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Financial Sector

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Financial Sector Overview

Industries, Headwinds, & Tailwinds

Financial Sector Performance (1-Year)

Tailwinds for Financial Sector

❖ Steepening yield curve positive economic sentiment
❖ Fed expected to accelerate bond tapering
❖ High loan loss reserves released due to low default rates

Treasury Yields
Financial Holdings Overview

Performance, Forward-Looking Analysis

Financial Sector Performance (1-Year)

OVERWEIGHT Financial Sector Strategy

1. **Hold Visa**
   - Emergence of fintech and increase in mobile payments

2. **Hold Morgan Stanley**
   - Increasing rates expands profit margins

3. **Hold Blackstone**
   - Growing AUM due to low rates and record fundraising

5. **Buy S&P Global**
   - Exposure to debt and evolving ETF market

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**Blackstone**

-11%

Tgt Px

~$175 - $200

**VISA**

+1.4%

Tgt Px

~$240 - $250

**Morgan Stanley**

+53.1%

Tgt Px

~$104 - $110
S&P Global
Investment Thesis

- Industry Dominance
- Increase in debt and bond issuance
- Compounding operating margin

Catalysts
- Increasing global debt
- Growing ETF market
- Credit rating expansion into China
- Acquisition of IHS Markit

Revenue Growth

![Revenue Growth Chart]

- 6.1% CAGR

S&P Global
Investment Thesis & Catalysts
S&P Global

Business Segments

S&P Dow Jones Indices

Purpose

The largest global resource for index-based concepts data and research. More assets are invested in products based on these indices than any other index provider worldwide.

Revenue Sources

❖ Asset-linked Fees
❖ OTC Derivatives & Structured Products
❖ Data & Custom Indices
❖ ETFs & Exchange-Traded Derivatives

Platts

Purpose

S&P Global Platts is the leading independent provider of information and benchmark prices for the energy and commodity markets

Revenue Sources

❖ Data & Custom Subscriptions
❖ Licensing Fees from Issuers of Financial Products

~13% of Revenue
~11% of Revenue
S&P Global

Business Segments

Market Intelligence

- Provides world news, comprehensive market and asset-level data, and industry insights with powerful analytics. Growth is less dependent on macro trends.

Revenue Sources

- Desktop Subscriptions
- Credit Risk Solutions
- Data Management Solutions

Ratings

- Credit ratings, research and insight spanning 27 countries with most notable recent addition of domestic credit-rating business in China

Revenue Sources

- New Issuance Rating Transactions
- Fees for Surveillance, Research, and Analytics of Credit Ratings

Desktop: S&P Capital IQ & Market Intel. Platforms, sector focused news, and third-party research

Credit Risk Solutions: RatingsDirect, RatingsXpress, Credit Analytics and Scorecards

Data Mgmt Solutions: Xpressfeed, CUSIP, and cross-reference data
S&P Global

Increasing Operating Profit

Massive Operating Margins

- Easily scalable business model
- Generate revenue without increasing overhead
- Allows them to amortize fixed costs
- Operating profit increased 12% YoY for 9m period ending Sep-21

LTM Sep-21 Operating Profit by Segment

- $2,519
- $763
- $492
- $653

<table>
<thead>
<tr>
<th>Year</th>
<th>Margins</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>40%</td>
</tr>
<tr>
<td>2017</td>
<td>45%</td>
</tr>
<tr>
<td>2018</td>
<td>45%</td>
</tr>
<tr>
<td>2019</td>
<td>48%</td>
</tr>
<tr>
<td>2020</td>
<td>49%</td>
</tr>
<tr>
<td>LTM Sep-21</td>
<td>54%</td>
</tr>
</tbody>
</table>
S&P Global

Growth in Debt and Bond Issuance

**Success in Ratings Business**
- Ratings segment set to capitalize on the increase in global debt and bond issuance, 7% YoY increase
- Diversified products allows S&P to offset slow periods
- In Q321, ratings revenue increased 14% driven by bank loan and structured finance ratings

