M)	\$1,498	\$1,602	+7%
Adjusted Operating Margin	24%	33%	+9 pts
Adjusted Diluted EPS	\$2.91	\$3.33	+14%
Capex (\$M)	\$277**	\$117	-58%

### Publishing Businesses Divested



\* Includes McGraw-Hill Education










\*\* Includes investment in prepublication costs

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## Investing to Expand Portfolio:

### 2011-2013 MHI Transactions

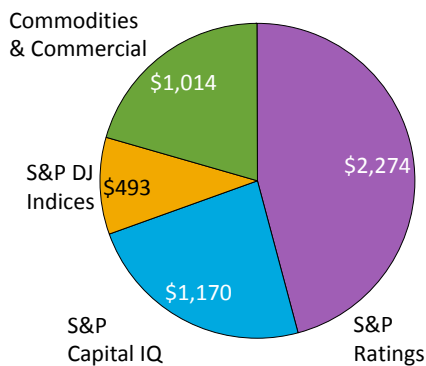
<u>S&amp;P Dow Jones Indices</u>	<u>S&amp;P Capital IQ</u>
 (2012)	 (2012)
	 (2012)
	 (2012)
<u>Commodities (Platts)</u>	<u>Standard &amp; Poor's Ratings Services</u>
 (2011)	 (2012)
 (2012)	 (2013)
 (2011)	<small>A Standard &amp; Poor's Company</small>

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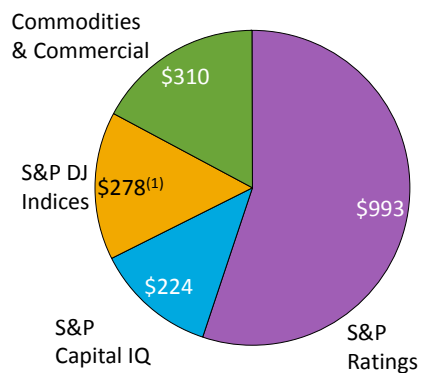
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## 2013 Results by Line of Business

**Revenue: \$4,875M**  
(\$ in millions)



**Adj. Segment Op. Profit: \$1,805M**  
(\$ in millions)



1) Operating profit attributable to the noncontrolling interest of the S&P Dow Jones Indices joint venture was \$73 million  
Note: Revenue chart excludes consolidating adjustments

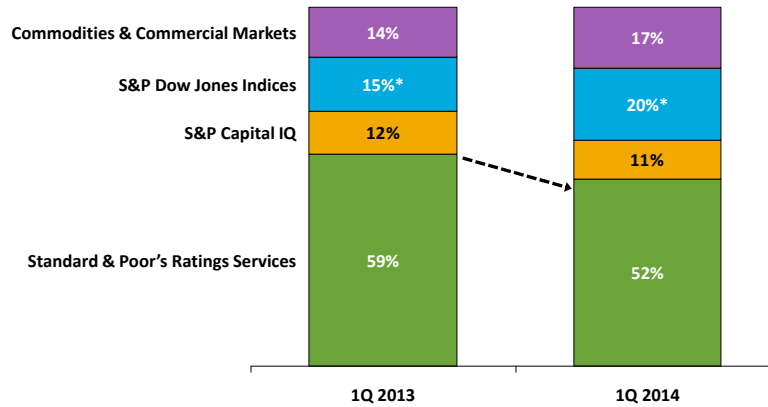
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## Strength of Portfolio Drives Quarterly Results

### Segment Operating Profit



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

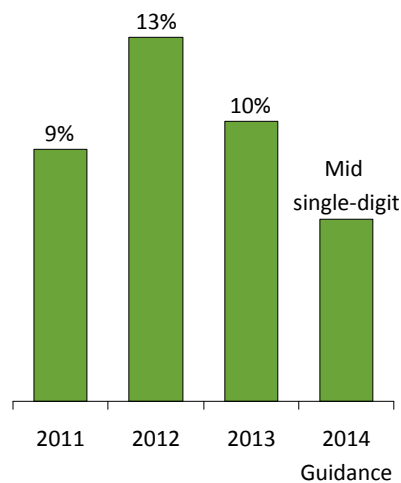
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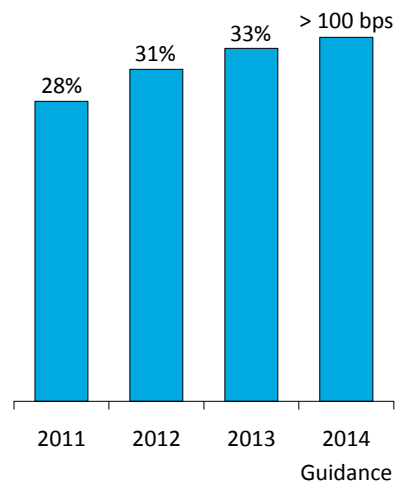


