McGraw Hill Financial
2nd Quarter 2013 Earnings Conference Call
Prepared Remarks
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Chip Merritt
Vice President, Investor Relations
McGraw Hill Financial

Good morning. Thank you for joining us this morning for McGraw Hill Financials' second quarter 2013 earnings call. Presenting on this morning's call are Harold McGraw III, Chairman, President and CEO; Doug Peterson, President Standard and Poor's Rating Services; and Jack Callahan, Chief Financial Officer. Also joining us is Ken Vittor, our General Counsel.

This morning we issued a news release with our results. I trust you have all had a chance to review the release. If you need a copy of the release and financial schedules, they can be downloaded at www.mhfi.com.

In today's earnings release and during the conference call we're providing adjusted financial information. This information is provided to enable investors to make meaningful comparisons of the Corporation's operating performance between periods and to view the Corporation's business from the same perspective as management's. The earnings release contains exhibits that reconcile the difference between the non-GAAP measures and the comparable financial measures, calculated in accordance with U.S. GAAP. The results also reflect the reclassification of McGraw-Hill Education as a discontinued operation.

Before we begin, I need to provide certain cautionary remarks about forward-looking statements. Except for historical information, the matters discussed in the teleconference may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including projections, estimates, and descriptions of future events. Any such statements are based on current expectations and current economic conditions and are subject to risks and uncertainties that may cause actual results to differ materially from results anticipated in these forward-looking statements. In this regard, we direct listeners to the cautionary statements contained in our Form 10-Ks, 10-Qs, and other periodic reports filed with the U.S. Securities and Exchange Commission.

I would also like to call your attention to a new European regulation. Any investor who has, or expects to obtain, ownership of 5% of more of McGraw Hill Financial should give me a call to better understand the impact of this legislation on the investor, and potentially the Company.

We're aware that we do have some media representatives with us on the call. However, this call is intended for investors and we would ask that questions from the media be directed to Jason Feuchtwanger in our New York office at (212) 512-3151 subsequent to this call.

Now, I would like to turn the call over to Harold McGraw III. Terry.

Harold McGraw III
Chairman, President and CEO
McGraw Hill Financial

Thank you, Chip. You do such great job representing all our shareholders. I thank you for that.

Good morning everyone. Thanks for being with us and welcome to today's conference call. I would like to begin this call by summarizing the highlights we will cover today:

- Our second quarter results contributed to the strong momentum that we have delivered since reporting McGraw Hill Financial's results separately. In fact, so far this year our revenue has increased 15% and adjusted diluted EPS has increased 30%.
- We will provide a legal update. I know this is a topic that many are watching closely.
- We also have our next President and CEO, Doug Peterson, on today's call to make some comments about his new role and discuss the results of Standard & Poor's Ratings Services—the business he is currently running—and to give you a chance to ask him questions during the Q&A.
- We will discuss our plans to take a larger stake in CRISIL—this is India's largest ratings agency.
- We'll also discuss very briefly our recent announcement to sell the Aviation Week group.
- And lastly, as part of Jack Callahan's financial discussion, we will share our newly increased 2013 EPS guidance.

So let's turn to the financial performance during the second quarter.

- Our initial full-year 2013 guidance called for high-single-digit revenue growth and approximately 15% diluted adjusted EPS growth. However, during the second quarter, we delivered 17% revenue growth and 31% diluted adjusted EPS growth, reaching $0.92 per share.
- Our three strongest benchmark businesses led the growth again this quarter—Standard & Poor's Ratings Services, Platts, and S&P Dow Jones Indices. Cost control and the accelerated share repurchase program also contributed to the EPS increase.

While we are clearly off to a very solid start, keep in mind that comparisons will become a little bit more difficult because in each quarter of 2012 we delivered sequential increases in revenue and diluted adjusted earnings per share. In addition, Doug will discuss recent trends in issuance of which we need to be mindful.

We shared this chart with you last quarter but felt that it was important to share it again as the makeup of the Company has changed so dramatically. These two pie charts should help put into perspective the revenue and operating earnings contribution of each of our business segments. Not surprisingly, Standard & Poor's Ratings Services is our largest segment with each of the remaining three contributing a comparable level of operating profit.