**Growth in China**
- S&P gained approval in 2019 to produce credit ratings in China’s bond market
- Expect growth in rating subscriptions due to massive increase in Chinese debt

**Global Debt Growth**
- Chart showing the growth in global debt from Dec-20 to Dec-21

**China Debt-to-GDP**
- Chart showing % debt-to-GDP for Q1-15 to Q1-20 for Non-financial Corps, Government, and Households.
Secular Market Trends

ETFs
- Growth within index and factor based investments

ESG
- The cultural shift towards ESG investments requires new data sets and tools

Risk Analytics
- Rising demand for equipment to monitor enterprise, credit, and counterparty risk.

Increasing Demand and Sustainable Long-Term Growth
Increase in IPOs and public entities results in an increasing amount of debt and bonds that are required to be rated.

M&A and structured finance deals are also rated by S&P as they require some sort of debt issuance.
S&P Global
Industry Dominance

Competitive Advantage

- Largest nationally recognized statistical rating organizations
- S&P holds 50% of the bond rating market share
- Recurring revenue of ~70%, 76% with IHS Markit
- 90% customer retention ratio

Dividend Growth

- Paid an annual dividend since 1937
- Increased dividend annually for the past 25 years
- Return 75% of FCF via dividend or share repurchases
- Current dividend of $3.08/share

Dividend Growth

- Non-subscription
- Non-transaction
- Subscription
- Asset-linked fees
- Royalties

SCHOOL OF BUSINESS INVESTMENT PROGRAM
S&P Global
Merger with IHS Markit

IHS Market Merger Key Points

Financing
- Valuing IHS Markit at $44b in an all-stock transaction
- Each IHS share will be exchanged for 0.2838 shares of S&P common stock

Ownership
- Current S&P shareholders will own 67.75% and IHS shareholders will own 32.25%

Synergies
- Expected to deliver $480m in cost synergies and $350m in revenue synergies by 2023
- Increase recurring revenue to 76%
- Pro forma capital return of 85% of FCF

IHS Markit Company background

- **Financial Services**: Pricing and reference data, indices product portfolio, valuation, and research, sales, and trading activities.
- **Transportation**: Pertains to automotive and maritime and trade products.
- **Resources**: Includes upstream and downstream product offerings
- **Consolidated Markets and Solutions**: Offers product design, economics and country risk, and technology, media, and telecom portfolio.

Merger Strategy

- Enhance customer value with complementary assets
- Scale offerings in high growth markets
- Leverage innovation and technology capability
Market Data Sector Competition

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**FACTSET**
- **HQ:** Norwalk, CT
- **Revenue:** $1.5B
- **EPS:** $10.53
- **Market Cap:** $16.2B
- **P/E:** 40.71

❖ Provides insights on global market trends and intelligence on companies and industries, as well as capabilities to monitor portfolio risk and performance and to execute trades.

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**Moody's**
- **HQ:** New York, NY
- **Revenue:** $5.4B
- **EPS:** $11.16
- **Market Cap:** $64.03B
- **P/E:** 30.86

❖ Engages in the provision of credit ratings, research, tools and analysis to the global capital markets.

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**Morningstar®**
- **HQ:** Chicago, IL
- **Revenue:** $1.4B
- **EPS:** $4.91
- **Market Cap:** $12.71B
- **P/E:** 60.09

❖ Provides data on funds, stocks, and general market data. They also provide an extensive line products for individual investors, financial advisors and institutional clients.
S&P Global
Valuation

