# 1Q 2018 Earnings Conference Call

**Doug Peterson**
**President and CEO**

**Ewout Steenbergen**
**Executive Vice President and CFO**

**Chip Merritt**
**Vice President, Investor Relations**

April 26, 2018

S&P Global

## Comparison of adjusted information to U.S. GAAP information

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 26, 2018 contains exhibits that reconcile the differences between the non-GAAP measures and comparable financial measures calculated in accordance with U.S. GAAP. Such exhibits are available on the Company's website at http://investor.spglobal.com/quarterly-earnings

# “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995

This presentation contains “forward-looking statements,” as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management’s current views concerning future events, trends, contingencies or results, appear at various places in this report and use words like “anticipate,” “assume,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “future,” “intend,” “plan,” “potential,” “predict,” “project,” “strategy,” “target” and similar terms, and future or conditional tense verbs like “could,” “may,” “might,” “should,” “will” and “would.” For example, management may use forward-looking statements when addressing topics such as: the outcome of contingencies; future actions by regulators; changes in the Company’s business strategies and methods of generating revenue; the development and performance of the Company’s services and products; the expected impact of acquisitions and dispositions; the Company’s effective tax rates; and the Company’s cost structure, dividend policy, cash flows or liquidity.

Forward-looking statements are subject to inherent risks and uncertainties. Factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include, among other things:

- the impact of the recent acquisition of Kensho, including the impact on the Company’s results of operations; any failure to successfully integrate Kensho into the Company’s operations; and any failure to attract and retain key employees; the risk of litigation, unexpected costs, charges or expenses relating to the acquisition;
- worldwide economic, financial, political and regulatory conditions, including conditions that may result from legislative, regulatory and policy changes associated with the current U.S. administration or the United Kingdom’s withdrawal from the European Union;
- the rapidly evolving regulatory environment, in Europe, the United States and elsewhere, affecting Ratings, S&P Global Platts, Indices, and S&P Global Market Intelligence, including new and amended regulations and the Company’s compliance therewith;
- our ability to make acquisitions and dispositions and successfully integrate the businesses we acquire;
- the outcome of litigation, government and regulatory proceedings, investigations and inquiries;
- the health of debt and equity markets, including credit quality and spreads, the level of liquidity and future debt issuances;
- the demand and market for credit ratings in and across the sectors and geographies where the Company operates;
- concerns in the marketplace affecting the Company’s credibility or otherwise affecting market perceptions of the integrity or utility of independent credit ratings;
- the effect of competitive products and pricing, including the level of success of new product developments and global expansion;
- consolidation in the Company’s end-customer markets;
- the introduction of competing products or technologies by other companies;
- the impact of customer cost-cutting pressures, including in the financial services industry and the commodities markets;
- a decline in the demand for credit risk management tools by financial institutions;
- the level of merger and acquisition activity in the United States and abroad;
- the volatility of the energy marketplace;
- the health of the commodities markets;
- our ability to attract, incentivize and retain key employees;
- the Company’s ability to maintain adequate physical, technical and administrative safeguards to protect the security of confidential information and data, and the potential of a system or network disruption that results in regulatory penalties, remedial costs or improper disclosure of confidential information or data;
- the Company’s ability to successfully recover should it experience a disaster or other business continuity problem from a hurricane, flood, earthquake, terrorist attack, pandemic, security breach, cyber-attack, power loss, telecommunications failure or other natural or man-made event;
- our ability to adjust to changes in European and United Kingdom markets as the United Kingdom leaves the European Union, and the impact of the United Kingdom’s departure on our credit rating activities and other European and United Kingdom offerings;
- changes in applicable tax or accounting requirements;
- guidance and information regarding the implementation of the Tax Cuts and Jobs Act;
- the level of the Company’s future cash flows and capital investments;
- the impact on the Company’s revenue and net income caused by fluctuations in foreign currency exchange rates; and
- the Company’s exposure to potential criminal sanctions or civil penalties if it fails to comply with foreign and U.S. laws and regulations that are applicable in the domestic and international jurisdictions in which it operates, including sanctions laws relating to countries such as Iran, Russia, Sudan and Syria, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010, and local laws prohibiting corrupt payments to government officials, as well as import and export restrictions.