This morning, I also want to focus on some of the things that are of interest to everyone. Since our legal issues are attracting some attention of late, I thought we would bring them to the forefront of today's discussion.

Let me go through some of this with you. With regard to the Department of Justice case, oral argument was held on July 8 in the Federal Court in California. On July 16, the Court denied our motion to dismiss. The decision included the following statement:

> "The Court finds that the government has sufficiently pleaded the intent required to support its fraud claims. Any disputes over the veracity of these claims, or contested facts, are properly challenged at a later stage of litigation." It also stated: "S&P might disagree with the government's version of these facts, but the opportunity to challenge such factual allegations comes later in the litigation process."

While I'm sure that all of you would like us to discuss our view in great detail and provide additional support for our position, the Court has made it abundantly clear that it does not want either party trying this case in the media. Since we will adhere to that request, we will not provide any additional commentary regarding the complaint, except to repeat what we've said all along—that it has no merit and we look forward to demonstrating that in court.

With regard to the State actions, in June the Judicial Panel on Multidistrict Litigation (JPML) transferred most of the State AG actions to a single Federal judge in Manhattan. The JPML found "that these actions involve common questions of fact, and that centralization of all actions in the Southern District of New York will serve the convenience of the parties and witnesses and promote the just and efficient conduct of this litigation."

The New York Federal Court must now decide whether the State AG actions were properly removed to Federal Court. Oral argument on this issue is scheduled to be held on October 4.

Please note that these transferred federal actions involve most of the State Attorney General cases; however, California, Illinois, and Connecticut have not been consolidated with the other State AG cases and will remain as separate actions in State Courts.

In other litigations we continued to build upon our positive track record during the quarter. 33 cases have now been dismissed outright, including the June dismissal of the Tolin case by a Federal District Court in New York City.

In the Tolin case, the Court stated "the Complaint fails by a wide margin to allege adequately that S&P did not believe the ratings when it made them. The Complaint fails entirely to allege, let alone with particularity, what S&P's state of mind was at the time it issued the particular ratings at issue in this case."

11 dismissals by lower courts have been affirmed by higher courts and 10 cases have been voluntarily withdrawn. That leaves us with a few dozen non-government cases that remain outstanding. Some new cases have been filed very recently, apparently in an effort to avert statute of limitation expirations, which is a possible defense for us after so many years passing since the issuance of the ratings at issue. Several of these new cases include other ratings agencies as co-defendants as well.

And in our final legal and regulatory topic, the United States Supreme Court has denied the International Securities Exchange's (ISE) petition seeking review of the Illinois appellate court's ruling that prohibits ISE from listing or providing an exchange market for the trading of S&P 500® and Dow Jones Industrial Average® options and the OCC from issuing, clearing, or settling the exercise of such ISE options without permission.

This ruling just reinforces the intellectual property rights of S&P Dow Jones Indices as well as other index providers. This ruling supports the same legal issue that our General Counsel, Ken Vittor, who is with us this morning, first successfully defended on our behalf back in 1982.

S&P Dow Jones Indices

With that, let's turn to the individual businesses. I'll start with S&P Dow Jones Indices.

In the second quarter, organic revenue increased 6% to $94 million and the addition of the Dow Jones index revenue brought total revenue to $123 million. The principal driver of the organic revenue growth was a 34% increase in quarter-ending assets under management in exchange-traded funds linked to S&P indices which reached more than $469 billion. Including the assets under management linked to Dow Jones indexes, assets under management reached $546 billion at the end of the quarter.

It is important to note that the revenue impact is not as pronounced as the growth in assets under management as the basis points charged are not always linear with asset growth.

Trading volume of exchange-traded derivatives increased 11%. With equity prices at or near record levels, market participants increased hedging activities thereby driving higher daily contract volumes for S&P 500 index options and the CBOE Volatility Index, commonly known as the VIX, at the Chicago Board Options Exchange.

This is the last quarter that we will be breaking out the revenue associated with Dow Jones Indexes as the joint venture was in place for all of the third quarter of 2012. While the joint venture realized $80 million of adjusted operating profit, $60 million is retained by us as 27% of the profit is forwarded to our partner, the CME.