## MHFI: A Proven Track Record of Growth

### Annual Revenue Growth Rates



### Adjusted Operating Margin

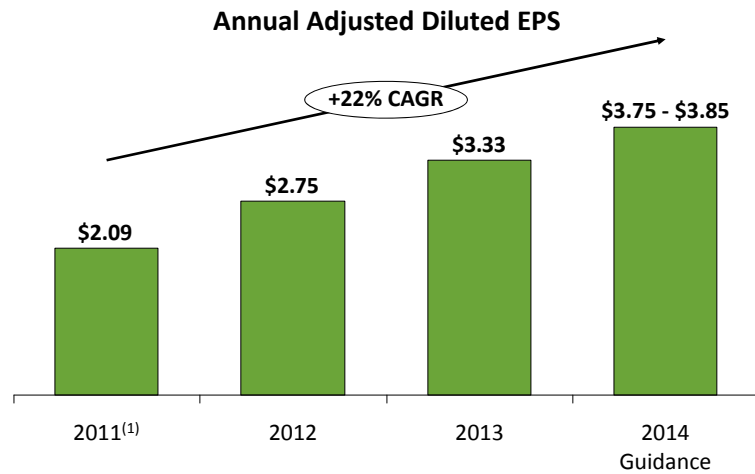


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## MHFI: Double-Digit Earnings Growth



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

(1) 2011 adjusted EPS excludes gain on divestiture of Broadcasting



## MHFI: 1Q 2014 Results

(\$ in millions)

	1Q 2014	1Q 2013	Change
<b>Revenue</b>	\$1,236	\$1,181	<b>+5%*</b>
<b>Adj. Operating Profit</b>	\$430	\$399	<b>+8%</b>
<b>Adj. Operating Margin</b>	34.8%	33.8%	<b>+100 bps</b>
<b>Adj. Diluted EPS</b>	\$0.89	\$0.80	<b>+12%</b>

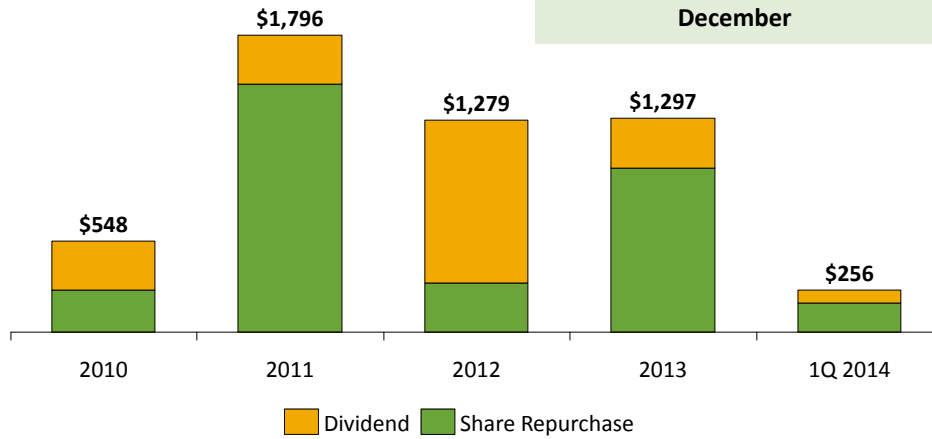
\* Organic growth was 6% excluding lost revenue from 2013 portfolio rationalization



## Returning Substantial Cash to Shareowners

(\$ in millions)