The factors noted above are not exhaustive. The Company and its subsidiaries operate in a dynamic business environment in which new risks emerge frequently. Accordingly, the Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made, except as required by applicable law. Further information about the Company’s businesses, including information about factors that could materially affect its results of operations and financial condition, is contained in the Company’s filings with the SEC, including the “Risk Factors” section in the Company’s most recently filed Annual Report on Form 10-K.



# EU regulation affecting investors in credit rating agencies

European Union Regulation 1060/2009 (as amended) applies to credit rating agencies (CRAs) registered in the European Union and therefore to the activities of Standard & Poor’s Credit Market Services Europe Limited, Standard & Poor’s Credit Market Services France SAS and Standard & Poor’s Credit Market Services Italy Srl, indirect wholly-owned subsidiaries of S&P Global Inc., each of which is registered and regulated as a CRA with the European Securities and Markets Authority (“ESMA”).

Any person obtaining direct or indirect ownership or control of 5% or more or 10% or more of the shares in S&P Global Inc. may (i) impact how S&P Global Ratings can conduct its CRA activities in the European Union and/or (ii) themselves become directly impacted by EU Regulation 1060/2009 (as amended).

Persons who have or expect to obtain such shareholdings in S&P Global Inc. should promptly contact Chip Merritt at S&P Global’s Investor Relations department (chip.merritt@spglobal.com) for more information and should also obtain independent legal advice in such respect.

# Doug Peterson

**President and Chief Executive Officer**

S&P Global

## 2018 off to a solid start – 1Q 2018 highlights include

- Added leading-edge technology and unique data sets with the acquisitions of Kensho and Panjiva
- Exceptional results delivered by S&P Dow Jones Indices as market volatility fueled exchange-traded derivatives revenue
- The adjusted effective tax rate declined 860 basis points to 21.7% as a result of U.S. tax reform
- Generated approximately $299 million in free cash flow excluding certain items
- Initiated a $1 billion accelerated share repurchase program
- Returned $1.227 billion through share repurchases and dividends
- Contributed $20 million to the S&P Global Foundation

## Strong organic revenue growth and U.S. tax reform generated significant EPS gains

| | 1Q 2018 | 1Q 2017 | Change |
|---|---|---|---|
| Revenue | $1,567 | $1,453 | +8% |
| Organic revenue | $1,565 | $1,453 | +8% |
| Adjusted operating profit | $735 | $680 | +8% |
| Adjusted operating profit margin | 46.9% | 46.8% | +10 bps |
| Average diluted shares outstanding | 254.4 | 260.8 | (6.5) shares |
| Adjusted diluted EPS | $2.00 | $1.62 | +24% |

(dollars and shares in millions, except earnings per share)

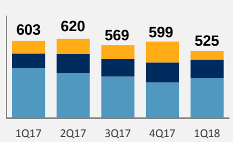
**1Q 2018 FINANCIAL HIGHLIGHTS:**

- Delivered 8% organic revenue growth. Excluding FX, revenue increased 6%
- Adjusted operating profit margin increased 10 basis points
- Increased adjusted diluted EPS by 24%



## Global issuance* decreased 5% versus 1Q17 despite strength in structured products

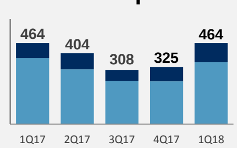
### United States*




**13% decrease year-over-year in 1Q**

- Investment-grade decreased 17%
- High-yield declined 37%
- Public finance decreased 31%
- Structured finance increased 29% with led by strength in CLOs and ABS

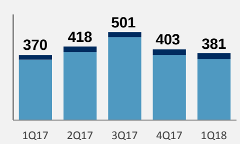
### Europe*




**Unchanged year-over-year in 1Q**

- Investment-grade decreased 6%
- High-yield declined 11%
- Structured finance increased 29% primarily due to gains in CLOs, ABS and RMBS

### Asia*




**3% increase year-over-year in 1Q**

- Investment-grade increased 1%
- Structured finance increased 32% with gains in ABS, RMBS and covered bonds
- High-yield issuance decreased 8% off a very small base

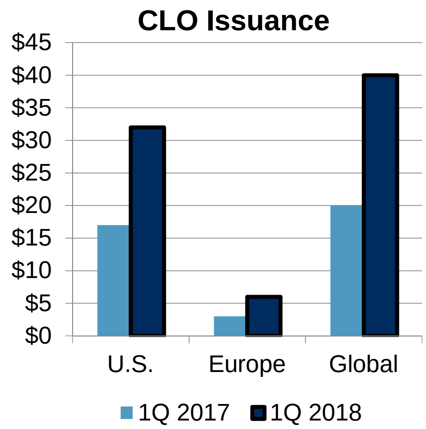
(issuance, $ in billions)