It is critical that we continue to invest in our benchmark businesses to keep the brand prominent and well understood. To that end, the Company launched a new advertising campaign in *The Wall Street Journal, Financial Times* and other print and digital media.

While we are investing in the brand, we are also investing in the product. During the second quarter, we launched 33 new indices. Many of them deviate from our core strength in U.S. equities. Some notable examples of these new indices include 9 Sharia-compliant indices, S&P GSCI Roll Weight Select, Dow Jones Real Estate – Risk Control, Intermediate Duration Muni Yield, Korea and Nordic Low Volatility, and the S&P/ISDA U.S. 150 Credit Spread. These new indices, and others, will help us continue to diversify and grow this important business.

S&P Capital IQ

With that let me now move on to S&P Capital IQ.

In the second quarter, this business delivered top-line growth of 3%. Two key offerings, Capital IQ Desktop and RatingsXpress, led the revenue growth. These results were offset somewhat by declines in revenue from Proprietary Research.

In a market characterized by customer employee cutbacks, S&P Capital IQ delivered 16% user growth (excluding government and university users) to more than 54,000. When large enterprise accounts with broad-tiered pricing are excluded user growth increased mid-single-digit.

Adjusted operating profit decreased 7% and there was a decline in the operating margin as increased investment in content and technology continued to reduce some profitability. These investments are leading to innovative real-time solutions beyond the QuantHouse exchange data-feed business that has already been launched. S&P Capital IQ's new Portfolio Risk Solution product, that I am going to discuss in a little bit more detail in just a moment, was created from the acquisition of R^2 coupled with considerable investment and innovation over the past year.

But before I turn to that, I thought I would take a moment to add some clarity to the S&P Capital IQ business line. This chart depicts the four primary categories of the business and the capabilities that each offers. As you can see, Capital IQ is one of numerous capabilities offered within this business line.

Lou Eccleston, who runs S&P Capital IQ, and his team have been working to upgrade this portfolio. The more promising pieces are receiving appropriate investment, while the pieces that don't fit are being divested or shut down. For example we have recently moved ABSXchange, European MarketScope, and FMR Australia out of the portfolio. We expect that as progress is made this will become a higher margin, faster growing business segment.

In June, S&P Capital IQ launched its new Portfolio Risk Solution available through the Capital IQ desktop. The product brings together leading risk and portfolio analytics acquired through last year's purchase of R^2 Financial Technologies and Capital IQ's extensive market and reference data. This product is the only real-time, multi-asset portfolio risk system that enables internal and external collaboration, click-through transparency, and seamless access to the broad range of reference data and functionality offered within the Capital IQ desktop.

This powerful tool provides traders and portfolio and risk managers with the ability to make decisions about the pricing, hedging, and capital management of multi-asset-class portfolios, including equities, fixed income, and derivatives—all in real time.

Commodities & Commercial Markets

With that, now let me turn to the Commodities & Commercial Markets segment.

Revenue here grew 8% in the second quarter and operating profit increased 16%, resulting in record operating margin of 31.8%. Platts delivered double-digit revenue growth while J.D. Power and Aviation Week delivered single-digit growth.

In Commodities, Platts recorded a 14% increase in revenue. Growth in petroleum product subscriptions continued to be the primary driver of this double-digit growth. In addition, licensing revenue from petroleum derivative trading increased more than 50%. Petroleum, petrochemicals, metals, and agriculture product subscriptions all delivered double-digit revenue growth while power and gas revenue was flat.

Two new price assessments for China and greater Asia were launched during the quarter. They are designed to complement each other by providing a quick and straightforward way for traders and other interested parties to compare the prices of domestic and imported thermal coal in the Chinese market and immediately determine whether there is a price arbitrage advantage favoring one type or the other.