Announced new 50 million share repurchase authorization in December



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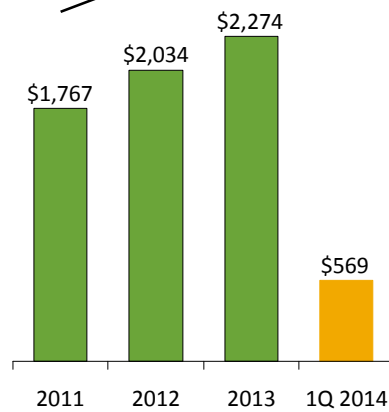


## S&P Ratings – Financial Snapshot

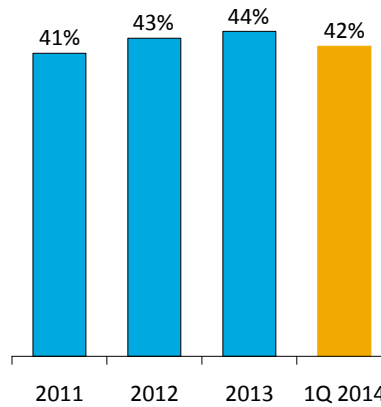


Revenue (\$ in millions)

+13% CAGR



Adjusted Operating Margin

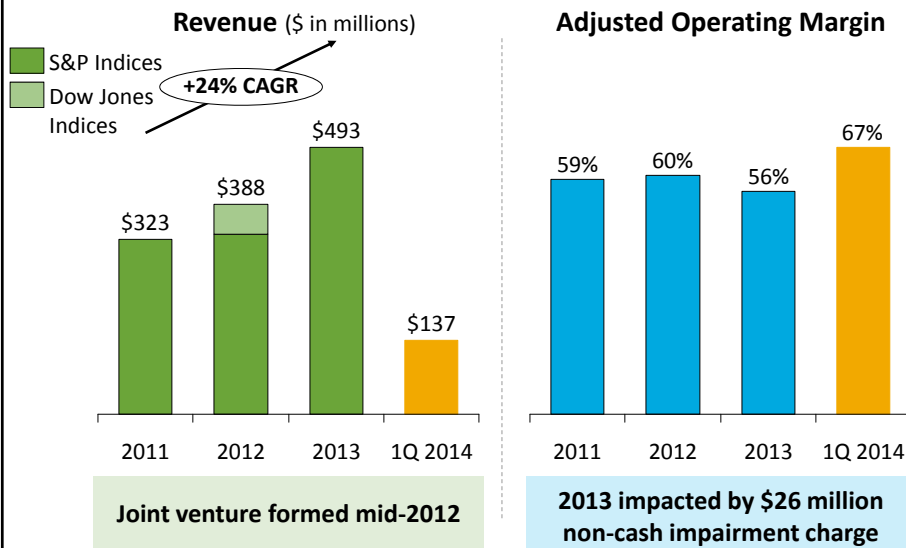


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- **Well positioned to capitalize on opportunities provided by structural changes in capital markets:**
  - Developing capital markets
  - Bank deleveraging in developed markets
  - Recovery in structured finance
- **1Q 2014 results driven primarily by**
  - Strength in frequent issuer programs, surveillance fees, bank loan ratings, and Rating Evaluation Service offsetting weakness in structured finance bond issuance





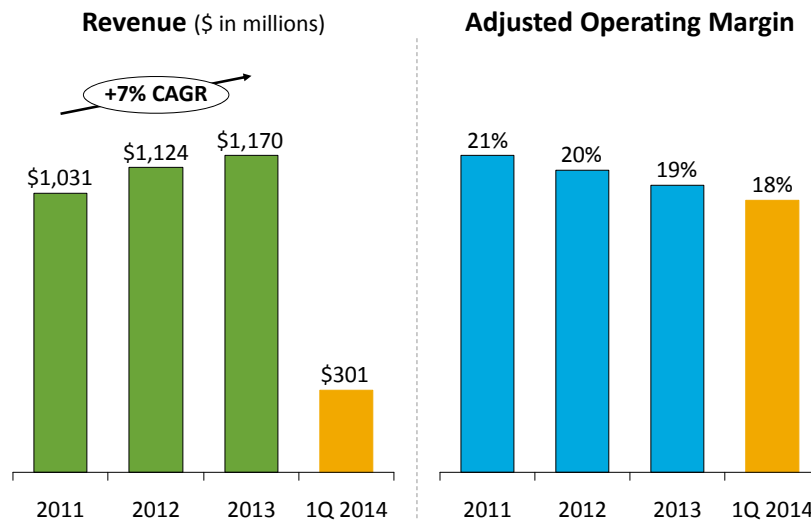
## S&P Dow Jones Indices



- **Revenue generated from:**
  - ETF and mutual fund contracts
  - Licensing of indices for derivative trading
  - Profit sharing with exchange partner
  - Data subscriptions
- **1Q 2014 results driven by:**
  - Assets under management in ETFs which increased 27% to \$667B at end of the quarter
  - Margin benefit from purchase of intellectual property and refined revenue recognition of certain products