Corporates Structured Finance Public Finance

* Excludes sovereign issuance

*Sources: Thomson Financial and Harrison Scott Publications*

## Strong new CLO issuance despite uncertainty surrounding risk retention rules

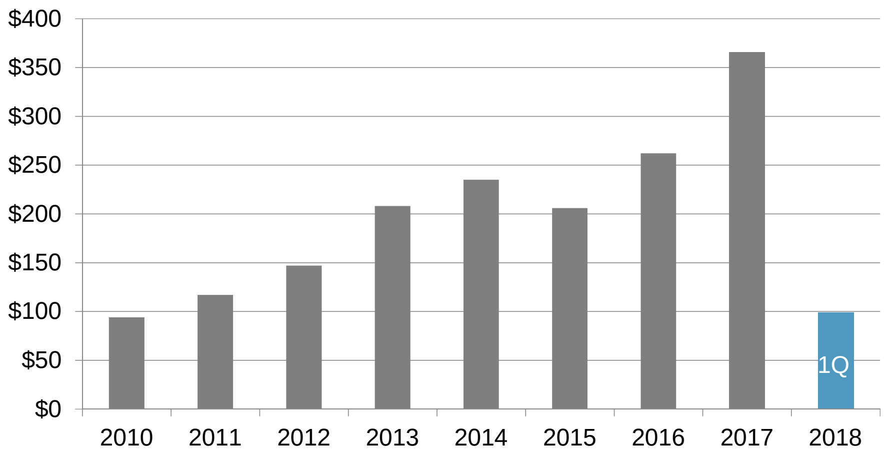



(issuance, $ in billions)

- Based on court ruling U.S. CLO risk retention rules have been eliminated
- CLOs launched in late-March without retaining 5% slices

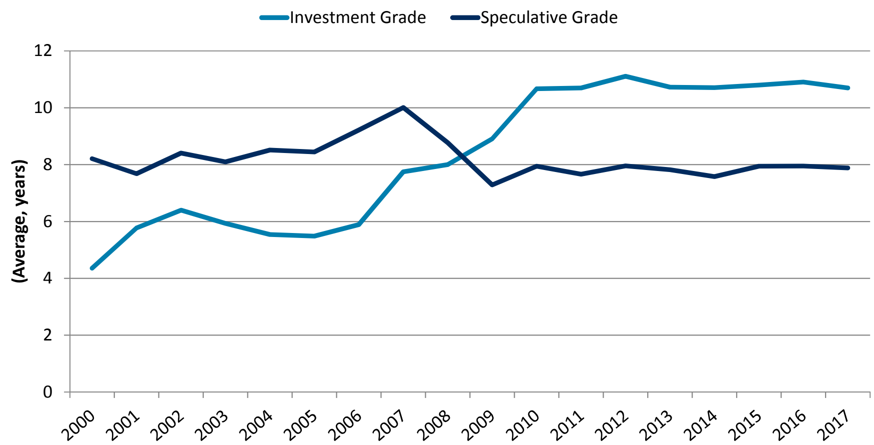


## 1Q 2018 bank loan ratings revenue off to a solid start




(revenue, $ in millions)

## Average U.S. bond maturities little changed this decade




Source: S&P Global Fixed Income Research



## S&P Dow Jones Indices continues to innovate

- **Entered into agreement with Bolsas y Mercados Argentinos –** Strategic agreement to launch new co-branded Argentine financial market indices
- **Launched S&P 500 Bond Mega 30 Index family –** Composed of largest investment-grade issuance and largest high-yield issuance
- **Debuts Carbon Metrics on Indices –** Enables market participants to understand, measure and manage carbon risk
- **Launched S&P BSE 100 ESG Index –** To measure the exposure to securities meeting sustainability investing criteria

## Platts pursues new growth opportunities

- **Deployed blockchain solution for Fujairah oil inventory data**
  This new system efficiently transfers proprietary data in a more secure environment


- **CME Launched Black Sea grain future**
  These contracts will be cash-settled against the Platts price benchmark for Russian wheat and Ukrainian corn