Over the past few years, the natural gas, oil, and liquids markets have been transformed and revitalized by extraction innovations such as horizontal drilling and hydraulic fracturing. Deposits of gas and oil that were once cost prohibitive or difficult to access, have now become cost effective and are having a profound effect on energy markets around the globe. The United States and Canada are at the center of this revolution and the Platts North American Shale Plays Map presents a holistic view of an industry that profoundly altered our energy landscape. I cite this map because it provides a quick visual example of the breadth of data that Platts provides beyond pricing. That capability is increasingly important with the growing Marcellus Shale production of natural gas.

Commercial Markets' revenue increased 2% in the second quarter with J.D. Power and Aviation Week both delivering single-digit revenue growth. Within J.D. Power, the Asian business drove a double-digit revenue increase in automotive which was partially offset by reduced licensing from past award recipients. McGraw Hill Construction revenue continues to be pressured by the weak U.S. commercial construction market with growth of new products unable to overcome declines in base business. Aviation Week revenue increased, primarily due to the MRO Americas Show and the biennial Paris Air Show which took place in the second quarter of 2013.

As an example of the importance of the J.D. Power brand, GM is running numerous advertisements depicting the 8 recent J.D. Power Initial Quality Study Awards that it received. As part of their advertising, last week they wrapped a banner around their entire world headquarters with a picture of the 8 awards. We are very proud of that, and very proud of them.

And here, J.D. Power received its own award, it is celebrating its 45 year anniversary. In 1968, a wonderful individual, J.D. "Dave" Power III established J.D. Power from his kitchen table, with a primary focus on the automotive industry. Since that time, the company has successfully influenced the everyday lives of consumers and industries worldwide, and has expanded to include offices throughout North America, Europe, and Asia Pacific. And all of us here are so very, very proud of all of these accomplishments. Congratulations go out to all of our J.D. Power employees. Well done everyone.

And finally, as I mentioned previously, I would like to introduce McGraw Hill Financial's next President and CEO. After serving as President for 20 years (I can't believe it) and CEO for 15 years, it's great to have a successor of the caliber of Doug Peterson. Doug is not only a talented leader with profound industry knowledge, regulatory experience, and most importantly, unquestionable integrity. The transition is well underway. Doug and I are working through many issues and Doug will officially begin his new position in November. And of course, after this transition, I will continue as Chairman of the Board.

So let me at this point turn it over to Doug to make some remarks and then after that we can go in any direction anybody would like.

Doug.

Doug Peterson
President, Standard and Poor's Ratings Services
McGraw Hill Financial

Thank you Terry.

I am honored to be asked to lead this great Company. Terry's passion, optimism, and exceptional management of the Company have positioned us to succeed going forward. Over the last 20 years Terry has led this Company with great success as seen through the consistent record of delivering shareholder value. Terry and the Board had the vision to create McGraw Hill Financial, with a focus on benchmarks, ratings, and analytics, and now I look forward to leading this new, fast-growing financial intelligence company.

Before I talk about this change in leadership, let me first review Standard & Poor's Ratings Services' results for the quarter and then I'll take a few moments to share some thoughts about McGraw Hill Financial and my new role.

Standard & Poor's Ratings Services
After a strong first quarter, the business delivered an even stronger second quarter.
- Revenue for the segment grew 24%, setting a new all-time record for any quarter of $599 million, surpassing the previous mark set in the second quarter of 2007.
- Segment operating profit increased 34% and the corresponding operating margin increased 330 basis points to more than 46%.

The incremental revenue growth was the primary driver of the margin expansion.

We note that issuance declined notably after Federal Reserve statements regarding consideration of changes to current stimulus policies were made in June. While the Company expects global issuance to remain generally robust, interruptions in issuance could occur as markets contemplate possible interest rate increases.

On our third quarter call last November we shared a slide with you that showed high levels of corporate maturities that were coming due over the next several years and should support continued strong issuance, and we continue to publish research showing that information. On our fourth quarter call in February, we shared a slide with you that showed the European disintermediation opportunity.

Today I would like to share an interesting slide that depicts the correlation, or actually lack thereof, of interest rate changes to global issuance. This slide shows 10 years of global issuance data with corporate issuance in blue and structured finance issuance in green. The dashed line is the average corporate issuance over this time period. The solid line depicts the average 10-year treasury yield for each year. As interest rates rose, issuance actually increased. Then, as interest rates declined, corporate issuance showed little change.