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$6,258.0</td>
<td>$6,699.0</td>
<td>$7,442.0</td>
<td>$8,251.3</td>
<td>$8,593.9</td>
<td>$9,623.5</td>
<td>$10,200.9</td>
<td>$10,710.9</td>
</tr>
<tr>
<td>% growth</td>
<td>10.9%</td>
<td>9.0%</td>
<td>7.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>COGS</td>
<td>$1,701.0</td>
<td>$1,976.0</td>
<td>$2,092.0</td>
<td>$2,071.1</td>
<td>$2,158.5</td>
<td>$2,306.9</td>
<td>$2,346.2</td>
<td>$2,463.5</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$4,557.0</td>
<td>$4,723.0</td>
<td>$5,350.0</td>
<td>$6,180.2</td>
<td>$6,835.4</td>
<td>$7,313.9</td>
<td>$7,854.7</td>
<td>$8,247.4</td>
</tr>
<tr>
<td>% margin</td>
<td>72.8%</td>
<td>70.5%</td>
<td>71.9%</td>
<td>84.4%</td>
<td>87.6%</td>
<td>86.0%</td>
<td>87.7%</td>
<td>87.7%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$1,415.0</td>
<td>$1,217.0</td>
<td>$1,302.0</td>
<td>$1,357.0</td>
<td>$1,326.6</td>
<td>$1,424.28</td>
<td>$1,514.83</td>
<td>$1,595.93</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$3,142.0</td>
<td>$3,506.0</td>
<td>$4,048.0</td>
<td>$4,823.2</td>
<td>$5,508.8</td>
<td>$5,889.6</td>
<td>$6,339.9</td>
<td>$6,651.5</td>
</tr>
<tr>
<td>% margin</td>
<td>50.2%</td>
<td>52.3%</td>
<td>54.4%</td>
<td>13.5%</td>
<td>61.3%</td>
<td>61.2%</td>
<td>62.2%</td>
<td>62.1%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>$206.0</td>
<td>$204.0</td>
<td>$206.0</td>
<td>$200.0</td>
<td>$202.36</td>
<td>$211.72</td>
<td>$219.32</td>
<td>$224.93</td>
</tr>
<tr>
<td>EBIT</td>
<td>$2,936.0</td>
<td>$3,302.0</td>
<td>$3,842.0</td>
<td>$4,623.2</td>
<td>$5,306.4</td>
<td>$5,677.9</td>
<td>$6,120.5</td>
<td>$6,462.6</td>
</tr>
<tr>
<td>% margin</td>
<td>46.9%</td>
<td>49.3%</td>
<td>51.6%</td>
<td>14.0%</td>
<td>59.0%</td>
<td>59.0%</td>
<td>60.0%</td>
<td>60.0%</td>
</tr>
<tr>
<td>Taxes</td>
<td>$830.89</td>
<td>$927.86</td>
<td>$1,052.71</td>
<td>$1,262.13</td>
<td>$1,197.13</td>
<td>$1,589.80</td>
<td>$1,713.75</td>
<td>$1,799.44</td>
</tr>
<tr>
<td>EBITAT</td>
<td>$2,105.11</td>
<td>$2,374.14</td>
<td>$2,789.29</td>
<td>$3,361.07</td>
<td>$4,109.28</td>
<td>$4,088.06</td>
<td>$4,406.79</td>
<td>$4,627.13</td>
</tr>
<tr>
<td>Plus: Depreciation &amp; Amortization</td>
<td>$206.0</td>
<td>$204.0</td>
<td>$206.0</td>
<td>$200.0</td>
<td>$202.36</td>
<td>$211.72</td>
<td>$219.32</td>
<td>$224.93</td>
</tr>
<tr>
<td>Less: Capital Expenditures</td>
<td>$5.0</td>
<td>($726.0)</td>
<td>$218.0</td>
<td>$60.0</td>
<td>($450.0)</td>
<td>($481.0)</td>
<td>($510.0)</td>
<td>($53.6)</td>
</tr>
<tr>
<td>Less: Increase in Net Working Capital</td>
<td>N/A</td>
<td>$218.0</td>
<td>$441.0</td>
<td>($93.8)</td>
<td>$26.2</td>
<td>$117.3</td>
<td>$65.8</td>
<td>$91.6</td>
</tr>
</tbody>
</table>