## Kensho advances Company's technology capabilities

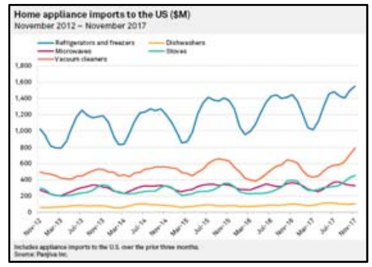
KENSHO

- Over time, we expect Kensho's expertise will drive a dramatic evolution of our business in the following areas:
  - **New analytical capabilities** that will power innovative products and insights for our users
  - **Improved user experiences** driven by NLP, Visualization, and advanced Search capabilities embedded in our products
  - **Automation of core workflows and processes** that will allow S&P Global to create new products faster, mitigate development risks and drive significant efficiencies
  - **Fundamental IT research** working on cutting-edge technology projects
  - **Significant efficiencies/cost reductions** in traditional operations

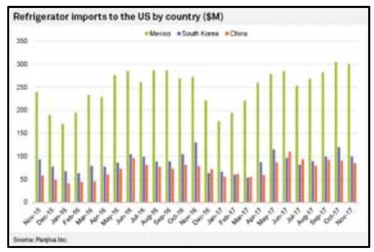
# Panjiva adds unique data sets and technology to Market Intelligence

panjiva

**Panjiva is a technology company that builds proprietary machine learning algorithms to transform messy shipment records into clean, useful data**




- Shipment Data
- Company Data
- Location Data






S&P Global

## S&P Global Investor Day

Douglas Peterson, President and Chief Executive Officer of S&P Global, invites you to S&P Global's Investor Day which will be held on May 24, 2018. He and other members of senior management will provide greater insight into S&P Global.

**12:00 PM – 1:00 PM**
Registration, Lunch and Product Demonstrations

**1:00 PM – 4:30 PM**
Presentations and Q&A Sessions
*(Available via live video webcast)*

**4:30 PM – 5:30 PM**
Cocktails and Product Demonstrations

**Thursday, May 24, 2018**
Convene
32 Old Slip
New York, NY 10005

For more information or if you have any questions regarding Investor Day, please contact Jane Harasymiak at (212) 438-6096, or email investor.relations@spglobal.com

**RSVP IS REQUIRED TO ATTEND**

**Register by May 4, 2018**

**Register via email:** investor.relations@spglobal.com

Don't forget to register

# Ewout Steenbergen

## Executive Vice President, Chief Financial Officer



## Solid operating results to start the year

| | 1Q 2018 | 1Q 2017 | Change |
|---|---|---|---|
| Revenue | $1,567 | $1,453 | +8% |
| Organic revenue | $1,565 | $1,453 | +8% |
| Unallocated expense | $46 | $36 | +28% |
| Adjusted total expense | $832 | $773 | +8% |
| Adjusted operating profit | $735 | $680 | +8% |
| Adjusted operating profit margin | 46.9% | 46.8% | 10 bps |
| Interest expense, net | $34 | $37 | (8%) |
| Adjusted effective tax rate | 21.7% | 30.3% | (860 bps) |
| Adjusted net income (less NCI) | $509 | $422 | +21% |
| Adjusted diluted EPS | $2.00 | $1.62 | +24% |
| Average diluted shares outstanding | 254.4 | 260.8 | (6.5) shares |

($ and shares in millions, except earnings per share)

## Stock-based compensation creates tax benefit

| | 1Q | 2Q | 3Q | 4Q |
|---|---|---|---|---|
| 2018 EPS impact | $0.04 | | | |

FASB Accounting Standard requirement to record the tax effect related to share-based payments at settlement (or expiration) through the income statement results in lower reported tax expense

**1st Quarter:**

In 1Q 2018, $0.04 was due to the exercise of stock options

At the end of 1Q 2018, there were 1.9 million employee stock options outstanding

**2018:**

Estimate $0.10 to $0.20 positive EPS impact in 2018



## Changes in foreign exchange rates increased 1Q 2018 adjusted operating profit

| Favorable (Unfavorable) | Ratings | Market Intelligence | Platts | S&P Dow Jones Indices |
|---|---|---|---|---|
| Revenue | +$22 | +$3 | – | – |
| Adj. operating profit | +$18 | ($1) | ($4) | ($3) |
| Adj. EPS | +$0.05 | – | ($0.01) | ($0.01) |