The data and other research we performed show that issuance in the last decade has not been correlated to changes in interest rates and that issuance was more robust when interest rates were considerably higher than they are today. Frankly, there are many other forces that impact issuance including spreads, liquidity, consumer sentiment, government policy, and expected growth rates, to name just a few.

We believe that if interest rates rise due to improvements in GDP growth and lower unemployment it could be positive for issuance. However, that doesn't mean issuance won't be choppy as markets adjust to new rates. Therefore, due to upcoming corporate maturities, the European bank deleveraging opportunity, and emerging market expansion, we remain optimistic about issuance levels over the next few years.

Turning back to the quarter, non-transaction revenue grew 12% driven by increased entity credit rating and rating evaluation services. Excluding the acquisition of Coalition, non-transaction revenue grew 9.9%. Growth in these products is an encouraging sign that new issuers could be coming to market.

Transaction revenue increased 41% as a result of improved investment-grade and high-yield issuance, increased bank loan ratings, and growth in U.S. CMBS and CDOs. Globally, growth was balanced. In fact, the revenue in each major region of the world that we track increased over 20%.

This chart shows second quarter year-over-year increases in both the United States and Europe of 10% and 25%, respectively, in issuance. Total corporate issuance reflects an 85% increase in high yield and a 24% increase in investment grade. U.S. structured issuance increased driven by a resurgence in CMBS and CDOs (in the CDO world, primarily CLOs), which grew 70% and 48%, respectively.

This chart also makes clear the fact that in both the United States and Europe, second quarter issuance declined. Yet despite this decline, our revenue actually increased sequentially. This was due to growth in bank loan ratings (which are not included in issuance in this chart), entity credit ratings, ratings evaluation services, and CRISIL.

Some of you will have noticed that Standard & Poor's Ratings Services launched our first major advertising campaign in our history, targeting U.S. markets. As part of the broader McGraw Hill Financial launch, our efforts are aimed at supporting our brand and educating stakeholders through outreach, thought leadership, and strategic media placement including print, online, and radio.

It is important that we proactively educate all our constituencies about our role and importance in the capital markets. Capital allows people to start and grow businesses, cities and states to build highways and hospitals, and manufacturers to build factories—all of which lead to job creation.

Now, I'll make a few comments about McGraw Hill Financial and my upcoming role as President and CEO.

McGraw Hill Financial promotes sustainable and orderly growth in the capital and commodity markets as the foremost provider of ratings, benchmarks, and analytics to financial professionals and investors worldwide. The Company has built an incredible set of businesses with iconic brands and leading market positions. With such a great collection of assets, our solid balance sheet, and our strong cash flow, I don't expect the need to make any major changes to our current strategy or portfolio.

However, there can be no complacency for any business in this fast-changing world. We will need to continue to upgrade the portfolio as necessary and, most importantly, ensure that we invest cash wisely.

First and foremost, before embarking on any changes, we will continue with a smooth and seamless transition. We need to put in place a new head of the Standard &Poor's Ratings Services business. We have some excellent internal candidates and are looking outside the company as well.

In the meantime, I will be meeting with investors, clients, public officials, and employees in the coming months to discuss how McGraw Hill Financial can even better serve the financial markets. Some particular areas of focus will be on strategy and innovation, both at the business and enterprise level, We'll look at corporate governance, our regulatory environment, and very, very importantly, capital allocation.

As we prepare for 2014, there are several key priorities to address. I need to make sure that we have a well understood corporate vision and that our individual business strategies are aligned. There are opportunities, both on the revenue and cost side, for the businesses to work more closely together and I would like to ensure we understand and deliver these benefits.

We are all committed to the core values of McGraw Hill Financial—fairness, integrity, and transparency. Most importantly, I understand that we are the stewards of shareholders assets and must maximize the return on their investment—to the people on this call, your investment.

With that, now let me to turn the call over to Jack Callahan, our chief financial officer, for additional detail on the financials.

Jack Callahan
Executive Vice President and CFO
McGraw Hill Financial

Thank you, Doug. And good morning to everyone joining us on the call.