## S&P Capital IQ – Financial Snapshot

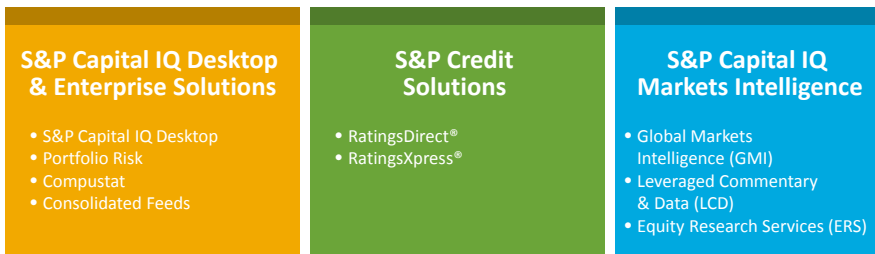




## S&P Capital IQ



### • Revenue generated from:

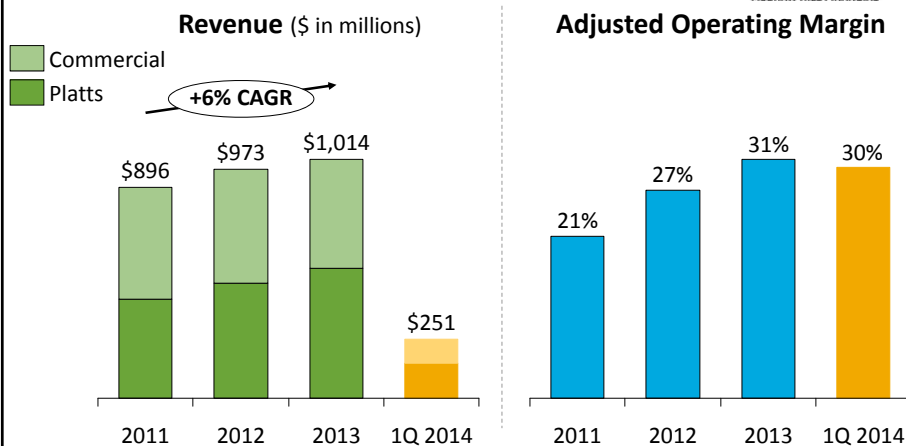


### • 1Q 2014 results driven by:

- Strong growth of S&P Capital IQ Desktop, RatingsXpress®, LCD



## C&C Markets – Financial Snapshot



Comparisons impacted by the sale of Aviation Week in August 2013

## Commodities & Commercial (C&C) Markets

*Premier source of benchmarks, high-value information, data, and analytic services*



- Revenue generated from subscriptions and licensing for derivative trading
- 12,000+ price assessments daily
- Oil, gas, petrochemicals, steel, etc.



- Revenue generated from subscriptions, proprietary research, and brand licensing
- J.D. Power expanding rapidly in Asia-Pacific

- **1Q 2014 results driven by:**

- Double-digit growth of both Platts and J.D. Power

## Secular Market Trends Position MHI for Sustained Growth



Significant debt maturities will lead to strengthened issuance



Major refinancing required for infrastructure



Capital markets in emerging countries continue to develop



Increased investor sophistication requires real-time data and analytics



Assets continue to shift to index-related investing



Daily commodity price assessments to deliver transparency and offset volatility



Automotive market strength in Asia with rebound in the Americas



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- A new company with a 125-year heritage
- Track record of solid growth and margin improvement
- Delivering growth potential with a focused, inter-related portfolio
- 2014 guidance indicates strong performance:
  - Mid single-digit, top-line growth
  - Adjusted diluted EPS guidance of \$3.75 – \$3.85
- Strong balance sheet and cash flow enables continued investment while returning cash to shareowners
- Well positioned to sustain growth



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