($ in millions)

**Key factors mitigating impact of currency changes**

- Approximately ½ of international revenue is invoiced in U.S. dollars
- Hedges are in place for key currencies to mitigate a portion of the risk

**Key currencies that impacted the quarter**

- Ratings revenue was primarily impacted by the strengthening of the Euro and the British pound

# 1Q 2018: Non-GAAP adjustments to operating profit

| **Pre-tax expense excluded from adjusted results** | 1Q 2018 |
|---|---|
| Deal-related amortization | ($24) |

($ in millions)



# Revenue gains in every business segment led by S&P Dow Jones Indices

1Q 2018 vs. 1Q 2017

| | Ratings | Market Intelligence | Platts | S&P Dow Jones Indices |
|---|---|---|---|---|
| Reported revenue | +5% | +9% | +3% | +25% |
| Organic revenue | +5% | +9% | +3% | +25% |
| Adjusted operating profit | +8% | +4% | (4%) | +28% |
| 1Q 2018 adjusted operating profit margin | 54.7% | 29.5% | 48.0% | 69.5% |
| Adjusted operating profit margin change | +190 bps | (150 bps) | (310 bps) | +160 bps |

## S&P Dow Jones Indices: Exceptional revenue and adjusted operating profit growth

| | 1Q 2018 | 1Q 2017 | Change |
|---|---|---|---|
| Revenue | $214 | $171 | +25% |
| Adjusted segment operating profit | $149 | $116 | +28% |
| SPGI share of Adj. Seg. Op. Profit* | $109 | $86 | +27% |
| Adjusted segment operating profit margin | 69.5% | 67.9% | +160 bps |
| Trailing four quarters adjusted segment operating profit margin | 65.8% | 65.4% | +40 bps |

($ in millions)

**1Q 2018 HIGHLIGHTS:**

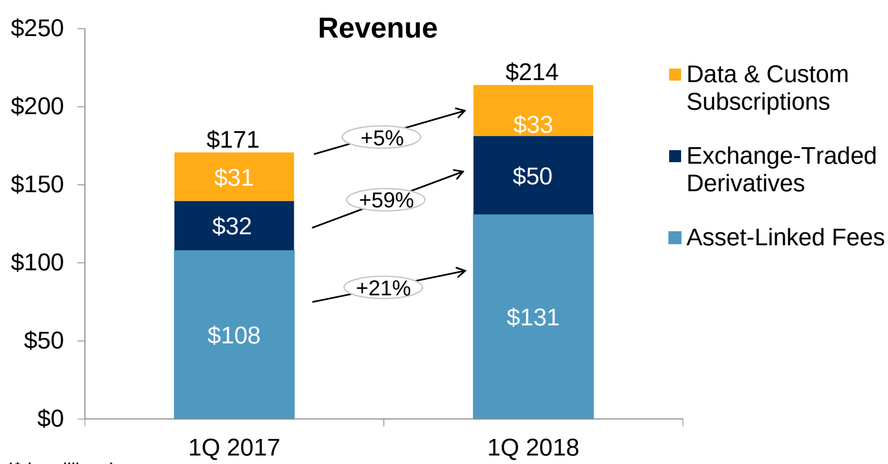
- Revenue increased 25% due to strong exchange-traded derivatives activity
- Adjusted operating profit increased 28% and adjusted operating profit margin up 160 basis points



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



## S&P Dow Jones Indices: Record quarterly revenue from exchange-traded derivatives




($ in millions)

Details may not sum to total due to rounding

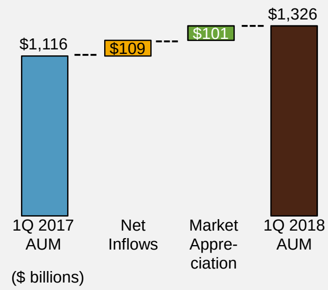
## S&P Dow Jones Indices: Strong YOY growth in ETF AUM associated with our indices

**Asset-Linked Fees:**

- Exchange-traded products industry net inflows were $128 billion in 1Q
- 1Q average ETF AUM associated with our indices increased 28% YOY

- Quarter ending ETF AUM associated with our indices was $1,326 billion, an increase compared to 1Q 2017 but down sequentially
- Sequentially, since 12/31/2017, ETF net inflows associated with our indices totaled $8 billion and market declines were $25 billion