This morning I want to briefly discuss several items on our performance and outlook for 2013:

- First, I want to recap key financial metrics in the quarter and review the modest one-time costs that were incurred.
- Second, I will provide some additional detail related to the balance sheet and YTD cash flow; and
- Finally, I will discuss share repurchase activity, our intent to increase our ownership of CRISIL, and the recent divestiture of Aviation Week.

As Terry just discussed, while or first quarter was strong, our second quarter was even better. Revenue grew 17% to $1.25 billion, with organic revenue growing 13%. Adjusted operating profit grew 29%, driven primarily by the strong results in Standard & Poor's Ratings Services and Commodities and Commercial Markets. Adjusted unallocated expense increased 4%. Overall, the margin expansion was significant year-on-year as consolidated adjusted operating profit margins increased over 300 basis points to 35.7%.

The tax rate declined 250 basis points to 35% while non-controlling interests grew $20 million, both primarily due to the impact of the S&P Dow Jones Indices joint venture. The tax rate also benefited from certain ongoing tax planning activities.

Adjusted net income from continuing operations increased 28% and the impact of our accelerated share repurchases can be seen in the adjusted diluted earnings per share growth of 31%.

Our Growth and Value Plan costs continue to wind down. During the 2nd quarter we reported $10 million of costs related to professional fees and outsourcing.

We continue to maintain an exceptionally strong balance sheet. At the end of the quarter, we had $1.9 billion of cash and approximately $800 million of long-term debt. We intend to maintain a strong balance sheet going forward balancing investments targeted at building the business and, as appropriate, returning cash to shareholders.

Our free cash flow during the first six months was $145 million. This was negatively impacted year-on-year by two large items:

- First, because of Hurricane Sandy, the IRS allowed fourth-quarter estimated tax payments that are normally made in December to be paid in February. This payment was $130 million and was paid in the first quarter.
- The second item was the $77 million payment associated with the legal settlement that was included in our first quarter results. Including the impact of these items, our operating cash flow guidance remains $650 million to $700 million.

I am pleased to announce that the $500 million accelerated share repurchase program was completed earlier this week. As we noted in our first quarter conference call, we received 8.6 million shares at the end of March. This week we received an additional 700,000 shares to close out the transaction. In total we repurchased 9.3 million shares at a volume weighted average price of $53.80 per share. Right now, approximately 7.6 million shares remain under our existing share repurchase authorization and we plan to continue to repurchase shares in the open market as appropriate.

During the quarter we also announced plans to purchase up to an additional 22% of the outstanding shares of CRISIL. CRISIL is the leading rating agency in India and we currently own approximately 53% of the company. Earlier this week, on July 24, the Company initiated a voluntary tender offer for up to 15.7 million shares. The tender will close on August 6. If the tender is fully subscribed this would represent an additional investment of approximately $320 million at current exchange rates.

And lastly, just yesterday we announced the sale of Aviation Week to Penton, further increasing our focus on high-growth, high-margin benchmark businesses. The sale of Aviation Week will reduce the Company's annualized revenue by almost $50 million per year. The bottom line impact will be minimal.

Summing up, we have delivered an excellent first half with 15% revenue growth and 31% adjusted diluted EPS growth. We are a bit cautious about the balance of year growth due to issuance volatility and challenging second half year-on-year comparisons, especially in the fourth quarter. That being said, we are maintaining our free cash flow guidance of $650 to $700 million and raising our 2013 adjusted diluted EPS guidance by five cents to $3.15 to $3.25 per share.

The first year of McGraw Hill Financial continues to look very promising. With that, let me now turn the call back over to Terry.

Harold McGraw III
Chairman, President and CEO
McGraw Hill Financial

Thanks, Jack, and again, we have indeed delivered excellent first half results.

We are deploying cash into global ratings opportunities as well as share repurchases and we are continuing to refine our portfolio of high-growth, high-margin businesses.

Thank you.

To access the accompanying slides online, go to:
http://investor.mhfi.com/phoenix.zhtml?c=96562&p=irol-EventDetails&EventId=4985594

"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, computer and aviation 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.