Unlevered Free Cash Flow

**EBITDA Multiple Method**

<table>
<thead>
<tr>
<th>Terminal Year EBITDA</th>
<th>$6,978.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>WACC</td>
<td>10.07%</td>
</tr>
<tr>
<td>EV/EBITDA Exit Multiple</td>
<td>20.5x</td>
</tr>
<tr>
<td>Implied Equity Value</td>
<td>$103,429.56</td>
</tr>
<tr>
<td>Diluted Shares Outstanding</td>
<td>242.1</td>
</tr>
<tr>
<td>Estimated Value per Share</td>
<td>$427.22</td>
</tr>
<tr>
<td>Current Price</td>
<td>424.15</td>
</tr>
<tr>
<td>Upside</td>
<td>0.72%</td>
</tr>
</tbody>
</table>

**Price Sensitivity Exit Multiple**

<table>
<thead>
<tr>
<th>WACC</th>
<th>25.0x</th>
<th>25.5x</th>
<th>26.0x</th>
<th>26.5x</th>
<th>27.0x</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1%</td>
<td>$530.08</td>
<td>$539.42</td>
<td>$548.76</td>
<td>$558.09</td>
<td>$567.43</td>
</tr>
<tr>
<td>9.6%</td>
<td>$518.67</td>
<td>$527.80</td>
<td>$536.93</td>
<td>$546.05</td>
<td>$555.18</td>
</tr>
<tr>
<td>10.1%</td>
<td>$507.57</td>
<td>$516.49</td>
<td>$525.41</td>
<td>$534.33</td>
<td>$543.25</td>
</tr>
<tr>
<td>10.6%</td>
<td>$496.76</td>
<td>$505.48</td>
<td>$514.20</td>
<td>$522.92</td>
<td>$531.64</td>
</tr>
<tr>
<td>11.1%</td>
<td>$486.23</td>
<td>$494.75</td>
<td>$503.28</td>
<td>$511.81</td>
<td>$520.33</td>
</tr>
</tbody>
</table>

SCHOOL OF BUSINESS INVESTMENT PROGRAM
<table>
<thead>
<tr>
<th>Scenario</th>
<th>Average Revenue Growth (%)</th>
<th>Exit Multiple</th>
<th>WACC (%)</th>
<th>Share Price ($)</th>
<th>Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Downside</strong></td>
<td>4.9%</td>
<td>25.5</td>
<td>10.4%</td>
<td>475.08</td>
<td>+11.7%</td>
</tr>
<tr>
<td><strong>Base</strong></td>
<td>6.4%</td>
<td>26</td>
<td>10.1%</td>
<td>525.41</td>
<td>+23.5%</td>
</tr>
<tr>
<td><strong>Upside</strong></td>
<td>7.4%</td>
<td>26</td>
<td>10.1%</td>
<td>549.98</td>
<td>+29.4%</td>
</tr>
</tbody>
</table>
S&P Global

BUY  Tgt Px: ≤ 427$
Appendix
Our ESG solutions include indices, data, news, analytics, Green Evaluations, and thought leadership

- Provider of ESG Indices since 1999
- TruCost Carbon Scorecard has been applied to all S&P Dow Jones Indices’ standard indices

- Green Evaluations
- Ratings incorporate ESG factors

- CRISIL Inclusix
- Corporate governance methodology

- ESG news, data and analytics
- Leading provider of governance, energy and asset-level data

- Global energy insights
- Leading provider of research and analytics in energy, carbon and renewables
CUSIP Global Services (CGS) business for $1.925b. Operates a database of 60 separate data elements which identifies over 50 million financial instruments worldwide.

Base Chemicals business for $295m. Oil Price Services, Coal, Metals and Mining, and PetroChem Wire operations for $1.15b.