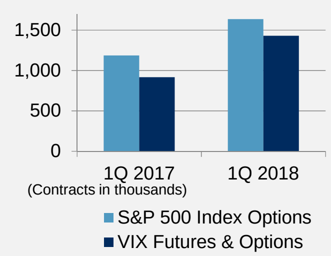
**Quarter Ending ETF AUM**



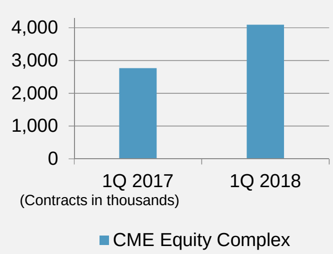



## S&P Dow Jones Indices: Exchange-traded derivatives volume experienced very strong growth

**Key Contracts**
(Average Daily Volume)




**Key Contracts**
(Average Daily Volume)




- S&P 500 index options activity increased 38%
- VIX futures & options activity increased 56%

- CME equity complex activity increased 48%

## Ratings: Delivered revenue growth and adjusted profit margin expansion

| | 1Q 2018 | 1Q 2017 | Change |
|---|---|---|---|
| Revenue | $748 | $714 | +5% |
| Adjusted segment operating profit | $408 | $377 | +8% |
| Adjusted segment operating profit margin | 54.7% | 52.8% | +190 bps |
| Trailing four quarters adjusted segment operating profit margin | 54.0% | 51.3% | +270 bps |

($ in millions)

**1Q 2018 HIGHLIGHTS:**

- Excluding FX, revenue increased 2% and adjusted expenses decreased slightly resulting in growth in adjusted operating profit and profit margin
- Achieved trailing four quarters adjusted operating profit margin of 54.0%



## Ratings: Non-transaction revenue surpasses transaction revenue

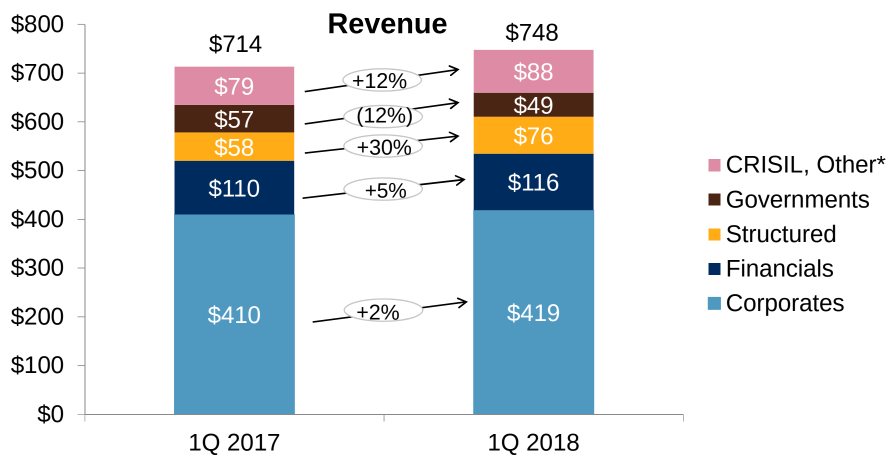
| | 1Q 2018 | 1Q 2017 | Change |
|---|---|---|---|
| Non-transaction | $380 | $341 | +11% |
| Transaction | $368 | $373 | (1%) |

($ in millions)

**1Q 2018 HIGHLIGHTS:**

- Non-transaction revenue increased due to growth in fees associated with surveillance as well as large increases in new entity ratings and Rating Evaluation Service fees
- Transaction revenue decreased as declines in corporate bonds and public finance were slightly larger than gains in structured products

## Ratings: Structured finance delivers bulk of revenue growth in 1Q 2018




($ in millions)

*Other includes intersegment royalty, Taiwan Ratings Corporation, and adjustments
Details may not sum to total due to rounding



## Market Intelligence: Delivered strong revenue growth

| | 1Q 2018 | 1Q 2017 | Change |
|---|---|---|---|
| Revenue | $437 | $402 | +9% |
| Adjusted segment operating profit | $129 | $125 | +4% |
| Adjusted segment operating profit margin | 29.5% | 31.0% | (150 bps) |
| Trailing four quarters adjusted segment operating profit margin | 32.1% | 30.2% | +190 bps |

($ in millions)

**1Q 2018 HIGHLIGHTS:**

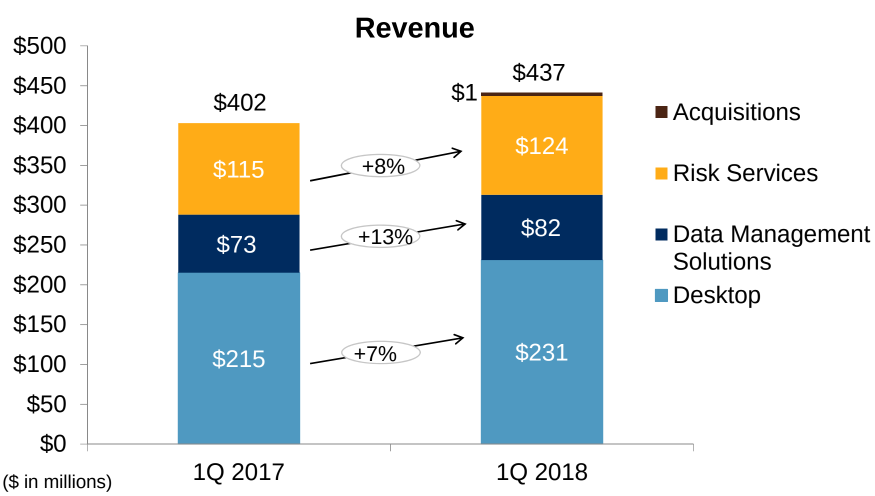
- Revenue increased 9%
- Adjusted operating profit increased 4%
- Adjusted operating profit margin declined primarily due to increased investments in commercial and technology, increased data costs, FX, and timing of expenses

## Market Intelligence: Business highlights

- Historically all products, outside of desktop products, were sold as enterprise-wide commercial agreements
- As we institute enterprise-wide commercial agreements in desktop products, approximately 70% of former Capital IQ desktop customers have been converted
- We realized a 14% increase in Market Intelligence's active desktop users
- The new Market Intelligence platform continues to progress with several new releases during the first quarter



## Market Intelligence: Every category continues to deliver solid revenue growth




($ in millions)

Details may not sum to total due to rounding

# Platts: Core subscription business growth muted by Global Trading Services

| | 1Q 2018 | 1Q 2017 | Change |
|---|---|---|---|
| Revenue | $196 | $191 | +3% |
| Adjusted segment operating profit | $95 | $98 | (4%) |
| Adjusted segment operating profit margin | 48.0% | 51.1% | (310 bps) |
| Trailing four quarters adjusted segment operating profit margin | 46.3% | 43.1% | +320 bps |

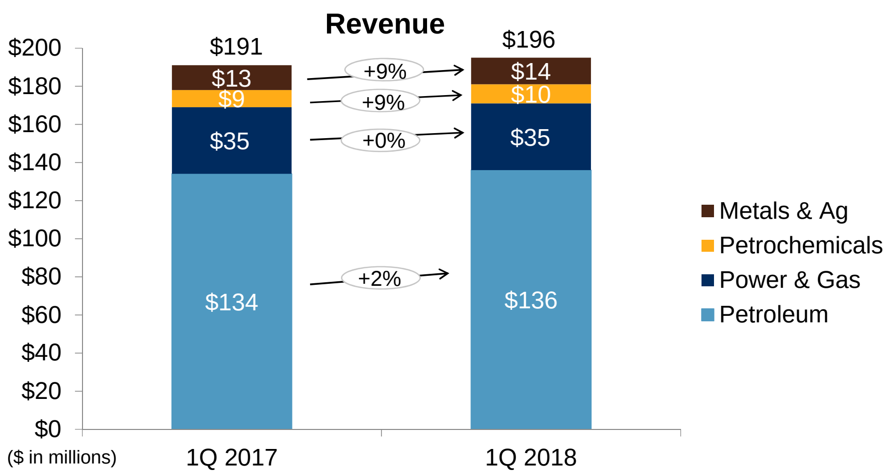
($ in millions)

**1Q 2018 HIGHLIGHTS:**

- Revenue increased 3% despite large decline in Global Trading Services
  - Core subscription business delivered 5% revenue growth
  - Global Trading Services' revenue decreased mid-teens almost entirely due to weaker trading volumes in certain oil and metals products
- Adjusted operating profit margin declined primarily due lower Global Trading Services revenue, FX, and timing of expenses



# Platts: Metals & Ag and Petrochemicals lead revenue growth




($ in millions)

Details may not sum to total due to rounding

## Capital position remains solid – cash balance reduced by $1 billion ASR

| | 1Q 2018 | 4Q 2017 |
|---|---|---|
| Cash and cash equivalents | $1,756 | $2,779 |
| Short and long-term debt | $3,570 | $3,569 |
| Adjusted gross leverage* | $5,896 | $5,893 |
| Adjusted gross leverage to adjusted EBITDA | 1.9x | 1.9x |

($ in millions)

* Adjusted gross leverage includes debt, unfunded portion of pension liabilities (~$224 million), S&P DJI put option (~$1.35 billion) and the expected NPV of operating leases (~$753 million)



## Seasonally low free cash flow with incentive compensation payments in 1Q each year

| | 1Q 2018 | 1Q 2017 |
|---|---|---|
| Cash provided by operating activities | $360 | $353 |
| Capital expenditures | (33) | (23) |
| Distributions to noncontrolling interest holders | (50) | (24) |
| **Free cash flow** | **$277** | **$306** |
| After-tax legal settlements | 22 | 1 |
| **Free cash flow, excluding certain items** | **$299** | **$307** |

($ in millions)

- 1Q 2018 return of capital totaled $1.227 billion, with a $1 billion ASR, $100 million in open market share purchases, and $127 million in dividends
- During the quarter, we received 0.6 million shares from the open market purchases and the initial shares under the ASR of 4.5 million shares

## 2018 current GAAP guidance reflects Kensho acquisition

| | Initial GAAP | Current GAAP |
|---|---|---|
| Revenue | Mid single-digit increase | Mid single-digit increase |
| Corporate unallocated[(A)] | $160 – $170 million | $190 – $205 million* |
| Deal-related amortization | N.A. | N.A. |
| Operating profit margin | 47% - 48% | 45% - 46% |
| Interest expense | $145 - $150 million | $145 - $150 million |
| Tax rate | 21% - 22.5% | 21% - 22.5% |
| Diluted EPS | $8.15 - $8.30 | $7.95 - $8.10 |

| | | |
|---|---|---|
| Capital expenditures | ~$125 million | ~$125 million |
| Regular dividend per share (annual basis) | $2.00 | $2.00 |

(A) Includes a $20 million contribution to the S&P Foundation in 1Q 2018
* *On April 30, 2018, corporate unallocated was revised from $160-$170 million as $30 to $35 million of integration and retention costs related to the acquisition of Kensho Technologies was inadvertently excluded*



## 2018 current adjusted guidance reflects Kensho acquisition – diluted EPS guidance unchanged

| | Initial Adjusted | Current Adjusted |
|---|---|---|
| Revenue | Mid single-digit increase | Mid single-digit increase |
| Corporate unallocated[(A)] | $160 - $170 million | $160 - $170 million |
| Deal-related amortization | $95 million | $125 - $130 million |
| Kensho retention plans & integration | N.A. | $30 - $35 million |
| Operating profit margin | 47.5% - 48.5% | 47.5% - 48.5% |
| Interest expense | $145 - $150 million | $145 - $150 million |
| Tax rate | 21% - 22.5% | 21% - 22.5% |
| Diluted EPS | $8.45 - $8.60 | $8.45 - $8.60 |

| | | |
|---|---|---|
| Capital expenditures | ~$125 million | ~$125 million |
| Free cash flow excluding certain items | ~ $2.3 billion | ~ $2.3 billion |
| Regular dividend per share (annual basis) | $2.00 | $2.00 |

(A) Includes a $20 million contribution to the S&P Foundation in 1Q 2018

# 1Q 2018 Earnings Conference Call

Doug Peterson
President and CEO

Ewout Steenbergen
Executive Vice President and CFO

Chip Merritt
Vice President, Investor Relations

April 26, 2018

S&P Global

# 1Q 2018 Earnings Conference Call

Doug Peterson
President and CEO

Ewout Steenbergen
Executive Vice President and CFO

Chip Merritt
Vice President, Investor Relations

April 26, 2018

**REPLAY OPTIONS**

**Internet: Replay available for one year**
**Go to http://investor.spglobal.com**

**Telephone: Replay available through May 26, 2018**
**Domestic: 866-481-6886**
**International: 203-369-1567**
**No password required**

S&P Global